

County Controller

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Agreed-Upon Procedures
Report

**HOTEL ROOM
RENTAL TAX**

**THE LAFAYETTE INN
LICENSE #106**

For the Period January 1, 2021
to December 31, 2022

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



SCOTT PARSONS

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
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ROBERT A. NITCHKEY, JR., ESQ.
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 #106 The Lafayette Inn for the period January 1, 2021 to December 31, 2022. 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 current owner acquired this inn in July 2021. The prior Operator did not leave any financial reports for the period 1/1/2021 to 7/25/2021. Therefore, we did not include the period prior to 7/26/2021 in our analysis.
- For the month of July 2021, the County received two remittance forms; one for the period 7/1/2021 to 7/25/2023 which was received from the prior owner and one for the period 7/26/2021 to 7/31/2021 from the current owner. Therefore, the total remittances for 2021 and 2022 is 25 remittance forms.
- We tested 18 of 25 remittances submitted covering the period 7/26/2021 to 12/31/2022 and found that the operator used the latest version of the County's remittance report.
- Most remittances were received in a timely manner with the exception of January 2022. This remittance was received late and the County imposed a late fee of \$20.10. Also, the county's remittance form was not submitted at all for October, 2021.
- The hotel did not remit the higher of the tax collected verses tax due in 1 of 18 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, and found:

- It appears that the operator's accounting system is not sufficient or reliable enough to provide accurate 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 18 remittance forms submitted during the period 7/26/2021 to 12/31/2022, inspected the documentation provided by the Operator, and found:

- As a result of the insufficient accounting records available for our review, we used alternate procedures to perform our analysis regarding overpayments and underpayments of taxes to the County. For the period 7/26/2021 to 12/31/2022, the operator provided to us a list of monthly taxes paid and actual taxes collected which we used to calculate the monthly revenue. See Exhibit 1 for the results of this analysis. In October 2021, the Operator failed to submit a remittance form and the taxes associated with that month.

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

Findings: Three of three exemptions were tested. In July 2021, an exemption was disallowed because the prior owner had already claimed the amount on the remittance submitted before the transfer of ownership. Also, exemptions for August and September were overstated resulting in underpayments (See Exhibit 1).

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.)

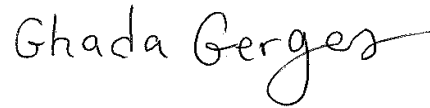
Findings: We determined that License #106 The Lafayette Inn owes Northampton County

\$2,790.82 in hotel room taxes. 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, on Hotel Room Rental Tax Remittances from License #106 The Lafayette Inn for the period January 1, 2021 to December 31, 2022. 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.



Scott Parsons
County of Northampton Controller
Easton, Pennsylvania



Ghada Gerges
Auditor II

July 24, 2023

cc: S. Barron, Director of Fiscal Affairs
A. Morris, Revenue Manager
T. Smith, Director of Department of Community and Economic Development
K. Collis, Community and Economic Development Specialist
S. Andrews, Hotel Owner

COUNTY OF NORTHAMPTON
 Hotel Room Rental Tax Remittances
 License #106 The Lafayette Inn
 January 1, 2021 – December 31, 2022

Exhibit 1

	<u>Tax Remitted</u>	<u>Tax Calculated</u>	<u>Over/(Under) Payment</u>	<u>Interest</u>	<u>Amount Due to County</u>
July 26-31, 2021	316.04	329.99	(13.95)	(5.02)	(18.97)
August 2021	2,080.03	2,138.48	(58.45)	(20.17)	(78.62)
September 2021	1,837.30	1,842.33	(5.03)	(1.66)	(6.69)
October 2021	0.00	2,035.91	(2,035.91)	(641.31)	(2,677.22)
December 2021	1,674.19	1,655.05	19.14	0.00	19.14
Subtotal 2021	<u>\$5,907.56</u>	<u>\$8,001.76</u>	<u>(\$2,094.20)</u>	<u>(\$668.16)</u>	<u>(\$2,762.36)</u>
May 2022	1,868.30	1,891.82	(23.52)	(4.94)	(28.46)
Subtotal (2022)	<u>\$1,868.30</u>	<u>\$1,891.82</u>	<u>(\$23.52)</u>	<u>(\$4.94)</u>	<u>(\$28.46)</u>
Grand Total	<u>\$7,775.86</u>	<u>\$9,893.58</u>	<u>(\$2,117.72)</u>	<u>(\$673.10)</u>	<u>(\$2,790.82)</u>
Total Due					<u>(\$2,790.82)</u>

COUNTY OF NORTHAMPTON
Hotel Room Rental Tax Remittances
License #106 The Lafayette Inn
January 1, 2021 – December 31, 2022

Exhibit 1

Please send a check payable to the County of Northampton in the amount of \$4,336.46 and a copy of this statement to:

County of Northampton
Revenue Division, Attn. Anthony Morris
669 Washington Street
Easton, PA 18042

If you have any questions, call Anthony Morris, Revenue Manager at 610-829-6137.

Hotel License #106

The Lafayette Inn
525 West Monroe Street
Easton, PA 18042

Contact:

Steele Andrews, Hotel Owner