

STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

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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 #135 – Grand Eastonian Hotel and Suites in Easton 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- The hotel Operator used an outdated version of the remittance form from January through August 2014.
- All remittances were filed on time with the County and no delinquent notices were issued.
- While checking the accuracy of taxes due on the remittance forms we found that the Operator understated the amount of permanent exemptions in 8 months due to an error in the formula on the exemption worksheet. This caused an overstatement of taxable revenue of \$20,650 and higher occupancy tax of \$826.
- The Operator understated gross revenue in July 2014 by \$4,353 carrying over the June gross revenue in error.

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 12 months, taxable revenue per the Operator's financial records was greater than taxable revenue reported to the County.
- In six months, taxable revenue per the Operator's financial records was less than taxable revenue reported to the County and taxes remitted were the greater of tax collected or tax due.
- In six months, taxable revenue per the Operator's financial records matched taxable revenue reported to the County and taxes remitted were the greater of tax collected or tax due.
- We reviewed a sample of 30 non-permanent exemptions. Of the 30 non-permanent exemptions reviewed:
 - ◆ Two exemptions were from ineligible non-profit organizations.
 - ◆ Fourteen exemptions lacked Pa tax exemption forms and state agency ID.
 - ◆ Six exemptions were for municipal fire department chiefs.
 - ◆ Two exemptions were overlooked by the hotel Operator.
- 26 other non-permanent exemptions for guests from non-exempt colleges and non-profit organizations were also denied.
- A sample of 25 permanent resident exemptions for long term guests was selected at random and reviewed. We found that:
 - ◆ The hotel overstated the number of nights rented or overstated the room rental rate for 6 permanent residents.
 - ◆ The Operator also took exemptions for 4 guests who did not stay 30 days.


Based on the findings above, we determined that the Grand Eastonian is eligible for a credit of \$56.11 from the County on a future tax remittance. See Exhibit 1 for tax refundable to the Grand Eastonian.

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 #135 Grand Eastonian Hotel in Easton 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.

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



Gary Krall, CMA
Staff Auditor

November 9, 2016

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 #135 Grand Eastonian-Easton
 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 Hotel</u>
January 2014	\$1,957.85	\$1,989.71	(\$31.86)	(\$15.77)	(\$47.63)
April 2014	\$2,477.46	\$2,414.55	\$62.91	\$0.00	\$62.91
May 2014	\$2,640.81	\$2,465.16	\$175.65	\$0.00	\$175.65
July 2014	\$2,635.58	\$2,709.88	(\$74.30)	(\$30.09)	(\$104.39)
August 2014	\$3,165.45	\$3,172.23	(\$6.78)	(\$2.64)	(\$9.42)
September 2014	\$2,791.94	\$2,795.42	(\$3.48)	(\$1.31)	(\$4.79)
November 2014	\$2,728.69	\$2,684.69	\$44.00	\$0.00	\$44.00
January 2015	\$2,418.81	\$2,447.61	(\$28.80)	(\$9.07)	(\$37.87)
February 2015	\$2,351.26	\$2,358.30	(\$7.04)	(\$2.11)	(\$9.15)
April 2015	\$3,009.00	\$2,953.53	\$55.47	\$0.00	\$55.47
May 2015	\$3,335.16	\$3,146.79	\$188.37	\$0.00	\$188.37
June 2015	\$3,589.67	\$3,477.73	\$111.94	\$0.00	\$111.94
July 2015	\$3,219.79	\$3,223.31	(\$3.52)	(\$0.79)	(\$4.31)
August 2015	\$3,689.73	\$3,697.25	(\$7.52)	(\$1.58)	(\$9.10)
September 2015	\$2,820.83	\$2,837.43	(\$16.60)	(\$3.24)	(\$19.84)
October 2015	\$3,541.57	\$3,567.74	(\$26.17)	(\$4.71)	(\$30.88)
November 2015	\$2,778.30	\$2,909.66	(\$131.36)	(\$21.67)	(\$153.03)
December 2015	\$3,333.98	\$3,466.00	(\$132.02)	(\$19.80)	(\$151.82)
Grand Total Due Hotel	\$52,485.88	\$52,316.99	\$168.89	(\$112.78)	\$56.11

Please deduct \$56.11 from your next Hotel Room Rental Tax remittance and remit, along with a copy of this letter, 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 # 138

The Grand Eastonian Hotel-Easton
 140 Northampton St.
 Easton, PA 18042

610-258-6350
 Contact: George Blum