



County of Santa Cruz

AUDITOR-CONTROLLER'S OFFICE
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Kathleen Hammons, Budget and Tax

AGENDA: May 8, 2001

April 24, 2001

BOARD OF SUPERVISORS

County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Subject: Report on the Transient Occupancy Tax Audit of Holzman and Daw

Dear Members of the Board:

At the request of the Tax Collector we performed an audit of the Uniform Transient Occupancy Tax (TOT) collections for Holzman and Daw for the three years ended December 31, 2000. The purpose of our audit was to determine whether the rental agency was collecting and reporting transient occupancy taxes in accordance with County Code Section 4.24.150 et seq.

We discovered that the rental agency had incorrectly over reported their taxable receipts to the Tax Collector and accordingly overpaid the TOT for some months during the period we reviewed. The overpayments occurred as a result of miscalculations in determining their cash collections from their financial accounting system. Holzman and Daw overpaid in the amount of \$1,201. This amount should be refunded to the rental agency or credited against future payments. The rental agency is properly collecting the TOT in accordance with County Code, and remitting the tax on a timely basis. The results of our audit and the detail monthly receipts are presented in the attached audit report.

THEREFORE, WE RECOMMEND THAT YOUR BOARD

- 1) Accept and file our report, and
- 2) Direct the Tax Collector to issue a refund or credit to Holzman and Daw for \$1,201.

Very truly yours,



Gary A. Knutson
Auditor-Controller

GK:MH

Attachments

cc: County Administrative Officer
Tax Collector
Auditor-Controller

**AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR HOLZMAN & DAW
FOR THE THREE YEARS ENDED DECEMBER 31, 2000**

March 19, 2001

**Auditor-Controller County of Santa Cruz
701 Ocean Street, Suite 100, Santa Cruz, CA 95060-4073**

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AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR HOLZMAN & DAW
THREE YEARS ENDED DECEMBER 31, 2000

0026

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AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR HOLZMAN & DAW
THREE YEARS ENDED DECEMBER 31, 2000

0027

PURPOSE AND SCOPE

We have audited the receipts of Holzman & Daw. The purpose of our audit was to determine the amount of Transient Occupancy Taxes due to the County of Santa Cruz and Holzman & Daw's compliance with County Code 4.24.010 through 4.24.150. The scope of our examination covered the three years ended December 31, 2000.

SUMMARY OF RESULTS

The results of our examination appear in the attached Schedule of Taxable Receipts and Taxes Due (EXHIBIT A), and Schedule of Reported and Audited Receipts by Month (EXHIBIT B). Based upon our audit, we determined that:

- Holzman & Daw under remitted amounts of \$127 during 1998, over remitted amounts of \$1,328 during 1999 and accurately remitted amounts during 2000.
- Holzman & Daw did not display their TOT certificate in a conspicuous location.

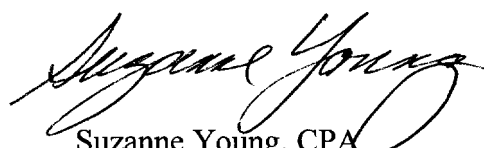
RESULTS AND RECOMMENDATIONS

Holzman & Daw has consistently reported their taxable receipts to the Tax Collector in a timely manner. Our examination indicated that for the three years ended December 31, 2000, Holzman & Daw under reported their taxable receipts by \$1,269 during 1998, over reported their taxable receipts by \$13,280 during 1999, and accurately reported their taxable receipts during 2000. This has lead to a net overpayment of the Uniform Transient Occupancy Tax in the amount of \$1,201 for the three years ended December 31, 2000. We recommend that the Tax Collector:

Provide either a credit or a refund in the amount of \$1,201 to Holzman & Daw

Issue to Holzman & Daw a replacement TOT certificate. This certificate was properly displayed at the rental agency prior to concluding the audit.

This audit was performed by the Santa Cruz County Auditor-Controller's Audit and Systems Division in accordance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.


Suzanne Young, CPA
Audit and Systems Manager

March 19, 2001

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR HOLZMAN & DAW
SCHEDULE OF TAXABLE RECEIPTS AND TAXES DUE
THREE YEARS ENDED DECEMBER 31, 2000

<u>Taxable Receipts:</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Total</u>
Reported Receipts	\$ 975,411	\$ 2,594,474	\$ 2,770,779	\$ 6,340,664
Audited Receipts	<u>976,680</u>	<u>2,581,194</u>	<u>2,770,779</u>	<u>6,328,653</u>
Reported Receipts Over/ (Under) Audited Receipts	<u>\$ (1,269)</u>	<u>\$ 13,280</u>	<u>\$ 0</u>	<u>\$ 12,011</u>
<u>Taxes Due:</u>				
Tax Paid at 10%	\$ 97,541	\$ 259,447	\$ 277,078	\$ 634,066
Tax Due	<u>97,668</u>	<u>258,119</u>	<u>277,078</u>	<u>632,865</u>
Tax Paid Over/ (Under) Tax Due	<u>\$ (127)</u>	<u>\$ 1,328</u>	<u>\$ 0</u>	<u>\$ 1,201</u>

The accompanying notes are an integral part of this schedule

EXHIBIT B

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR HOLZMAN & DAW
SCHEDULE OF REPORTED AND AUDITED RECEIPTS BY MONTH
THREE YEARS ENDED DECEMBER 31, 2000

<u>MONTH/YEAR</u>	<u>REPORTED RECEIPTS</u>	<u>AUDITED RECEIPTS</u>	<u>OVER/ (UNDER) REPORTED</u>
1998 January	\$ 30,646	\$ 31,220	\$ (574)
February	52,255	52,071	184
March	49,742	49,626	116
April	69,595	69,366	229
May	62,565	62,239	326
June	74,624	76,219	(1,595)
July	139,008	139,459	(451)
August	167,060	167,699	(639)
September	97,113	96,514	599
October	68,368	67,941	427
November	75,887	75,649	238
December	88,548	88,677	(129)
Subtotal	<u>975,411</u>	<u>976,680</u>	<u>(1,269)</u>
1999 January	39,042	38,985	57
February	44,639	44,368	271
March	56,271	56,061	210
April	224,206	221,571	2,635
May	232,910	214,683	18,227
June	217,745	199,932	17,813
July	402,103	421,079	(18,976)
August	548,382	548,484	(102)
September	247,350	248,315	(965)
October	242,565	242,565	0
November	198,306	204,196	(5,890)
December	140,955	140,955	0
Subtotal	<u>2,594,474</u>	<u>2,581,194</u>	<u>13,280</u>
2000 January	159,777	159,777	0
February	98,409	98,409	0
March	121,935	121,935	0
April	207,166	207,167	(1)
May	169,532	169,532	0
June	306,426	306,425	1
July	418,399	418,399	0
August	439,425	439,425	0
September	237,981	237,981	0
October	194,683	194,683	0
November	228,092	228,092	0
December	188,954	188,954	0
Subtotal	<u>2,770,779</u>	<u>2,770,779</u>	<u>0</u>
TOTAL	<u>6,340,664</u>	<u>6,328,653</u>	<u>12,011</u>

The accompanying notes are an integral part of this schedule

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR HOLZMAN & DAW
NOTES
THREE YEARS ENDED DECEMBER 31, 2000

Note 1: Transient Occupancy Tax

County Code Section §4.24.030 provides that operators shall collect 10% of the rent charged for the privilege of occupying a transient facility. Taxes are due to the County by the end of the month following the month being reported.

Note 2: Basis of Accounting

Taxable receipts and Transient Occupancy Taxes are reported on the cash basis of accounting. Under this method, revenues are recognized when the cash transaction takes place rather than when the revenues are earned.