



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

August 8, 2008

Mr. Arvin Desai, Owner
Royal Motel
902 E. Congress St.
Allentown, PA 18109

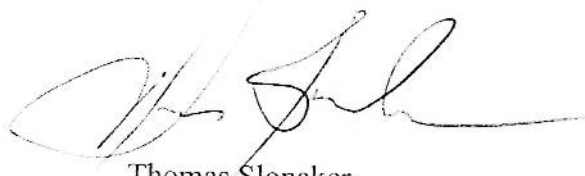
Mr. Brian L. Kahler, Fiscal Officer
Lehigh County Government Center
17 South Seventh Street
Allentown, PA 18101-2400

To Messrs. Desai and Kahler:

We have recently completed an agreed-upon procedures engagement of hotel room rental tax remitted by the Royal Motel for the period January 1 to December 31, 2007. Our report number 08-58 is attached.

The result of our review is \$4,217.02 in hotel room rental tax was assessed.

The corresponding HOTEL TAX "DETERMINATION" from Mr. Kahler requesting payment of \$4,217.02 is also attached.



Thomas Slonaker
County Controller

Attachment

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL ROOM RENTAL TAX REMITTANCES
ROYAL MOTEL

*Independent Controller's Office Report on
Applying Agreed-Upon Procedures
For the Period January 1 to December 31, 2007*

REPORT NO. 08-58

COUNTY OF LEHIGH, PENNSYLVANIA
HOTEL ROOM RENTAL TAX REMITTANCES
ROYAL MOTEL

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Royal Motel
902 E. Congress St.
Allentown, PA 18109

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

To Messrs. Desai and Kahler:

Pursuant to Act 12 of 2005, section 1770.8 to the County Code, Lehigh County Ordinance #2005-180 and the Lehigh County Hotel Room Rental Tax Rules and Regulations effective September 4, 2005, a four percent hotel room rental tax shall be collected and remitted to the Lehigh County fiscal officer. We have performed certain procedures enumerated below, which were agreed to by the Lehigh County fiscal officer, solely to assist the county fiscal officer in determining the accuracy of hotel room rental tax remittances made by Royal Motel management for the period January 1 to December 31, 2007. The fiscal officer, as the delegate for the County Executive, is responsible for the collection of the hotel room rental tax.

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 Rules and Regulations for hotel room rental tax collection.
- Verification of reported revenue and hotel room rental tax collections to hotel operator accounting records.

This agreed-upon procedures engagement was conducted in accordance with generally accepted government auditing standards and "Government Auditing Standards" as issued by the United States Government Accountability Office (GAO) and "Statements on Standards for Attestation Engagements" as issued by the American Institute for Certified Public Accountants (AICPA). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures performed.

Reported taxable revenues of \$81,926.10 resulted in \$3,277.04 in hotel tax payable to the County of Lehigh during the period under review (before adjustments). Based on our review, additional tax and interest is due for an exemption adjustment of \$4,217.02. Additional information is provided in the accompanying *Prior Year Issue*.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on hotel room rental tax collections. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the county fiscal officer and management of the County of Lehigh and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Thomas Slonaker
County Controller

July 9, 2008
Allentown, PA

Final Distribution
Board of Commissioners
Donald T. Cunningham, Jr., County Executive

COUNTY OF LEHIGH, PENNSYLVANIA
ROYAL MOTEL

*Prior Year Issue
Documentation Compliance*

Condition: The hotel operator did not maintain adequate exemption documentation. The motel's cash receipt records consist of a handwritten (in pencil) rent log and one-part receipts. The log lists tenant name, weekly rent amount and current rent due date. As payments are made, the old due date is erased and the next one is written in. Receipts are not pre-numbered nor is a duplicate kept by the motel. Records reflecting historic cash receipt activity were not provided.

Section I – RECORDS – of the Hotel Room Rental Tax Rules and Regulations, effective September 4, 2005 states:

"It shall be the duty of every Operator liable for the collection of the Hotel Room Rental Tax to keep and preserve for a period of three (3) years, all records as may be necessary to determine the amount of such tax which the Operator was liable to collect and pay to the County. The records shall be maintained at the place of business where the subject Rooms were rented. The records shall include but are not limited to folios; lease agreements; general ledgers; night auditor and housekeeper reports; traffic summaries; source of business reports; and any other documents that support Room revenues and exemptions. The records shall be filed in a manner that allows ready access by the Fiscal Officer or the Fiscal Officer's authorized agents, who shall have the right to inspect the records during regular business hours of Operator and perform an audit thereon."

Recommendation: Adequate records should include:

- Daily cash receipt records listing tenant name, room number and amount. Daily cash receipt totals should match corresponding bank deposits.
- Three-part, pre-numbered receipts. The original would be issued to the tenant and two copies retained by the motel. One copy to be filed by tenant and the other filed numerically, to provide assurance that ensures all receipts have been recorded.

Current Status: In July, 2007, the recommendation was addressed when hotel management implemented a cash receipt recording system which included payment tracking cards and pre-numbered receipts. The hotel was unable to provide adequate documentation for exemptions claimed in prior periods.



COUNTY OF LEHIGH
Office of Fiscal Affairs

Brian L. Kahler
Fiscal Officer

August 8, 2008

Mr. Arvin Desai, Owner
Royal Motel
902 East Congress Street
Allentown, PA 18109

RE: HOTEL TAX "DETERMINATION"
Royal Motel

Dear Mr. Desai:

According to the recent agreed-upon procedures performed by the Lehigh County controller's office, hotel tax and interest is due for the period January 1 to December 31, 2007.

In accordance with Section G of the Hotel Tax Rules and Regulations, you are hereby requested to remit the sum of \$4,217.02. The calculations of the "determination" (as stated in Section G) were included in the Lehigh County controller's office draft report. Failure to remit the payment within **ten (10)** days will result in additional penalties, attorney fees, and fines as stated in Section G.

Very truly yours,

A handwritten signature in black ink, appearing to read "B. L. Kahler", is written over a horizontal line.

Brian L. Kahler
Fiscal Officer

xc: Thomas Slonaker, County Controller

HOTEL TAX/HOTEL TAX DETERMINATION LETTER

Government Center
17 South Seventh Street
Allentown, Pennsylvania 18101-2401

Accounts Receivable
Phone: 610-782-3112
Fax: 610-820-3121

Fiscal Administration
Phone: 610-782-3115
Fax: 610-820-3690