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Audit Report

**HOTEL TAX
DISTRIBUTION**

As of June 2011

**Office of the Controller
County of Northampton
Pennsylvania**



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April 24, 2012

Members of the Northampton County Council
John Stoffa, County Executive
County of Northampton, Pennsylvania

We have completed an audit of Hotel Tax Distributions to ArtsQuest and Lehigh Valley Public Telecommunications Corporation as of June 2011.

Our audit disclosed no reportable audit concerns.

We acknowledge the cooperation and assistance we received from the Northampton County Department of Community and Economic Development (DCED) as well as personnel at ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39). Their help was essential to the performance of this audit.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Frank Sabol, Jr.
Staff Auditor

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INTRODUCTION

In 2000, the Pennsylvania General Assembly enacted legislation which authorized counties to impose a Hotel Room Rental Tax on non-permanent overnight lodging for the purpose of promoting local tourism. Northampton County Council, in turn, enacted Ordinance No. 359 in 2000 (amended by Ordinance No. 440 in 2005) which established guidelines for the collection of the tax as well as restrictions on the use of tax proceeds. The current tax distribution guidelines are:

- 68.75% to the Northampton County Regional Tourist Promotion Agency.
- 18.75% to be retained by Northampton County for further development of tourism facilities; community development initiatives, which will enhance regional tourism and
- 12.5% for future development of facilities and for marketing purposes within Northampton County to enhance regional tourism.

More recently, County Council also enacted Ordinance No. 484 on May 5, 2008 (effective June 4, 2008) which provided further guidance on the distribution of its 12.5% of tax revenues received. The intent of the Ordinance is to provide financial support for the planned development of land formerly owned by the Bethlehem Steel Corp., which is now a brownfields site. This portion of the tax is now distributed in its entirety to ArtsQuest and Lehigh Valley Public Telecommunications Corporation (50% each), until a total of \$1,000,000 each is reached.

As a condition of this grant the Ordinance requires that each of these entities “provide the Northampton County Council and the County Executive with a written annual report which shall include, but not necessarily be limited to, the revenues received from the Northampton County hotel tax, the manner in which those revenues were used, and a status report on the respective projects.”

In addition, the Ordinance stipulates that “the Controller shall annually audit the funds distributed to assure that they are committed and expended for the enhancement of regional tourism by the beneficiaries ArtsQuest and Lehigh Valley Public Telecommunications Corporation for the benefit of Northampton County.”

Also, in response to a recommendation in our audit as of June 2009, grant agreements were drafted by the County and signed by both grant recipients as a means to provide better guidance regarding the use of grant proceeds and the subsequent accounting and reporting.

PURPOSE AND SCOPE

This audit was performed to comply with the requirements of Ordinance No. 484.

The scope of the audit is from the date of our prior audit to the end of the subsequent reporting period of each entity. ArtsQuest reports on a calendar year basis and their annual report includes all tax revenues received from the period 1/1/10 to 12/31/10 (\$79,600). The fiscal year for Lehigh Valley Public Telecommunications Corporation, however, is from July 1 – June 30, and their annual report includes tax revenues received from the period 7/1/10 to 6/30/11 (\$85,500).

METHODOLOGY

Our methodology included reviewing the annual reports provided by ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) for claimed expenses and verifying the validity of these expenses through a review of invoices and disbursements.

Since the grant agreements were signed in January 2010, all aspects of their requirements were applicable to this audit. ArtsQuest's fiscal year ended on 12/31/10, and PBS-39's fiscal year ended 6/30/11. Where applicable, we reviewed for compliance with the grant agreements and Northampton County Council Ordinance #484.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) are in compliance with the broad requirements listed in Ordinance No. 484 and with the grant agreements which we found to be in agreement with Ordinance No. 484. Since both PBS 39 and ArtsQuest opened dedicated bank accounts for Northampton County grant activity in November 2010 the ability to track and verify deposits and payments has improved. Also, improvements were noted in the verification that spending is in compliance with the grant agreement.

No major audit findings were discovered during the testing of ArtsQuest or PBS-39. There were no material instances of noncompliance that came to our attention during testing.