



COUNTY OF LEHIGH
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

TO: Final Distribution
FROM: Thomas Slonaker, County Controller
DATE: January 14, 2010
RE: Hotel Tax Summary

The controller's office has completed agreed-upon procedures at forty-five (45) hotels for the period January 1 through December 31, 2008. Our audit report number 10-2 is attached.

The result of our procedures was \$10,706 in additional hotel room rental tax and interest was assessed.

Attachment

HOTEL TAX/SUMMARY REPORT

COUNTY OF LEHIGH
HOTEL TAX SUMMARY

For the period January 1 through December 31, 2008

REPORT NO. 10-2

LEHIGH COUNTY, PENNSYLVANIA
HOTEL TAX SUMMARY

Table of Contents

	<u>Page(s)</u>
Hotel Tax Background	1
Hotel Tax Summary Report	2
Schedule of Audit Findings and Recommendations	3
Fiscal Officer's Response	No response

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL TAX SUMMARY

Background

Legislative:

Lehigh County Ordinance 2000 - 157 imposed a hotel room rental tax providing for the collection and enforcement of a 3½ % tax on hotel room rental revenue. The county fiscal officer established the initial rules and regulations for the collection of the hotel room rental tax. In January 2003, representatives of the Lehigh County Convention & Visitors Bureau, officers of the Lehigh Valley Hotel Association and representatives of Lehigh and Northampton County met to discuss hotel tax procedures, collections and compliance to the established rules and regulations. Based on these conversations and subsequent correspondence, the office of fiscal affairs and the office of the controller initiated a review of the rules and regulations including visits to several hotels. Through the joint efforts of above interested parties, the hotel tax rules and regulations were revised to facilitate the collection and enforcement of the hotel tax. Accordingly, Lehigh County Ordinance 2005-145 was enacted in June 2005 amending the hotel room rental rules and regulations. In addition, the Pennsylvania General Assembly passed and the Governor approved Act 12 of 2005, House Bill 157 which repealed the 3½ % hotel tax and authorized the County of Lehigh to impose a 4% hotel room rental tax. Lehigh County Ordinance 2005-180 enacted a 4% hotel room rental tax and made additional revisions to the hotel room rental tax rules and regulations, effective in September 2005.

Review of Records

Agreed-upon procedures were performed to assist the fiscal officer in determining the accuracy of hotel tax remittances made to the County of Lehigh.

We performed these procedures in accordance with United States generally accepted government auditing standards, which incorporate the financial audit and attestation standards established by the American Institute of Certified Public Accountants (AICPA). Procedures performed included:

- Verification of reported revenue to Form PA-3 submitted to the Commonwealth of Pennsylvania, Department of Revenue.
- Compliance to the County of Lehigh exemption Rules and Regulations for hotel room rental tax collection.
- Verification of reported revenue and hotel room rental tax collections to hotel operator accounting records.

We noted three major categories resulting in additional tax assessment to the operators:

- Exemption Adjustments – exemption certificates not provided or incomplete, disqualified exemptions taken, amounts claimed did not match operator records;
- Revenue Adjustments – Actual hotel room revenues exceeded amounts reported to the county; and
- Remittance Adjustments - Actual hotel room tax collected exceeded amount remitted to the county.

OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER
17 SOUTH SEVENTH STREET
ALLENTOWN, PA 18101-2400
(610) 782-3082 FAX: (610) 820-3335

THOMAS SLONAKER
COUNTY CONTROLLER

JOHN A. FALK
DEPUTY CONTROLLER

Mr. Brian Kahler, Fiscal Officer
Office of Fiscal Affairs
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

We have recently completed agreed-upon procedures for forty-five hotels reporting taxable revenues of \$58,944,975 and hotel room rental tax of \$2,358,538 (before adjustments) for the period January 1 through December 31, 2008. In some cases, the scope was amended to meet our objectives.

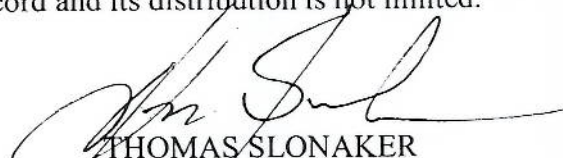
Separate reports were distributed to each hotel, the Board of Commissioners, the County Executive, and you. Additional tax and interest of \$10,706 were assessed for the following adjustments:

Exemption Adjustments	\$ 7,425
Revenue Adjustments	2,808
Remittance Adjustments	<u>473</u>
Total	<u>\$10,706</u> =====

As of January 12, 2010, \$8,190 has been collected and \$2,516 remains unpaid.

We noted certain matters that we reported to management of the office of fiscal affairs in a separate section titled "*Schedule of Audit Findings and Recommendations*".

This report is intended for the information of the fiscal officer and other affected county offices. However, this report is a matter of public record and its distribution is not limited.


THOMAS SLONAKER
County Controller

January 13, 2010
Allentown, Pennsylvania

Final Distribution:

Board of Commissioners
Donald Cunningham, Jr., County Executive
Cindy Feinberg, Director, Community and Economic Development
Thomas Muller, Director of Administration
Michael Stershic, President, Lehigh Valley Convention and Visitors Bureau

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL TAX SUMMARY

Schedule of Audit Findings and Recommendations

CONDITION: In completing the audits for the period of 2008 we found several hotels are not properly utilizing the hotel tax forms and/or not submitting the required backup. The majority of errors were related to submitting exemption forms that did not contain the information asked for in the county issued exemption forms, or omitting information asked for on the return form such as actual taxes collected.

RECOMMENDATION: The fiscal office should continue their current efforts to monitor hotel tax returns and add steps to detect and resolve the common errors listed above.