



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

TO: Final Report Distribution
FROM: Thomas Slonaker, County Controller
DATE: January 24, 2008
RE: Hotel Room Rental Tax

A handwritten signature in black ink, appearing to be "T. Slonaker", is written over the "FROM:" line of the memo.

We have completed an audit of hotel room rental tax reporting for the period January 1 to September 30, 2007. Our report number 08-1 is attached.

The result of our audit is the office of fiscal affairs management provided accurate financial reporting and continuous monitoring of hotel tax remittances.

Attachment

HOTEL TAX/FISCAL OFFICE AUDIT

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL ROOM RENTAL TAX REPORTING
OFFICE OF FISCAL AFFAIRS OPERATIONS

*Internal Audit for the
Period January 1 to September 30, 2007*

REPORT NO. 08-1

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL ROOM RENTAL TAX REPORTING
OFFICE OF FISCAL AFFAIRS OPERATIONS

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COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL ROOM RENTAL TAX REPORTING
OFFICE OF FISCAL AFFAIRS OPERATIONS

Background

Lehigh County Ordinance 2000-157 imposed a 3.5% tax on hotel room rental revenue. The rate was increased to 4% in September 2005 by Lehigh County Ordinance 2005-145. The county fiscal officer established hotel tax rules and regulations to facilitate the collection and enforcement of the hotel tax.

Hotel Tax Rules and Regulations require hotel operators to report and transmit hotel room rental tax collected to the county fiscal officer on a monthly basis. The fiscal officer distributes 68.75% of hotel tax collections monthly to the Lehigh Valley Convention and Visitor's Bureau and applies the remainder to tourism facilities and community development initiatives.

Hotel room rental tax collections and distributions reported by the fiscal officer for the period January 1 through September 30, 2007 amounted to \$1.9 million.



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

We have recently completed an internal audit of hotel room rental tax reporting by the office of fiscal affairs. The scope of our detail audit testing was January 1 to September 30, 2007. Our objective was to determine adequacy of controls over hotel room rental tax reporting.

We conducted our audit in accordance with the "*Standards for the Professional Practice of Internal Auditing*", promulgated by the Institute of Internal Auditors. Our audit included examination of the accounting records, documentation, discussions with the office of fiscal affairs and other county personnel, and such other auditing procedures we considered necessary in the circumstances.

We concluded that controls over hotel room rental tax reporting are adequate. Attached please find a "*Schedule of Prior Audit Findings and Recommendations*" (from our prior audit). All prior recommendations were implemented.

We wish to thank the fiscal officer and his staff for their cooperation during the audit. This report is intended for the information and use of the fiscal office 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 24, 2008
Allentown, Pennsylvania

Final Distribution

Donald T. Cunningham, Jr., County Executive
Board of Commissioners
Thomas S. Muller, Director of Administration
George M. Samuelson, Accountant II, Fiscal Office

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL ROOM RENTAL TAX
OFFICE OF FISCAL AFFAIRS

*Schedule of Prior Audit Findings and Recommendations
for the Period September 2005 to August 2006*

1. Hotels/Motels Not Reporting

Condition: We noted five entities advertising as hotels/motels that were not reporting or licensed for hotel room rental tax.

Recommendation: Office of fiscal affairs management should periodically search for hotels/motels/bed & breakfasts not reporting hotel room rental tax. We suggest the local phonebook, American Automobile Association publications, and the Lehigh Valley Convention & Visitor's Bureau be consulted on an annual basis.

Fiscal Officer's Response: We have sent correspondence to eight (8) additional establishments that may or may not be subject to payment of the hotel tax. To date we have received one response stating they only rent on a "permanent resident" basis and are not subject to the tax. We also received another response stating the phone book was incorrect, the address is in a residential area.

Current Status: Recommendation implemented.

2. Management Report – Hotel Tax Exemption

Condition: Office of fiscal affairs management does not track the amount or percentage of exempt room rental revenue claimed by each hotel. Our testing showed many hotels claim only 0% to 4% as exempt room rental income while several other hotels claimed 33% to 68% of their gross room rental income as exempt. Monitoring the amount and percentage of exemptions may highlight the need for immediate fiscal or controller's office inquiry.

Recommendation: Each month, record gross revenue and exemption amount by reporting hotel. Calculate and monitor hotel tax exemptions by hotel. Investigate any unusual exemption amount reported.

Fiscal Officer's Response: Enhancements to our reporting schedules have been implemented as suggested.

Current Status: Recommendation implemented.