



County Controller

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Agreed-Upon Procedures
Report

**HOTEL ROOM
RENTAL TAX**

**EXTENDED STAY
AMERICA BETHLEHEM
LICENSE #123**

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

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



SCOTT PARSONS

CONTROLLER OF NORTHAMPTON COUNTY

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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 Hotel 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 that the operator used the latest version of the County's remittance report.

The following issues were noted regarding the completion of the reports:

- The operator failed to complete the “Actual Tax Collected” line in the remittance form in 24 of 24 months tested.
- In months where there were non-permanent resident exemptions, the exempted revenue was improperly reported with permanent revenue exemptions.
- The operator is not using the required County forms for reporting exemptions. The forms submitted are similar to the County forms but they list check in and check out dates for permanent residents rather than actual exempted dates, and for non-permanent residents the organization the resident represents is omitted altogether.
- In July 2022 the operator failed to submit any exemption detail forms.

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 calculated all remittance forms submitted during the period and compared revenue on their financial statements to the remittance forms and found:

- Per reports submitted by the operator, the hotel did not remit the higher of the tax collected verses tax due in 19 of 24 months.
- Most remittances were received in a timely manner with the exception of July 2022. This remittance was received late and the County imposed a late fee of \$120.60.
- The hotel underreported taxable room revenue in certain months by failing to report as taxable revenue certain taxable fees in 2021 and 2022.

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

Findings: The Operator was missing an exemption certificate in one instance for a non-permanent resident, therefore the exemption was found to be invalid.

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.) In addition, we found that the operator in most cases is not refunding the first month of taxes charged to permanent residents, as is required under the Rules.

Findings: We determined that License #123 Extended Stay America Hotel owes Northampton County \$8,568.85 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 #123 Extended Stay America Hotel for the period of 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



Altynay Kanatbekoff CFE, MPA
Auditor II

July 27, 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
M. Pantone, Senior Tax Accountant
R. Cristali, General Manager

COUNTY OF NORTHAMPTON
Hotel Room Rental Tax Remittances
License #123 Extended Stay America
January 1, 2021 – December 31, 2022

Exhibit 1

| | <u>Tax</u> <u>Remitted</u> | <u>Tax</u> <u>Calculated</u> | <u>Over/(Under)</u> <u>Payment</u> | <u>Interest</u> | <u>Amount</u> <u>Due</u> <u>to County</u> |
|----------------------|-------------------------------|---------------------------------|---------------------------------------|---------------------|---|
| January 2021 | 4,208.56 | 4,633.11 | (424.55) | (178.31) | (602.86) |
| February 2021 | 4,166.12 | 4,402.25 | (236.13) | (95.63) | (331.76) |
| March 2021 | 3,137.60 | 3,303.04 | (165.44) | (64.52) | (229.96) |
| April 2021 | 2,999.45 | 3,271.82 | (272.37) | (102.14) | (374.51) |
| May 2021 | 1,454.21 | 1,891.50 | (437.29) | (157.42) | (594.71) |
| June 2021 | 2,855.22 | 3,064.73 | (209.51) | (72.28) | (281.79) |
| July 2021 | 4,072.91 | 4,267.19 | (194.28) | (64.11) | (258.39) |
| August 2021 | 4,616.28 | 4,908.50 | (292.22) | (92.05) | (384.27) |
| September 2021 | 4,250.75 | 4,621.75 | (371.00) | (111.30) | (482.30) |
| October 2021 | 4,622.17 | 5,315.35 | (693.18) | (197.56) | (890.74) |
| November 2021 | 3,698.10 | 3,932.20 | (234.10) | (63.21) | (297.31) |
| December 2021 | 3,475.00 | 3,966.92 | (491.92) | (125.44) | (617.36) |
| Subtotal 2021 | \$43,556.37 | \$47,578.36 | (\$4,021.99) | (\$1,323.97) | (\$5,345.96) |
| January 2022 | 3,005.07 | 3,234.34 | (229.27) | (55.02) | (284.29) |
| February 2022 | 1,992.16 | 2,352.41 | (360.25) | (81.06) | (441.31) |
| March 2022 | 3,442.39 | 3,497.35 | (54.96) | (11.54) | (66.50) |
| April 2022 | 3,781.76 | 4,019.87 | (238.11) | (46.43) | (284.54) |
| May 2022 | 3,531.12 | 3,626.60 | (95.48) | (17.19) | (112.67) |
| June 2022 | 4,146.46 | 4,400.96 | (254.50) | (41.99) | (296.49) |
| July 2022 | 4,019.85 | 4,345.33 | (325.48) | (48.82) | (374.30) |
| August 2022 | 5,200.88 | 5,457.81 | (256.93) | (34.69) | (291.62) |
| September 2022 | 3,301.99 | 3,479.51 | (177.52) | (21.30) | (198.82) |
| October 2022 | 3,771.54 | 4,008.91 | (237.37) | (24.92) | (262.29) |
| November 2022 | 2,602.94 | 2,969.80 | (366.86) | (33.02) | (399.88) |
| December 2022 | 4,446.32 | 4,641.84 | (195.52) | (14.66) | (210.18) |
| Subtotal 2022 | \$43,242.48 | \$46,034.73 | (\$2,792.25) | (\$430.64) | (\$3,222.89) |
| Grand Total | \$86,798.85 | \$93,613.09 | (\$6,814.24) | (\$1,754.61) | (\$8,568.85) |
| Total Due | | | | | <u>(\$8,568.85)</u> |

COUNTY OF NORTHAMPTON
Hotel Room Rental Tax Remittances
License #123 Extended Stay America
January 1, 2021 – December 31, 2022

Please send a check payable to the County of Northampton in the amount of \$8,568.85 and a copy of this statement to:

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

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

Hotel License #123

Extended Stay America #123
3050 Shoenersville Rd
Bethlehem, PA 18017

Contact:

Matt Pantone, Senior Tax Accountant