



Richmond Office of the City Auditor

Office of the Inspector General

Fighting government waste, fraud and abuse

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Richmond City Auditor/Inspector General

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Mrs. Selena Cuffee-Glenn – Chief Administrative Officer
City of Richmond

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The Office of the Inspector General (OIG) has completed an investigation regarding six businesses reporting admissions taxes inappropriately. This report presents the results of that investigation.

Introduction:

The City of Richmond levies an admissions tax on fees charged to individuals attending various entertainment events. The businesses offering these events are required to collect admissions tax on the City's behalf. This means that these businesses have a fiduciary responsibility to hold funds belonging to the City and remit them to the City in a timely manner. Failure to report and pay this tax in a timely manner results in a penalty. In addition, interest accrues on outstanding balances in accordance with the City Code. Not paying the taxes due to the City may be viewed as misappropriating the City's funds and could be subject to criminal prosecution in addition to penalties.

Allegations:

The OIG received a complaint that various businesses and promoters failed to pay and report the full amount of admissions taxes they collected on behalf of the City of Richmond.

Legal & City Policy Requirements:

1. Under Virginia Code § 15.2-2511.2, the City Auditor is required to investigate all allegations of fraud, waste, and abuse. Also, City Code §2-214 requires the Office of the Inspector General to conduct investigations of alleged wrongdoing.
2. City Code § 26-435 states: "Statutory assessments for admissions, lodging and meals taxes: If any person shall fail or refuse to collect the taxes imposed by Articles V through VIII [as well as Articles IX] and XV of this chapter and to make within the times provided the required reports and remittances to the Collector, the Director shall proceed in such manner as deemed best to obtain the facts and information on which to base an estimate of the taxes due."
3. City Code § 26-705 states: "Any person violating or failing to comply with any of the sections of this article shall, upon conviction in General District Court, be punished as

provided for Class 1 misdemeanors. Each such violation or failure shall constitute a separate offense. Such conviction shall not relieve any such person from the payment, collection or remittance of such tax, penalties and interest, as provided in this article.”

Findings:

The investigator was provided information regarding six (6) different businesses that were delinquent in paying their admissions taxes to the City of Richmond. The six businesses identified, are listed below in alphabetical order:

- Charles Willis
- Hippodrome
- FaceJay, LLC
- Johnson Inc.
- The Military Retiree’s Club
- Vanquish

The investigator performed the following tasks:

- Researched relevant statutory provisions
- Conducted social media checks
- Researched State Corporation Commission records
- Subpoenaed appropriate records from third parties
- Conducted surveillance
- Analyzed admissions tax data
- Worked with the City of Richmond Tax Enforcement Unit
- Obtained the Finance Department’s audited and assessed admissions tax liabilities from the subject businesses

Results of the Investigation:

Using the available evidence and data, the investigator determined that, collectively, the subject businesses owe the City a total of \$784,165 in admissions taxes along with penalties and interest. The investigator requested assistance from the Richmond Tax Enforcement Unit to calculate the above total tax due from these businesses. Section 58.1-3 of the Code of Virginia makes it a misdemeanor to state a taxpayer’s name and tax amount together. Therefore, the amount owed by each vendor has not been specifically identified in this report.

Conclusion:

Based on these findings, the OIG concludes that the allegation was substantiated. The total tax due from these businesses was calculated **in excess of \$750,000 cumulatively over a five year period.** The OIG recommends that the Department of Finance pursue collection of these taxes, interest and penalties from the subject vendors. In addition, the OIG has referred this investigation to the Commonwealth’s Attorney for further review.

If you have any questions, please contact me at extension 5616.

OIG appreciates the assistance rendered by the City's Tax Enforcement Unit and the City Attorney's Office during this investigation.

Sincerely,

Umesh Dalal

Umesh Dalal, CPA, CIA, CIG
City Auditor/Inspector General

cc: City Council Members
City Audit Committee
Lenora Reid, DCAO, Finance and Administration