



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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector		(2) MEETING DATE 5/15/2018	(3) CONTACT/PHONE Kerry Bailey 788-2979 Mark Maier 781-4267	
(4) SUBJECT Submittal of a calendar year 2017 Transient Occupancy Tax follow-up audit. All Districts.				
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the item.				
(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 __1/23/2018_____		
(17) ADMINISTRATIVE OFFICE REVIEW Nikki J. Schmidt				
(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: 5/15/2018

SUBJECT: Submittal of a calendar year 2017 Transient Occupancy Tax follow-up audit. All Districts.

RECOMMENDATION

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

DISCUSSION

On January 23, 2018 the results of the audits for calendar year 2016 compliance with the County Transient Occupancy Tax Ordinance were reported. Included in the results was a property management company which had underreported taxable rents by \$390,135; resulting in an underpayment of Transient Occupancy Tax (TOT), San Luis Obispo County Tourism Business Improvement District Assessment (BID), and Tourism Marketing District (TMD) Assessment of \$46,733. With penalties and interest the amount owed was \$68,289. Due to the significance of the amount due, a follow-up audit of calendar year 2017 was initiated.

The calendar year 2017 audit identified understated taxable revenues of \$516,107, and as a result TOT, BID, and TMD were underpaid by \$61,933. With penalties and interest the amount owed was \$74,939. We have attached our Summary of Monetary Audit Findings with details of the results.

OTHER AGENCY INVOLVEMENT/IMPACT

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, from all 1,467 businesses, for calendar year 2017:

Transient Occupancy Tax	\$9,510,398
Tourism Marketing District Assessment	\$1,054,650
Business Improvement District Assessment	\$1,883,991

RESULTS

Annual fiscal and compliance audits of TOT along with BID and TMD 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. Summary of Monetary Audit Findings - CY 2017

SUMMARY OF MONETARY AUDIT FINDINGS

ESTABLISHMENT *	CALENDAR YEAR AUDITED	TAXABLE REVENUES		DIFFERENCE	% OF REPORTED AMOUNT	AMOUNT DUE BY AUDIT FINDINGS			
		REPORTED & PAID	AUDITED			TAXES/FEES DUE /(REFUND)	PENALTIES	INTEREST	TOTAL DUE/(REFUND)
1	2017	129,357	645,464	516,107	399.0%	61,933	12,387	619	74,939
									-
		<u>\$129,357</u>	<u>\$645,464</u>	<u>516,107</u>		<u>\$61,933</u>	<u>\$12,387</u>	<u>\$619</u>	<u>\$74,939</u>

* Establishment name has not been included for purposes of confidentiality. Establishment is a property manager who managed 15 vacation rental properties in 2017.

NOTE The Transient Occupancy Tax (TOT) rate for 1/1/17 to 12/31/17 is 9%, the SLOCTBID rate is 2%, and the TMD is 1%.
On October 1, 2017 the County agreement with Airbnb went into effect; any TOT collected from bookings made through Airbnb are collected and remitted by Airbnb and not the establishment.