

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 11/24/2015	(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of a report of the Annual Fiscal and Compliance Review of establishments subject to the County Transient Occupancy Tax Ordinance for calendar year 2014. 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: N/A <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>10-28-2014</u>	
(17) ADMINISTRATIVE OFFICE REVIEW			
(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: 11/24/2015

SUBJECT: Submittal of a report of the Annual Fiscal and Compliance Review of establishments subject to the County Transient Occupancy Tax Ordinance for calendar year 2014. 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 Steering Committee.

Currently the County collects a 9% TOT from 1,073 establishments throughout the unincorporated area and an additional 2% SLOCTBID assessment from 854 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 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 \$12,324,272 in TOT and \$1,727,315 in SLOCTBID assessments during calendar year 2014.

RESULTS

We reviewed five establishments. Overall, we identified \$797 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 business 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 Audit Report CY 2014



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 *KJB*
DATE: NOVEMBER 5, 2015
SUBJECT: REPORT OF THE ANNUAL FISCAL AND COMPLIANCE REVIEW OF ESTABLISHMENTS
SUBJECT TO THE COUNTY TRANSIENT OCCUPANCY TAX ORDINANCE FOR CALENDAR
YEAR 2014

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 business licenses.

Scope

We reviewed the monthly TOT returns submitted by five 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 business licenses.

Results

We identified one establishment that understated revenue and two establishments that overstated revenue resulting in a total of \$797 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 identified two establishments that did not post the business license 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 2014 - TRANSIENT OCCUPANCY TAX AUDITS
SUMMARY OF MONETARY AUDIT FINDINGS**

ESTABLISHMENT *	PERIOD(S) AUDITED	TAXABLE REVENUES			AMOUNT DUE BY AUDIT FINDINGS			
		REPORTED	AUDITED	DIFFERENCE	TAXES/FEES DUE /(REFUND)	PENALTIES	INTEREST	TOTAL DUE/(REFUND)
1	2014	338,507	337,767	(740)	(81)			(81)
2	2014	51,874	50,842	(1,031)	(113)			(113)
3	2014	53,151	53,151	-	-			-
4 ●	2014	34,570	40,560	5,990	659	132	6	797
5 ● ∞	2014	108,305	99,641	(8,664)	(953)			(953)
		<u>\$586,407</u>	<u>\$581,961</u>	<u>(\$4,445)</u>	<u>(\$489)</u>	<u>\$132</u>	<u>\$6</u>	<u>(\$351)</u>

- * Establishment names have not been included for purposes of confidentiality.
- Establishment did not have a business license or did not post their business license in a conspicuous place.
- ∞ No refund is recommended because the proprietor was unable to provide complete supporting documentation

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