

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 10/28/2014	(3) CONTACT/PHONE Kerry Bailey, 788-2979	
(4) SUBJECT Report of the Annual Fiscal and Compliance Review of establishments subject to the County Transient Occupancy Tax Ordinance and San Luis Obispo County Tourism Business Improvement District Assessment for calendar year 2013. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive the item and file.			
(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"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>8/27/2013</u>	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor-Controller-Treasurer-Tax Collector

DATE: 10/28/2014

SUBJECT: Submittal of a report of the Annual Fiscal and Compliance Review of establishments subject to the County Transient Occupancy Tax Ordinance and San Luis Obispo County Tourism Business Improvement District Assessment for calendar year 2013. All Districts.

RECOMMENDATION

It is recommended that the Board receive the item and file.

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 Advisory Board.

Currently the County collects a 9% TOT from 1001 establishments throughout the unincorporated area and an additional 2% SLOCTBID assessment from 805 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 assessments 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.

OTHER AGENCY INVOLVEMENT/IMPACT

Separate reports on each audited establishment were issued to the Treasurer-Tax Collector Division Manager as fieldwork was conducted. The Auditor-Controller-Treasurer-Tax Collector is responsible for the administration of the TOT and SLOCTBID ordinances and the enforcement of all audit findings and recommendations.

FINANCIAL CONSIDERATIONS

The County collected \$7,446,814 in TOT and \$1,571,984 in SLOCTBID assessments during calendar year 2013.

RESULTS

We reviewed seventeen establishments. Due to reporting issues discovered during fieldwork, we expanded our scope to include calendar year 2012 at two establishments. Overall, we identified \$9,380 in TOT, SLOCTBID, penalties, and interest due to the County. We have attached our report and Summary of Monetary Audit Findings with details by establishment. We also found the establishments to be generally in compliance with obtaining and posting the required

certificates and licenses.

Annual fiscal and compliance reviews of TOT and SLOCTBID assessments are one of the tools used 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 Master Report CY 2013



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

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JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector
James W. Hamilton, CPA
Assistant

TO: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

FROM: KERRY BAILEY, CPA, CHIEF INTERNAL AUDITOR *KB*

DATE: OCTOBER 14, 2014

SUBJECT: REPORT OF THE ANNUAL FISCAL AND COMPLIANCE REVIEW OF ESTABLISHMENTS
SUBJECT TO THE COUNTY TRANSIENT OCCUPANCY TAX ORDINANCE FOR CALENDAR
YEAR 2013

Purpose

The purpose 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 to 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 TOT registration certificates and business licenses.

Scope

We reviewed the monthly TOT returns for calendar year 2013 submitted by seventeen selected establishments in the unincorporated area of San Luis Obispo County.

Methodology

We reconciled the amounts reported on the TOT returns to the establishments' financial books and records tracing total revenues reported, exemptions and deductions claimed, and tax remitted. We also tested samples of customer receipts by agreeing customer names, dates of stay and payment amounts to the operators' financial records. In addition we verified the existence and posting of TOT Certificates and business licenses.

Results

We identified nine establishments that understated revenue and two establishments that overstated revenue resulting in a total of \$9,380 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. Due to reporting issues discovered during fieldwork, we expanded our scope to include calendar year 2012 at two establishments. Additionally, we identified one establishment that did not post the Transient Occupancy Registration Certificate in a conspicuous place.

Under separate communication to the Treasurer – Tax-Collector Division Manager, we previously issued individual reports for each establishment audited. These separate reports served to communicate our specific audit findings and recommendations. This report summarizes those findings.

COUNTY OF SAN LUIS OBISPO
CALENDAR YEAR 2013 - TRANSIENT OCCUPANCY TAX AUDITS
SUMMARY OF MONETARY AUDIT FINDINGS

ESTABLISHMENT *	PERIOD(S) AUDITED	TAXABLE REVENUES			AMOUNT DUE BY AUDIT FINDINGS				
		REPORTED	AUDITED	DIFFERENCE	TAXES/FEEES DUE /(REFUND)	PENALTIES	INTEREST	TOTAL DUE/(REFUND)	
1	□	2013	113,074	113,116	42	4	1	0	5
2		2013	304,250	325,757	21,507	2,366	473	24	2,863
3	□	2013	209,098	209,098	-	-	-	-	-
4		2013	107,722	98,047	(9,675)	(1,064)			(1,064)
5	□	2013	93,272	94,379	1,107	100	20	1	120
6	κ	2013	870,829	868,989	(1,841)	-			-
7		2013	2,054,660	2,054,789	129	14	3	-	17
8		2013	985,277	987,397	2,120	223	45	2	270
9	♦	2013	974,266	974,277	11	-	-	-	-
10		2013	1,216,982	1,216,982	-	-	-	-	-
11	□, ¶	2012 & 2013	38,800	38,270	(530)	1,100	67	33	1,200
12		2013	890,592	889,604	(988)	(104)			(104)
13		2013	5,693,501	5,693,501	-	-	-	-	-
14		2013	1,137,861	1,137,861	-	-	-	-	-
15	♦	2013	128,160	129,845	1,685	159	32	2	192
16	□	2013	77,072	102,984	25,912	2,332	466	23	2,822
17		2012 & 2013	213,748.00	236,732.00	22,984.00	2,529.00	505.00	25.00	3,059.00
			<u>\$15,109,164</u>	<u>\$15,171,628</u>	<u>\$62,464</u>	<u>\$7,658</u>	<u>\$1,612</u>	<u>\$110</u>	<u>\$9,380</u>

* Establishment names have not been included for purposes of confidentiality.

♦ Amount is comprised of individual transactions which are under the monthly \$10 threshold set by the Tax Collector, there is no refund or amount due.

□ Establishments do not include the 2% BID assessment; total tax rate is 9%.

• Establishment did not have a business license or did not post their business license and TOT certificate in a conspicuous place.

κ Operator over collected tax/fee from guests and is not due a refund.

¶ Operator over collected an additional 1% from guests which must be remitted to the County.

NOTE: The Transient Occupancy Tax (TOT) rate for the period is 9% and the SLOCTBID rate is 2% for a total rate of 11%.