



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

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Solicitor

**INDEPENDENT INTERNAL AUDITORS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the County of Northampton's Administration solely to assist you with evaluating the Hotel Room Rental Tax Remittances from License #111 The Bethlehem Inn for the period January 1, 2011 to December 31, 2012. Management is responsible for ensuring that Operators within Northampton County are collecting this tax from their guests and that Operators remit the tax they collect to the County. This Agreed-Upon Procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

1. **Procedure:** Determine if proper remittance forms are being used and postmarked by the 20th of each month.

Findings:

- This Operator remits hotel room rental taxes quarterly.
- In eight of eight quarters, the Operator was using the most current remittance forms.
- Lines were left blank on the remittance form.
 - In all quarters, the Operator did not fill out lines 1-4:
 - Number of Rooms
 - Days in Period
 - Capacity
 - Number of Rooms Occupied for Period.
 - In one of eight quarters, the Operator did not fill out line 8 (Tax Due from Taxable Revenues).
 - In eight of eight quarters, the Operator did not fill out line 10 (Actual Tax Collected).

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- In eight of eight quarters, the Operator did not fill out line 11 (Tax Due (Greater of Line 9 or 10)).
- In one of eight quarters, the Operator did not fill out line 13 (Total Due).
- In five of eight quarters, the remittance form was not postmarked by the 20th of the month.
 - In one of five quarters, a late penalty was never submitted. See Exhibit 1
 - In three of five quarters, late penalties were submitted before the following month's remittance form was due.
 - In one of five quarters, the late penalty was included with the month's remittance form.

2. **Procedure:** Determine if gross revenues, exempt revenues and taxes due as reported are accurate. (See Exhibit 1 for additional tax due the County including the calculation of interest.)

Findings:

- In seven of eight quarters, the remittance form could not be footed because there was a difference between Gross Revenue and Taxable Revenue without exemptions or an explanation and the Actual Tax Collected was incomplete. During testing, I/A discovered that the Operator was including Total Sales (Room revenue, 6% Sales Tax, and 4% Hotel Room Rental Tax) as "Gross Revenue" and then recording Room Revenue and Breakfasts as Taxable Revenue. The Operator recorded the correct Taxable Revenue and did not have any exemptions. No additional money is owed to the county as a result of this finding.
- In five of eight quarters, the taxable revenue calculated by the Internal Auditor was greater than the taxable revenue reported by the Operator to the County. The remaining three of eight quarters, the taxable revenue reported by the Operator to the County was greater than the taxable revenue calculated by the Internal Auditor.
 - In one of five quarters listed above, the Operator was missing two receipts from the receipt book where the gross revenue was calculated from. The Operator stated it appears that the receipt book got wet and these two receipts were damaged and had to be removed. It could not be determined if the receipts were completed for guest stays before they were damaged; therefore the Operator will not be charged.
- This Operator did not claim any exemptions for the audit period.

3. **Procedures:** Determine if interest is calculated accurately and assessed for delinquent payments.

Findings:

- In four of five quarters, the interest was accurately calculated and assessed for the delinquent payments noted in the findings for procedure 1.
- In one of five quarters, the interest was accurately calculated and assessed by the Revenue Manager in a delinquent payment notice but remains unpaid.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Hotel Room Rental Tax Remittances from License #111 – The

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Bethlehem Inn for the period January 1, 2011 to December 31, 2012. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.



Stephen J. Barron, Jr., CFE
County Controller



Stacy L. Duke
Staff Auditor

January 2, 2014

cc: D. Hamann, Acting Director of Fiscal Affairs
N. Poplawski, Revenue Manager
L. Sywensky, Community Development Administrator

COUNTY OF NORTHAMPTON
Hotel Room Rental Tax Remittances
License # 111 – The Bethlehem Inn
January 1, 2011 to December 31, 2012

Exhibit 1

Summary of Adjustments:

Greater of Actual Tax Collected or 4% Calculated Taxable Revenue	\$ 2,239.99
Less: Occupancy Tax Remitted	<u>\$ 2,173.97</u>
Additional Tax Owed	\$ 66.02
Interest @ 1.5% per month	\$ 54.47
Interest for Late Payment – March of 2011	<u>\$.80</u>
Amount Due – County of Northampton	<u><u>\$ 121.29</u></u>

Please send a check payable to the County of Northampton and a copy of this statement to:

County of Northampton
Revenue Division, Attn. Nancy Poplawski
669 Washington Street
Easton, PA 18042

If you have any questions, call Nancy Poplawski at 610-559-3116.

Hotel License # 111

The Bethlehem Inn

476 North New Street
Bethlehem, PA 18018

(610) 867-4985
Contact: Suzanne Virgilio