Agreed-Upon Procedures Report

HOTEL ROOM RENTAL TAX

QUALITY INN EASTON

For the Period January 1, 2017 through December 31, 2018

Office of the Controller
County of Northampton
Pennsylvania
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 #108, Quality Inn Easton, for the period January 1, 2017 to December 31, 2018. 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: Determine if taxable revenues, exempt revenues, and taxes due as reported are accurate.
   • Where the population of exemptions claimed by a hotel is 200 or more in the period being reviewed, a sample of exemptions not to exceed 50 per hotel will be tested.
   • Underpayment or overpayment of hotel tax by operators of $5 or less determined during audits will be considered immaterial and will not be collected from nor paid to hotel operators.

Findings: We recalculated all remittance forms submitted during the period, inspected exemption documentation, and found:
   • The hotel understated room revenue on the remittance form in five separate months. They failed to include taxable charges for pet fees, no-show fees and charges for extra beds in a room which totaled $434 in 2017 and 2018.
   • In four months, taxable revenue per the Operator’s financial records was greater than taxable revenue reported to the County due to invalid and undocumented exemptions.
   • A review of the 47 exemptions in the sample revealed the following findings:
     ▪ All 24 exemptions for guest rewards program redemptions were validated by examining individual guest folios maintained by the hotel.
In 2017, four exemptions taken were from a non-exempt organization and one exemption had no supporting documentation. The hotel omitted one valid exemption.

In 2018, five exemptions taken were from a non-exempt organization and one exemption had incomplete supporting documentation.

2. Procedure: 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.

Findings: We inspected all remittance forms submitted during the audit period and found:

- We reviewed 24 months of remittance forms filed for 2017 and 2018 and all calculations of tax due were correct. However, in January 2017, the hotel did not submit the greater of tax collected or tax due.
- The hotel used an outdated version of the remittance form for all remittances.
- The hotel paid and submitted remittances by the 20th of the month for all months except January 2017. The hotel was not charged a penalty as the remittance was only one day late.

Based on the findings above, we determined that the Quality Inn Easton owes Northampton County $132.45 in hotel room taxes. See Exhibit 1 for 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 #108 Quality Inn Easton for the period January 1, 2017 to December 31, 2018. 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     Gary Krall, CMA
County of Northampton Controller    Lead Auditor
Easton, Pennsylvania

December 20, 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
    A. Diaz, Manager, Quality Inn Easton
Hello 1

<table>
<thead>
<tr>
<th>Month</th>
<th>Tax Remitted</th>
<th>Tax Calculated</th>
<th>Over/(Under) Payment</th>
<th>Interest to County</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2017</td>
<td>2,580.38</td>
<td>2,580.94</td>
<td>(0.56)</td>
<td>(0.28)</td>
</tr>
<tr>
<td>April 2017</td>
<td>5,451.49</td>
<td>5,459.49</td>
<td>(8.00)</td>
<td>(3.60)</td>
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<tr>
<td>May 2017</td>
<td>4,966.38</td>
<td>4,968.75</td>
<td>(2.37)</td>
<td>(1.03)</td>
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<tr>
<td>June 2017</td>
<td>5,318.36</td>
<td>5,329.76</td>
<td>(11.40)</td>
<td>(4.79)</td>
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<tr>
<td>July 2017</td>
<td>5,200.67</td>
<td>5,203.47</td>
<td>(2.80)</td>
<td>(1.13)</td>
</tr>
<tr>
<td>September 2017</td>
<td>4,750.29</td>
<td>4,750.17</td>
<td>0.12</td>
<td>0.00</td>
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<tr>
<td>November 2017</td>
<td>4,252.58</td>
<td>4,271.79</td>
<td>(19.21)</td>
<td>(6.63)</td>
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<tr>
<td>December 2017</td>
<td>2,515.41</td>
<td>2,515.25</td>
<td>0.16</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Subtotal 2017</strong></td>
<td><strong>35,035.56</strong></td>
<td><strong>35,079.62</strong></td>
<td>(44.06)</td>
<td>(17.46)</td>
</tr>
</tbody>
</table>

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</tr>
</thead>
<tbody>
<tr>
<td>July 2018</td>
<td>6,224.04</td>
<td>6,272.96</td>
<td>(48.92)</td>
<td>(11.01)</td>
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<tr>
<td>August 2018</td>
<td>6,835.59</td>
<td>6,841.83</td>
<td>(6.24)</td>
<td>(1.31)</td>
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<td>December 2018</td>
<td>3,449.65</td>
<td>3,452.65</td>
<td>(3.00)</td>
<td>(0.45)</td>
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<tr>
<td><strong>Subtotal 2018</strong></td>
<td><strong>16,509.28</strong></td>
<td><strong>16,567.44</strong></td>
<td>(58.16)</td>
<td>(12.77)</td>
</tr>
</tbody>
</table>

| Grand Total    | $51,544.84   | $51,647.06     | ($102.22)            | ($30.23)           | ($132.45)          |

| Total Due      | ($132.45)    |                |                     |                    |                    |

Please send a check payable to the County of Northampton in the amount of $132.45 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 #108 Quality Inn Easton
2415 Nazareth Rd @ 25th St.
Easton, PA 18045

Contact: Aracelli Diaz, Hotel Manager