

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

(1) DEPARTMENT Auditor - Controller		(2) MEETING DATE 12/6/2011		(3) CONTACT/PHONE Kerry Bailey 788-2979/Matt Purkiss 781-5099	
(4) SUBJECT Submittal of the annual Transit Occupancy Tax Fiscal and Compliance review report of establishments subject to the County Transient Occupancy Tax Ordinance for calendar year 2010.					
(5) RECOMMENDED ACTION It is recommended that the Board receive and file the Transient Occupancy Tax Fiscal and Compliance Review.					
(6) FUNDING SOURCE(S) N/A		(7) CURRENT YEAR FINANCIAL IMPACT \$25,102.00		(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) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A			(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		
(15) LOCATION MAP N/A		(16) BUSINESS IMPACT STATEMENT? No		(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date 12/07/2010	
(18) ADMINISTRATIVE OFFICE REVIEW					
(19) SUPERVISOR DISTRICT(S) All Districts					

County of San Luis Obispo



TO: Board of Supervisors

FROM: Gere W. Sibbach, Auditor-Controller

DATE: 12/6/2011

SUBJECT: Submittal of the annual Transit Occupancy Tax Fiscal and Compliance review report of establishments subject to the County Transient Occupancy Tax Ordinance for calendar year 2010

RECOMMENDATION

It is recommended that the Board receive and file the Transient Occupancy Tax Fiscal and Compliance Review.

DISCUSSION

Section 7280 of the California Revenue and Taxation Code authorizes the County to levy a Transient Occupancy Tax (TOT) on transients lodging in the unincorporated area for 30 days or less. The Property and Business Improvement District Law of 1994 authorizes the levy of assessments upon businesses that benefit from Business and Improvement Districts. The County ordinance providing for the establishment of the San Luis Obispo County Tourism Business Improvement District (SLOCTBID) and the assessment of a fee for all lodging establishments within the boundaries of the district became effective July 1, 2009. The purpose of the assessment is to promote tourism within the district. The ordinance is subject to an annual review and the funds collected are distributed on behalf of the SLOCTBID Steering Committee.

Currently the County collects a 9% TOT from 832 establishments throughout the unincorporated area and an additional 2% SLOCTBID assessment from 723 establishments located within the district.

The purpose of our review was to determine the accuracy of the TOT and SLOCTBID assessments remitted to the County and verify that the tax and assessment were calculated in accordance with Chapters 3.08 and 3.09 of the San Luis Obispo County Code. In addition, we verified the existence and posting of registration certificates and business licenses.

We have attached our report and Summary of Monetary Audit Findings issued to the Treasurer-Tax Collector on November 15, 2011.

OTHER AGENCY INVOLVEMENT/IMPACT

A separate report of each audited establishment and a comprehensive report were issued to the Treasurer-Tax Collector. The Treasurer-Tax Collector is responsible for the administration of the TOT & SLOCTBID ordinances and the enforcement of all audit findings and recommendations.

FINANCIAL CONSIDERATIONS

The County collected \$5,802,353 in TOT and \$1,228,718 in SLOCTBID assessments during calendar year 2010.

RESULTS

We reviewed sixteen selected establishments. During the course of our review we identified \$25,102 in TOT, SLOCTBID, penalties, and interest due to the County. We also found the establishments to be generally in compliance with obtaining and posting the required certificates and licenses.

We were unable to obtain accounting records from one establishment previously in receivership and currently in bankruptcy and could not perform a review of the actual taxable revenue for Calendar Year 2010. At the request of the Treasurer-Tax Collector we prepared a schedule of estimated taxable revenue and calculated the likely amount of transient occupancy tax due. In conducting our analysis, we compared the revenue submitted by the establishment for monthly TOT returns and monthly revenue reported on a loan application, as well as deposits identified in bank statements. These records were obtained as a result of the bankruptcy.

Based on our estimates, the operator may have understated room revenues for calendar year 2010, and as a result under paid Transient Occupancy Tax by \$108,838. The Tax Collector is pursuing collection through the bankruptcy court.

Annual fiscal and compliance reviews of TOT and SLOCTBID assessments are one of the tools used in cooperation with the Treasurer-Tax Collector to monitor 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. TOT Department Memo 2010

County of San Luis Obispo
Office of the Auditor-Controller
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GERE W. SIBBACH, CPA

JAMES P. ERB, CPA, *Assistant*
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JAMES HAMILTON, CPA, *Deputy*
Email auditor@co.slo.ca.us

TO: FRANK L. FREITAS, TREASURER-TAX COLLECTOR

FROM: GERE W. SIBBACH, AUDITOR-CONTROLLER

VIA: JAMES P. ERB, ASSISTANT AUDITOR-CONTROLLER *J. E.*

DATE: NOVEMBER 15, 2011

SUBJECT: REPORT OF THE ANNUAL FISCAL AND COMPLIANCE REVIEW OF
ESTABLISHMENTS SUBJECT TO THE COUNTY TRANSIENT OCCUPANCY TAX
ORDINANCE FOR CALENDAR YEAR 2010.

Purpose

The objective of our review was to determine the accuracy of the Transient Occupancy Tax (TOT) and San Luis Obispo County Tourism Business Improvement District (SLOCTBID) assessment remitted to the County and verify that the tax and assessment were calculated in accordance with Chapters 3.08 and 3.09 of the San Luis Obispo County Code. In addition, we verified the existence and posting of registration certificates and business licenses.

Methodology

We reviewed the monthly TOT returns submitted by seventeen selected establishments in the unincorporated area of San Luis Obispo County. Due to the results of our 2010 review of one establishment, the review was extended to include calendar year 2009. In sixteen of our reviews we reconciled the amounts reported on the TOT returns to the establishments' financial books and records verifying total receipts, exemptions and deductions claimed, and tax remitted. We tested samples of customer registration cards and room logs by agreeing customer names and payment amounts to the operators' daily/monthly summaries used to calculate the TOT reported to the County. In addition we verified existence and posting of TOT Certificates and business licenses.

We were unable to obtain accounting records from one establishment and could not perform a review of the actual taxable revenue for Calendar Year 2010. At your request we prepared a schedule of estimated taxable revenue and calculated the likely amount of transient occupancy tax due. In conducting our analysis, we compared the revenue submitted by the establishment for monthly TOT returns and monthly revenue reported on a loan application, as well as deposits identified in bank statements. All documentation was provided by the Treasurer-Tax Collector's Office.

Results

We identified one establishment that over reported revenue and nine establishments that under reported revenue resulting in a total of \$25,102 in TOT, SLOCTBID, penalties and interest due to the County. A comprehensive schedule of monetary audit findings for the establishments is shown in the attached Summary of Monetary Audit Findings. We also identified one

Frank L. Freitas, Treasurer-Tax Collector

November 15, 2011

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establishment that did not post the Transient Occupancy Registration Certificate in a conspicuous place.

In addition, based on our estimates, the operator of TOT Certificate #050 understated room revenues for calendar year 2010, and as a result under paid Transient Occupancy Tax by \$108,838.

Under separate communication to your Office, we previously issued individual reports for each establishment audited. These separate reports served to communicate to your Office our specific audit findings and recommendations. This report summarizes those findings and will be presented to the Board of Supervisors.

**COUNTY OF SAN LUIS OBISPO
CALENDAR YEAR 2010 - TRANSIENT OCCUPANCY TAX AUDITS
SUMMARY OF MONETARY AUDIT FINDINGS**

ESTABLISHMENT *	PERIOD AUDITED	TAXABLE REVENUES		MONEY DUE BY AUDIT FINDINGS					
		REPORTED	AUDITED	DIFFERENCE	TAXES/FEES DUE/(REFUND)	PENALTIES	INTEREST	TOTAL DUE	
1**	Jan - Dec 2010	\$ 2,868,300.76	\$ 2,868,330.66	\$ 29.90	\$ 3.29	\$ 0.66	\$ 0.03	\$ 3.98	
2**	Jan - Dec 2010	105,688.00	101,199.25	(4,488.75)	(493.76)	-	0.12	(493.64)	
3**	Jan - Dec 2010	559,977.68	559,977.68	-	-	-	-	-	
4	Jan - Dec 2010	1,116,412.26	1,116,412.26	-	-	-	-	-	
5**	Jan - Dec 2010	80,720.50	94,390.00	13,669.50	1,503.65	300.73	39.33	1,843.71	
6	Jan - Dec 2010	98,178.00	100,378.00	2,200.00	242.00	48.40	6.05	296.45	
7**	Jan - Dec 2010	606,093.47	611,827.87	5,734.40	630.79	126.16	20.41	777.36	
8**	Jan - Dec 2010	361,876.82	363,746.00	1,869.18	205.61	41.13	59.87	306.61	
9**	Jan - Dec 2010	88,807.50	92,852.50	4,045.00	444.95	88.99	10.54	544.48	
10**	Jan - Dec 2010	198,707.05	268,885.50	70,178.45	7,719.64	1,543.92	236.13	9,499.69	
10**	Jan - Dec 2009	385,251.94	471,887.76	86,635.82	8,908.96	1,781.80	253.72	10,944.48	
11	Jan - Dec 2010	83,495.00	83,495.00	-	-	-	-	-	
12**	Jan - Dec 2010	1,273,980.47	1,278,205.47	4,225.00	464.75	92.95	13.10	570.80	
13**	Jan - Dec 2010	465,374.66	465,374.66	-	-	-	-	-	
14	Jan - Dec 2010	99,418.00	106,743.00	7,325.00	659.25	131.85	16.50	807.60	
15**	Jan - Dec 2010	153,959.00	153,959.00	-	-	-	-	-	
16**	Jan - Dec 2010	552,911.32	552,911.32	-	-	-	-	-	
		\$9,099,152.43	\$9,290,575.93	\$191,423.50	\$20,289.13	\$4,156.59	\$655.80	\$25,101.52	
17**	Jan - Dec 2010	137,196.00	941,866.00	804,670.00	88,513.70	17,702.74	2,621.40	108,837.84	

* Establishment names have not been included for purposes of confidentiality.
 Note: The Transient Occupancy Tax (TOT) rate for the period is 9%. ** Establishments also include a 2% BID assessment for a total rate of 11%.