



**STEPHEN J. BARRON, JR., CFE**

**CONTROLLER OF NORTHAMPTON COUNTY**

NORTHAMPTON COUNTY COURTHOUSE  
669 WASHINGTON STREET  
EASTON, PENNSYLVANIA 18042

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**TIMOTHY P. BRENNAN, ESQ.**  
Solicitor

**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 #108 Quality Inn from January 1, 2015 to December 31, 2016. 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**Findings:** The Operator used an outdated version of remittance form in all 24 months during 2015 and 2016.

**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 remittances were filed by the 20<sup>th</sup> of the month except December 2015. No late payment penalty was assessed as the Operator claims original payment was made 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.

**Findings:**

- In one month the Operator overpaid hotel tax due to an error in calculating taxable revenue by adding exemptions to gross room rental revenue.
- In six months, revenue per the Operator's financial records was greater than taxable revenue reported to the County due to invalid and undocumented exemptions.
- The Operator did not pay the higher of tax collected or tax due on two occasions. The Revenue Division instructed the hotel to pay the shortage the following month and the hotel complied.
- In four months, 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.
- Review of the 50 exemptions sampled also revealed the following findings:
  - ❖ Five exemptions taken lacked any documentation.
  - ❖ Two exemptions taken for permanent residents were overstated.
  - ❖ Nine exemptions taken were for one guest that worked for a non-exempt organization.
  - ❖ Ten allowable exemptions were omitted by the Operator.

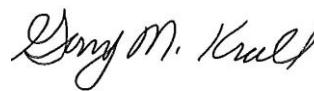
Based on the findings above, we calculated that the Quality Inn owes the County \$73.81 for underpayment of hotel room rental taxes. See Exhibit 1 for additional tax due to the County including the calculation of interest.

This Agreed-Up on 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 #108 Quality Inn 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

November 8, 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 #108 Quality Inn  
 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	\$2,716.08	\$2,753.47	(\$37.39)	(\$18.51)	(\$55.90)
February 2015	2,842.68	2,860.68	(18.00)	(8.64)	(26.64)
April 2015	3,265.97	3,228.61	37.36	0.00	37.36
September 2015	5,286.84	5,310.16	(23.32)	(8.74)	(32.06)
October 2015	5,723.99	5,728.13	(4.14)	(1.49)	(5.63)
November 2015	3,864.72	3,861.88	2.84	0.00	2.84
<b>Subtotal 2015</b>	<u>\$23,700.28</u>	<u>\$23,742.93</u>	<u>(\$42.65)</u>	<u>(\$37.38)</u>	<u>(\$80.03)</u>
March 2016	\$3,394.67	\$3,402.53	(\$7.86)	(\$2.24)	(\$10.10)
May 2016	5,224.53	5,233.53	(9.00)	(2.30)	(11.30)
September 2016	5,453.66	5,431.80	21.86	0.00	21.86
November 2016	3,724.36	3,718.60	5.76	0.00	5.76
<b>Subtotal 2016</b>	<u>\$17,797.22</u>	<u>\$17,786.46</u>	<u>\$10.76</u>	<u>(\$4.54)</u>	<u>\$6.22</u>
<b>Grand Total Due</b>	<u>\$41,497.50</u>	<u>\$41,529.39</u>	<u>(\$31.89)</u>	<u>(\$41.92)</u>	<u><u>(\$73.81)</u></u>

Please send a check payable to the County of Northampton in the amount of \$73.81 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. Easton, PA 18045
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Contact: Araceli Diaz