



**COUNTY OF SAN LUIS OBISPO  
BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor-Controller-Treasurer- Tax Collector		(2) MEETING DATE 8/22/2023		(3) CONTACT/PHONE Kari Lekvold 805-781-4846	
(4) SUBJECT Submittal of a report of the annual fiscal audits of establishments subject to the County Transient Occupancy Tax Ordinance for the period January 1, 2019 through December 31, 2022.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the report of the annual fiscal audits of establishments subject to the County Transient Occupancy Tax Ordinance for the period January 1, 2019 through December 31, 2022.					
(6) FUNDING SOURCE(S) N/A		(7) CURRENT YEAR FINANCIAL IMPACT \$0.00		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? Yes					
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date <u>11/19/2019</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Zachary A. Lute					
(18) SUPERVISOR DISTRICT(S)					



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor-Controller-Treasurer-Tax Collector

DATE: August 22, 2023

SUBJECT: Submittal of a report of the annual fiscal audits of establishments subject to the County Transient Occupancy Tax Ordinance for the period January 1, 2019 through December 31, 2022.

### **RECOMMENDATION**

It is recommended that the Board receive, review, and file the report of the annual fiscal audits of establishments subject to the County Transient Occupancy Tax Ordinance for the period January 1, 2019 through December 31, 2022.

### **DISCUSSION**

The County currently collects a 9% Transient Occupancy Tax (TOT) and a 1.5% Tourism Marketing District (TMD) assessment from 2,277 (comprising both hotels and vacation rentals) lodging establishments throughout the unincorporated area. 1,466 establishments collect and remit an additional 2% San Luis Obispo County Business Improvement District (BID) assessment.

The purpose of our audits was to determine the accuracy of the transient occupancy related amounts remitted to the County and to verify that the tax and assessments were calculated in accordance with Chapters 3.08 and 3.09 of the San Luis Obispo County Code and County Resolution 2015-153 for audit periods prior to July 1, 2020, or County Resolution 2020-16 for periods on or after July 1, 2020. It is further noted that TOT audits were temporarily halted during the peak of the COVID-19 pandemic.

To achieve our purpose, we reviewed the TOT returns submitted for the audit period by the establishments and compared the returns to supporting documentation.

Of the six establishments audited, three establishments were determined to owe a total of \$5,931 in TOT, TMD, BID, penalties, and interest to the County. One establishment overpaid \$1,108 in TOT and TMD and was issued a refund. We have attached our Summary of Monetary Audit Findings with details by establishment. It should be noted that the high rate of audits with technical findings (three of six audits conducted had findings) are not believed to correlate to revenues collected across the TOT program. Based on ACTTC's audit experience, higher rates of technical (but small dollar) audit findings can be common with smaller operators, while larger operators generating most of the County's TOT revenue are found to have a very low incidence of findings (the 20 largest establishments produce over 80% of TOT revenue).

**OTHER AGENCY INVOLVEMENT/IMPACT**

Individualized audit reports were issued to each establishment. The Auditor-Controller-Treasurer-Tax Collector is responsible for the enforcement of all audit findings and recommendations.

**FINANCIAL CONSIDERATIONS**

The County collected the following total amounts for calendar year 2022:

Transient Occupancy Tax	\$17,600,007
Tourism Marketing District Assessment	\$2,933,856
County Business Improvement District Assessment	\$3,161,737

**RESULTS**

Annual fiscal reviews of TOT along with TMD and BID assessments are one of the tools used to monitor the accurate receipts of tax and assessments in the unincorporated area. Annual tax and assessment monitoring activities help maintain reporting accountability and contribute to the County's vision of a prosperous and well governed community.

**ATTACHMENTS**

- 1 Summary of Audit Findings Transient Occupancy Tax CY 2019 to CY 2022

**County of San Luis Obispo  
Transient Occupancy Tax Audits  
Summary of Monetary Audit Findings**

Establishment *	Period Under Review	TAXABLE REVENUES			% of Reported Amount	AMOUNT DUE BY AUDIT FINDINGS			
		Reported	Audited	Difference		Taxes/Fees Due/(Refund)	Penalties	Interest	Total Due/(Refund)
1	CY 2020 & 2021	4,345,601	4,372,026	26,426	0.6%	4,081	816	41	4,937
2	CY 2021	495,602	496,377	775	0.2%	97	19	1	117
3	CY 2021	44,872	44,872	-	0.0%	-	-	-	-
4	CY 2022	7,839,688	7,839,688	-	0.0%	-	-	-	-
5	FY 2019-20 & 2020-21	6,682	13,620	6,937	103.8%	734	135	7	876
6	FY 2021-22	164,933	154,378	(10,555)	-6.4%	(1,108)	-	-	(1,108)
		<b><u>\$12,897,377</u></b>	<b><u>\$12,920,961</u></b>	<b><u>\$ 23,584</u></b>		<b><u>\$ 3,803</u></b>	<b><u>\$ 970</u></b>	<b><u>\$ 49</u></b>	<b><u>\$ 4,822</u></b>

\* Establishment names have been removed for purposes of confidentiality.

NOTE:

Transient Occupancy Tax (TOT) rate for the period under review was 9% and SLOCTBID was 2%. TMD was 1% through June 30, 2020 and increased to 1.5% effective July 1, 2020.