



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

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**INDEPENDENT INTERNAL AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Members of the Northampton County Council
John A. Brown, 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 # 119 Holiday Inn Express from 1/1/15 to 12/31/16. 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 proper remittance forms are being used and completed correctly.

Findings: Operator used the most recent version of remittance form for all 24 months reviewed.

2. Procedure: Determine that late payment penalties are assessed for delinquent payments and are collected in a timely fashion by the Revenue Division.

Findings: All 24 months of remittances were filed on time.

3. 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 will be tested.
- Underpayment or overpayment of hotel tax by operators of \$5 or less determined during the audit will be considered immaterial and will not be collected from or paid to the hotel operators.

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Hotel Room Rental Tax Remittances – License # 119 Holiday Inn Express-Easton

January 1, 2015 – December 31, 2016

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Findings:

- In 5 months, revenue per the Operator's financial records was greater than taxable revenue reported to the County due to invalid and undocumented exemptions.
- In 3 months, taxable revenue per the Operator's financial records was less than taxable revenue reported to the County, but actual taxes collected matched taxes remitted.
- In 1 month, taxable revenue per the hotel's financial records was less than taxable revenue reported to the County, and actual taxes collected were less than taxes remitted resulting in an overpayment by the Operator.
- We found that the operator understated one exemption for a permanent resident and omitted 6 valid exemptions.
- Review of the 38 unique exemptions also revealed the following findings:
 - ❖ Eight exemptions did not have any documentation.
 - ❖ Eighteen exemptions taken were for non-exempt religious or non-profit organizations.
 - ❖ Four exemptions taken did not have supporting exemption documentation but were validated online as IRS employees.
 - ❖ Six valid exemptions with supporting documentation were omitted by the operator.

Based on the findings above, we determined that the Holiday Inn Express owes the County \$365.19 for underpayment of hotel room rental taxes. See Exhibit 1 for additional tax due the County including the calculation of interest.

This Agreed-Upon Procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Hotel Room Rental Tax Remittances from License# 119 Holiday Inn Express for the period 1/1/15 to 12/31/16. Accordingly, we do not express such an opinion. 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.



Stephen J. Barron, Jr., CFE
County Controller



Gary Krall, CMA
Staff Auditor

September 15, 2017

cc: J. Hunter, Director of Fiscal Affairs
N. Poplawski, Revenue Manager
T. Herrlinger, Director of Department of Community and Economic Development
K. Collis, Community and Economic Development Specialist

COUNTY OF NORTHAMPTON
 Hotel Room Rental Tax Remittances
 License # 119 Holiday Inn Express
 January 1, 2015 – December 31, 2016

Exhibit 1

<u>Month</u>	<u>Tax Remitted</u>	<u>Tax Calculated</u>	<u>Over/Under Payment</u>	<u>Interest</u>	<u>Amount Due to Northampton County</u>
January 2015	\$4,824.36	\$4,827.02	(\$2.66)	(\$1.24)	(\$3.90)
February 2015	5,739.31	5,738.45	0.86	0.00	0.86
April 2015	7,637.47	7,685.85	(48.38)	(20.32)	(68.70)
April 2016	7,974.10	8,005.70	(31.60)	(7.58)	(39.18)
May 2016	8,945.27	9,145.88	(200.61)	(45.14)	(245.75)
September 2016	8,795.85	8,803.16	(7.31)	(1.21)	(8.52)
Subtotal	\$43,916.36	\$44,206.06	(\$289.70)	(\$75.49)	(\$365.19)
Total Due					(\$365.19)

Please send a check payable to the County of Northampton in the amount of \$365.19 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 # 119

Holiday Inn Express
 c/o HMB Management
 7540 Windsor Dr., Suite 206
 Allentown, PA 18195

Contact: Gene Weiss