

County Controller

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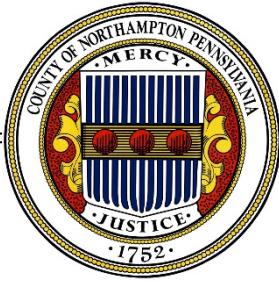
Agreed-Upon Procedures
Report

**HOTEL ROOM
RENTAL TAX**

**EXTENDED STAY
AMERICA**

For the Period
January 1, 2019 through
December 31, 2020

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



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
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Solicitor

**INDEPENDENT INTERNAL AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Northampton County Commissioners
Lamont G. McClure, Jr., 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 #123 Extended Stay America for the period January 1, 2019 to December 31, 2020. County 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. The sufficiency of these procedures is solely the responsibility of the parties specified in this report, who have acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

Procedures and Findings

1. Procedure:

- Obtain two years of tax remittances from the County's Revenue Division. Inspect to determine whether the operator used the latest version of the remittance form and that the form was fully completed in a proper and accurate manner.
- As necessary, provide hotel management with a copy of the current Hotel Tax Rules and Regulations.

Findings: We inspected all remittance forms submitted during the audit period and found:

- The Operator correctly calculated the hotel room revenue tax amount each month based on room rental revenue reported on the remittances.

- The Operator failed to report the amount of tax collected on the remittance form every month. . We reconstructed the monthly amount of tax collected from financial transaction information provided by the hotel so that we could determine if the hotel paid the higher of tax due or tax collected each month. This exercise revealed that the hotel did not remit the higher of tax due or tax collected on five monthly remittances.
- The Operator was late submitting their monthly remittance reports in two of the 24 months. Revenue division waived the late payment penalty in both cases.
- The Operator used the latest version of the remittance report.
- The Operator submitted a list of permanent exemptions taken in all 24 months.

2. **Procedure:** Interview hotel management to gain an understanding of the Operator's accounting process.

Findings: We obtained an understanding of the Operator's accounting process sufficient to evaluate the accuracy of remittances to the County.

3. **Procedure:** Inspect the Operator's financial reports to verify the accuracy of Remittance Reports and compliance with Rules and Regulations.

Findings: We recalculated all remittance forms submitted during the period, inspected exemption documentation, and found:

- The hotel underreported taxable room revenue when compared to their financials in seven months in 2019 totaling \$6,337. In 2020, the hotel underreported taxable room revenue when compared to their financials in nine months totaling \$7,417.
- The hotel overstated room revenue by \$4,471.56 when compared to their financials in six months during 2019 & 2020.

4. **Procedure:** Investigate the validity of claimed permanent exemptions by testing a sample not to exceed 50.

Findings: All of the exemptions taken by the hotel are for permanent residents. When compared to the hotel's exemption records, we found in our sample of 50 exemptions that the hotel understated permanent exemptions by \$118 in 2019 and by \$382 in 2020. In 2020, we found that the hotel overstated exemptions by \$4,381. For example, one exemption of \$1,200 for a single guest was duplicated in March 2020. Another exemption taken for a guest over twelve months in 2020 was overstated by \$1,192.

5. **Procedure:** Calculate any additional tax owed or refund due to the Operator. (Underpayment or overpayment of hotel tax by operators of \$5 or less determined during the audits are considered immaterial and will not be collected from nor paid to hotel Operators.)

Findings: We determined that License #123 Extended Stay America owes Northampton County \$1,598.06 in additional taxes and penalty interest. See Exhibit 1 for a detailed breakdown of the additional tax due from the hotel.

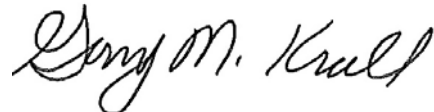
We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively,

INDEPENDENT INTERNAL AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
Hotel Room Rental Tax Remittances – License #123 Extended Stay America
January 1, 2019 – December 31, 2020
Page 3

on Hotel Room Rental Tax Remittances from License #123 Extended Stay America for the period January 1, 2019 to December 31, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We are required to be independent of the responsible party and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to the agreed-upon procedures engagement.



Richard J. Szulborski
County of Northampton Controller
Easton, Pennsylvania



Gary M. Krall, CMA
Lead Auditor

January 18, 2022

cc: S. Barron, Director of Fiscal Affairs
N. Poplawski, Revenue Manager
T. Smith, Director of Department of Community and Economic Development
K. Collis, Community and Economic Development Specialist
M. Pantone, Sr. Tax Accountant, ESA Management

COUNTY OF NORTHAMPTON
Hotel Room Rental Tax Remittances
License #123 Extended Stay America
January 1, 2019 – December 31, 2020

Exhibit 1

	<u>Tax Remitted</u>	<u>Tax Calculated</u>	<u>Over/(Under) Payment</u>	<u>Interest</u>	<u>Amount Due to County</u>
January 2019	3,199.59	3,187.43	12.16	0.00	12.16
February 2019	2,516.32	2,535.60	(19.28)	(9.83)	(29.11)
March 2019	3,581.05	3,589.91	(8.86)	(4.39)	(13.25)
April 2019	4,257.67	4,345.70	(88.03)	(42.25)	(130.28)
May 2019	4,958.40	5,035.39	(76.99)	(35.80)	(112.79)
June 2019	4,363.16	4,349.09	14.07	0.00	14.07
July 2019	3,859.43	4,149.16	(289.73)	(126.03)	(415.76)
September 2019	5,108.38	5,128.38	(20.00)	(8.10)	(28.10)
October 2019	4,116.61	4,151.75	(35.14)	(13.70)	(48.84)
Subtotal 2019	\$35,960.61	\$36,472.41	(\$511.80)	(\$240.10)	(\$751.90)
January 2020	2,884.02	2,963.15	(79.13)	(27.30)	(106.43)
February 2020	3,059.78	3,220.14	(160.36)	(52.92)	(213.28)
March 2020	2,572.64	2,670.60	(97.96)	(30.86)	(128.82)
April 2020	1,561.98	1,642.10	(80.12)	(24.04)	(104.16)
May 2020	2,809.92	2,667.51	142.41	0.00	142.41
July 2020	4,297.44	4,319.68	(22.24)	(5.67)	(27.91)
August 2020	4,224.09	4,247.27	(23.18)	(5.56)	(28.74)
September 2020	2,498.48	2,517.88	(19.40)	(4.37)	(23.77)
October 2020	4,014.76	4,041.73	(26.97)	(5.66)	(32.63)
November 2020	4,231.16	4,477.32	(246.16)	(48.00)	(294.16)
December 2020	3,445.39	3,469.69	(24.30)	(4.37)	(28.67)
Subtotal 2020	\$35,599.66	\$36,237.07	(\$637.41)	(\$208.75)	(\$846.16)
Grand Total	\$71,560.27	\$72,709.48	(\$1,149.21)	(\$448.85)	(\$1,598.06)
Total Due					<u>(\$1,598.06)</u>

Please send a check payable to the County of Northampton in the amount of \$1,598.06 and a copy of this statement to:

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

COUNTY OF NORTHAMPTON
Hotel Room Rental Tax Remittances
License #123 Extended Stay America
January 1, 2019 – December 31, 2020

Exhibit 1

If you have any questions, call Nancy Poplawski at 610-829-6187.

Hotel License #123

Extended Stay America
3050 Schoenersville Rd.
Bethlehem, PA 18017

Contact:

Matt Pantone, Sr. Tax Accountant