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Audit Report

**HOTEL TAX  
DISTRIBUTION**

As of June 30, 2012

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



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April 18, 2013

Members of the Northampton County Council  
John Stoffa, County Executive  
County of Northampton, Pennsylvania

We have completed an audit of Hotel Tax Distributions to ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) as of June 30, 2012.

Our audit disclosed no reportable audit concerns.

We acknowledge the cooperation and assistance we received from the Northampton County Department of Community and Economic Development (NCD CED) as well as personnel at ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39). Their help was essential to the performance of this audit.

Very truly yours,

Stephen J. Barron, Jr., CFE  
County Controller

Kathleen A. Kuzma, MBA, CPA, CGMA  
Lead Auditor

# *Table of Contents*

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	<u>PAGE</u>
INTRODUCTION .....	2
PURPOSE AND SCOPE.....	3
METHODOLOGY .....	3
AUDIT RESULTS .....	4

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## INTRODUCTION

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In 2000, the Pennsylvania General Assembly enacted legislation which authorized counties to impose a Hotel Room Rental Tax on non-permanent overnight lodging for the purpose of promoting local tourism. Northampton County Council, in turn, enacted Ordinance No. 359 in 2000 (amended by Ordinance No. 440 in 2005) which established guidelines for the collection of the tax as well as restrictions on the use of tax proceeds. The current tax distribution guidelines are:

- 68.75% to the Northampton County Regional Tourist Promotion Agency.
- 18.75% to be retained by Northampton County for further development of tourism facilities; community development initiatives, which will enhance regional tourism.
- 12.5% for future development of facilities and for marketing purposes within Northampton County to enhance regional tourism.

More recently, County Council also enacted Ordinance No. 484 on May 5, 2008 (effective June 4, 2008) which provided further guidance on the distribution of its 12.5% of tax revenues received. The intent of the Ordinance is to provide financial support for the planned development of land formerly owned by the Bethlehem Steel Corp., which is now a brownfields site. This portion of the tax collected is now evenly distributed monthly in its entirety to ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) until such time as the sum of \$1,000,000 is distributed to each organization.

ArtsQuest has received a total of \$320,050 through 12/31/2011 and Lehigh Valley Public Telecommunications Corporation (PBS-39) has received a total of \$375,455 through 6/30/2012.

As a condition of this grant the Ordinance requires that each of these entities “provide the Northampton County Council and the County Executive with a written annual report which shall include, but not necessarily be limited to, the revenues received from the Northampton County hotel tax, the manner in which those revenues were used, and a status report on the respective projects.”

In addition, the Ordinance stipulates that “the Controller shall annually audit the funds distributed to assure that they are committed and expended for the enhancement of regional tourism by the beneficiaries ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) for the benefit of Northampton County.”

In response to a recommendation in our audit as of June 2009, grant agreements were drafted by the County and signed by both grant recipients in January 2010 as a means to provide better guidance regarding the use of grant proceeds and the subsequent accounting and reporting.

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## **PURPOSE AND SCOPE**

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This audit was performed to comply with the requirements of Ordinance No. 484.

The scope of the audit is from the date of our prior audit to the end of the subsequent reporting period of each entity. ArtsQuest reports on a calendar year basis and their annual report includes all tax revenues received from the period 1/1/2011 to 12/31/2011 (\$91,950). The fiscal year for Lehigh Valley Public Telecommunications Corporation (PBS-39), however, is from July 1 through June 30, and their annual report includes tax revenues received from the period 7/1/2011 to 6/30/2012 (\$108,655).

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## **METHODOLOGY**

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Our methodology included:

- Reviewing County Ordinance No. 484 and the grant agreements to determine applicable compliance issues.
- Reviewing County financial information with regard to the collections of the hotel room rental tax and the distribution of the portion under Ordinance No. 484.
- Reviewing the annual reports provided by ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) as they relate to Ordinance No. 484 and the grant agreements.
- Conducting interviews with appropriate personnel to gain an understanding of the process.
- Conducting audit tests on the County funds distributed and expenditures paid from County funds by ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## **AUDIT RESULTS**

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ArtsQuest and Lehigh Valley Public Telecommunications Corporation (PBS-39) are in compliance with the broad requirements listed in Ordinance No. 484 and with grant agreements.

There were no material instances of noncompliance that came to our attention during testing. No significant audit findings were discovered during this audit.