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Agreed-Upon Procedures
Report

**HOTEL ROOM
RENTAL TAX**

**CHELSEA SUN INN
MT. BETHEL**

For the Period January 1, 2018 to
December 31, 2019

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



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

Members of the Northampton County Council
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 #143 Chelsea Sun Inn for the period January 1, 2018 to December 31, 2019. 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 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:

- Obtain two years of tax remittances from the County's Revenue Division. Inspect to determine whether the operator is using 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 County did not receive a hotel tax remittance payment for September 2018 from the hotel. We were unable to locate the September 2018 remittance form or any proof of payment in Revenue Division's records.
- The Operator is using the latest version of the remittance form.
- The hotel paid and submitted remittances late in 18 of the 24 months from July 2018 through December 2019.

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: The hotel operator did not provide complete, detailed financial statements showing a breakdown of revenue for us to examine. We attempted to reconstruct hotel room revenue using daily reservation records obtained from the accountant that prepares the monthly remittances. We reviewed 23 months of hotel reservation records and found:

- In three months of 2019, the total of daily room reservation detail exceeded room revenue reported on the remittance form by a total of \$6,704. We did not note any specific notes or calculations reconciling the differences.
- In May 2019, the accountant excluded \$9,026 of reservations identified as "wedding guests" from taxable revenue without any explanation of the basis for distinguishing between room rental and charges for "wedding" revenue.
- In four other months, there is no explanation provided for the basis of allocating daily charges between room revenue and "wedding" related charges. Significant amounts of daily revenue were counted as "wedding" charges and were excluded as room rental revenue without any clear indication of the basis of this split.
- The hotel's accountant did not provide any reservation information for December 2019 preventing any review of taxable revenue reported in that month. According to the County of Northampton Hotel Room Rental Tax Rules and Regulations:
"In any case where an Operator fails to maintain adequate records as required under these Rules and Regulations, any Room for which there is not adequate records shall be deemed to be occupied for the entire period for which the supporting records are lacking."

The Chelsea Sun Inn has six rooms available. Using the lowest room rate advertised, if all rooms were rented in December 2019, \$16,554 in room revenue would have been generated. Therefore, at full occupancy, the Operator would owe \$662 in Hotel Taxes using a rate of 4%. This is \$198 more than what was remitted to the County (\$464) for December 2019.

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

Findings: The hotel did not include any exemptions in its 2018 and 2019 remittances.

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 #143 Chelsea Sun Inn owes Northampton County \$4,601.39 in hotel room taxes and penalties. See Exhibit 1 for a detailed breakdown of the additional tax due from the hotel. As noted in Procedure 3 above, we included in taxable revenue amounts identified as "wedding" on the Operator's records since the records provided to us were not detailed enough to accurately identify occupancy revenue. In

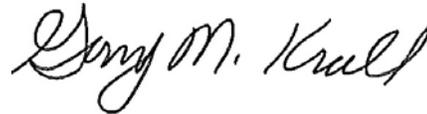
addition, the failure of the Operator to provide us with any records supporting December 2019 room revenue resulted in our assumption of full occupancy for that month, in accordance with the Rules and Regulations. If the Operator disputes the amount we determined is owed in taxes and penalties, and can provide more accurate records detailing occupancy revenue, he should contact the County Solicitor's Office at 610-829-6350.

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 #143 Chelsea Sun Inn for the period January 1, 2018 to December 31, 2019. 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.

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.



Tony E. Bassil
County of Northampton Controller
Easton, Pennsylvania



Gary M. Krall, CMA
Lead Auditor

January 12, 2021

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. Rudas, County Solicitor
J. Howard, Manager, Chelsea Sun Inn – Mt. Bethel
C. Solutruk, Accountant, W Carney & Co

COUNTY OF NORTHAMPTON
 Hotel Room Rental Tax Remittances
 License #143 Chelsea Sun Inn – Mt. Bethel
 January 1, 2018 – December 31, 2019

Exhibit 1

	<u>Tax Remitted</u>	<u>Tax Calculated</u>	<u>Over/(Under) Payment</u>	<u>Interest</u>	<u>Amount Due to County</u>
September 2018	0.00	832.12	(832.12)	(324.53)	(1,156.65)
October 2018	628.02	629.04	(1.02)	(0.38)	(1.40)
Subtotal 2018	\$628.02	\$1,461.16	(\$833.14)	(\$324.91)	(\$1,158.05)
March 2019	393.49	577.91	(184.42)	(55.33)	(239.75)
April 2019	764.76	777.12	(12.36)	(3.52)	(15.88)
May 2019	478.19	839.23	(361.04)	(97.48)	(458.52)
June 2019	442.40	501.40	(59.00)	(15.05)	(74.05)
August 2019	839.61	1,631.30	(791.69)	(178.13)	(969.82)
September 2019	813.85	1,231.52	(417.67)	(87.71)	(505.38)
October 2019	619.34	1,343.51	(724.17)	(141.21)	(865.38)
November 2019	340.21	411.55	(71.34)	(12.84)	(84.18)
December 2019	464.41	662.16	(197.75)	(32.63)	(230.38)
Subtotal 2019	\$5,156.26	\$7,975.70	(\$2,819.44)	(\$623.90)	(\$3,443.34)
Grand Total	\$5,784.28	\$9,436.86	(\$3,652.58)	(\$948.81)	(\$4,601.39)

Please send a check payable to the County of Northampton in the amount of \$4,601.39 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 #143

Chelsea Sun Inn
 487 Stone Church Dr.
 Mt. Bethel, PA 18349

Contact:

James Howard, Hotel Manager