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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 procedure enumerated below, which was agreed to by the County of Northampton's Administration solely to assist you with evaluating the Hotel Room Rental Tax Remittances from the following hotels which reported less than \$8,000 annually in hotel tax for the period January 1, 2016 to December 31, 2017. We did not perform onsite audits of these hotels.

- Kirkridge Inn – Lic. #139
- Chelsea Sun Inn – Lic. #143
- Riverton Hotel – Lic. #145
- Hampton Hotel – Lic. #146
- Rustic Dreams B&B – Lic. #150
- Hanover Eatery – Lic. #151

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 this procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

Procedure and Finding

- 1. Procedure:** Determine if hotel tax revenue reported to the Controller's Office by the hotel operators is comparable to the tax remitted to the County.

Findings: We collected, summarized and calculated tax for all 24 months of remittances submitted for the 2016/2017 period. The summarized remittance information for each year was compared to the verification forms requested from the hotel operators and we found:

- The Revenue Division never received payment from the Chelsea Sun Inn for the April 2017 tax. Tax due for April 2017 was \$544.97. Penalty interest of \$163.49 for lack of payment results in a total of \$708.46 due to the County. Their accountant filed amended remittances for 2017 correcting an error which had no impact on tax due.

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Hotel Room Rental Tax Remittances – Non-Site Visit Hotels
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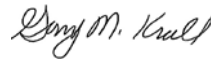
- In two months, the Riverton Hotel claimed invalid exemptions resulting in additional tax and interest due to the County for \$55.54.
- The accountant for the Hampton Hotel failed to return the verification form after numerous requests were made.
- The verification form returned by the Rustic Dreams B&B differed slightly from the remittance forms but the operator paid the greater of tax due or tax collected each year.
- The verification form returned by the Hanover Eatery agreed to the remittance forms submitted to the County indicating revenue and taxes appear to be reasonably stated.
- The verification form returned by the Kirkridge Inn agreed to the remittance forms submitted to the County indicating revenue and taxes appear to be reasonably stated.

We conducted this agreed-upon procedure 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 these hotels for the period January 1, 2016 to December 31, 2017. 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.



Richard J. Szulborski
County Controller



Gary M. Krall, CMA
Lead Auditor

January 22, 2019

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