



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

FRANK S. KEDL, CIA
Audit Manager

PHONE (610) 829-6615
FAX (610) 559-3137

TIMOTHY P. BRENNAN, ESQ.
Solicitor

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

Members of the Northampton County Council
John A. 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 #102 – Comfort Suites University in Bethlehem for the period January 1, 2014 through December 31, 2015. 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 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 completed correctly.

Findings: We reviewed all 24 remittance forms submitted during the period and found:

- The hotel Operator used the most recent version of the remittance form for all monthly payments and all forms were filed on time with the County.
- On two occasions, the hotel Operator incorrectly added the amount of non-permanent exemptions understating the monthly totals both times.
- On six occasions in 2015, the hotel reduced the tax remitted for that month by the amount of tax collected and paid in previous months for permanent residents who did not reach permanent status until the month of remittance. The hotel remitted this lower tax amount instead of the greater of tax due or tax collected.

2. **Procedure:** Determine if taxable revenues, exempt revenues and taxes due as reported are accurate.

Findings: We reviewed all 24 remittance forms submitted during the period and found:

- In five months, taxable revenue per the Operator's financial records was greater than taxable revenue reported to the County.
- In three months, taxable revenue per the Operator's financial records was less than taxable revenue reported to the County and taxes remitted were less than the greater of tax due per the Operator's records or taxes collected.
- In addition to reducing the tax remitted for tax collected on permanent residents we confirmed that the hotel also took exemptions for these permanent residents in the same month that the tax remittance was reduced thereby doubling the effect of the lower tax payment.
- We reviewed a sample of 4 months of exemptions related to redemptions of Choice Rewards (62 of 187 exemptions) for complimentary rooms and verified the validity of these exemptions to the guest folio without any exceptions.
- Two exemptions were duplicates from prior months and were disallowed.
- Two exemptions lacked documentation and two had insufficient information on the exemption certificate indicating the exempt agency they represented.
- Two exemptions were for guests who worked for a local municipal agency which is not exempt from hotel occupancy tax.
- On 3 occasions the hotel understated the number of nights occupied for 3 permanent residents.

Based on the findings above, we determined that Comfort Suites University owes the County \$1,345.39 in unpaid hotel room rental taxes and interest. See Exhibit 1 for additional tax due the County including the calculation of interest.

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 #102 Comfort Suites University for the period 1/1/2014 to 12/31/2015. 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.

INDEPENDENT INTERNAL AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
Hotel Room Rental Tax Remittances – License #102
Comfort Suites University-Bethlehem
January 1, 2014 to December 31, 2015
Page 3 of 4

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

October 12, 2016



Gary Krall, CMA
Staff Auditor

cc: J. Hunter, Director of Fiscal Affairs
N. Poplawski, Revenue Manager
T. Herrlinger, Interim Director of Department Community and Economic Development
K. Collis, Community and Economic Development Specialist

COUNTY OF NORTHAMPTON
 Hotel Room Rental Tax Remittances
 License #102 Comfort Suites University-Bethlehem
 January 1, 2014 to December 31, 2015

Exhibit 1

<u>Date</u>	<u>Tax Remitted</u>	<u>Tax Calculated</u>	<u>Over/(Under) Payment</u>	<u>Interest</u>	<u>Amount Due to Northampton County</u>
May 2014	8,742.99	8,744.04	(1.05)	(0.44)	(1.49)
March 2015	7,631.91	8,001.11	(369.20)	(99.68)	(468.88)
April 2015	9,582.42	9,646.48	(64.06)	(16.34)	(80.40)
May 2015	10,567.72	10,883.78	(316.06)	(75.85)	(391.91)
June 2015	10,567.69	10,774.70	(207.01)	(46.58)	(253.59)
September 2015	9,365.64	9,410.77	(45.13)	(8.12)	(53.25)
October 2015	11,976.73	12,033.69	(56.96)	(9.40)	(66.36)
December 2015	6,985.17	7,011.17	(26.00)	(3.51)	(29.51)
Subtotal	\$75,420.27	\$76,505.74	(\$1,085.47)	(\$259.92)	(\$1,345.39)
Total Due					(\$1,345.39)

Please send a check payable to the County of Northampton in the amount of \$1,345.39 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 610-829-6187.

Hotel License # 102

Comfort Suites University
 120 W. Third St.
 Bethlehem, PA 18015

610-882-9700
 Contact: Alis Bajan