



County of Santa Cruz

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AUDITOR-CONTROLLER'S OFFICE

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AGENDA: November 20,2001

November 8,2001

BOARD OF SUPERVISORS

County of Santa Cruz

701 Ocean Street

Santa Cruz, CA 95060

Subject: Report on the Transient Occupancy Tax Audit of Best of Pajaro

Dear Members of the Board:

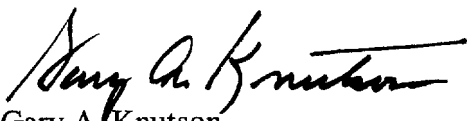
At the request of the Tax Collector, we performed an audit of the Uniform Transient Occupancy Tax (TOT) collections for Best of Pajaro for the three years ended December 31, 2000. Best of Pajaro is a property management company that rents properties in Pajaro Dunes. The purpose of our audit was to determine 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 under reported their taxable receipts to the Tax Collector and accordingly under paid the TOT for several months during the period we reviewed. Best of Pajaro under paid in the amount of \$63,098. This amount, plus appropriate interest and penalties, should be assessed and invoiced by the Tax Collector to Best of Pajaro. 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) Authorize the Tax Collector to assess and invoice Best of Pajaro for **\$63,098** plus interest and penalties, and implement the recommendations contained in the audit.

Very truly yours,



Gary A. Knutson
Auditor-Controller

GK:mh

Attachments

cc: . County Administrative Officer
Tax Collector
Auditor-Controller

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**AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT *OCCUPANCY* TAX FOR BEST OF PAJARO
FOR THE THREE YEARS ENDED DECEMBER 31,2000**

August 24,2001

**Auditor-Controller County of Santa Cruz
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AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR BEST OF PAJARO
THREE YEARS ENDED DECEMBER 31, 2000

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August 24, 2001

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR BEST OF PAJARO
THREE YEARS ENDED DECEMBER 31,2000

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PURPOSE AND SCOPE

At the request of the Tax Collector, we have audited the receipts of Best of Pajaro. The purpose of our audit was to determine the amount of Transient Occupancy Taxes due to the County of Santa Cruz and Best of Pajaro'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:

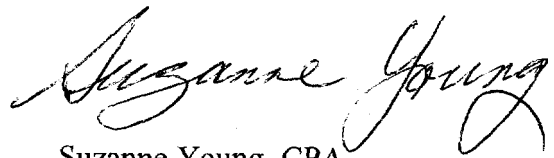
- Best of Pajaro under remitted \$3,029 during 1998, under remitted \$5,076 during 1999 and under remitted \$54,993 during 2000 for a total of \$63,098 in under remitted taxes.
- Best of Pajaro did not display their TOT certificate in a conspicuous location, as required by County Code.

RESULTS AND RECOMMENDATIONS

Best of Pajaro has not reported their taxable receipts or remitted taxes due to the Tax Collector according to County Code filing requirements. Best of Pajaro remitted taxes late during eighteen of the thirty-six months audited, remittances were late between one to six months from their due date to the County. Our examination indicated that for the three years ended December 31,2000, Best of Pajaro under reported their taxable receipts by \$30,296 during 1998, under reported their taxable receipts by \$50,759 during 1999, and under reported their taxable receipts by \$549,926 during 2000. This has lead to a net underpayment of the Uniform Transient Occupancy Tax in the amount of \$63,098 for the three years ended December 31,2000. We recommend that the Tax Collector:

1. Assess and invoice Best of Pajaro for the delinquent taxes plus appropriate interest and penalties.
2. Review Best of Pajaro's 2001 reported receipts and tax payments for potential under reporting by comparing them to the prior years' audited results and request additional documentation to resolve variances.
3. Issue a replacement TOT certificate to Best of Pajaro .

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

August 24, 2001

AUDITOR-CONTROLLERS REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR BEST OF PAJARO
SCHEDULE OF TAXABLE RECEIPTS AND TAXES DUE
THREE YEARS ENDED DECEMBER 31, 2000

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Total</u>
<u>Taxable Receipts:</u>				
Reported Receipts	\$ 705,026	\$ 1,209,169	\$ 1,357,011	\$ 3,271,206
Audited Receipts	<u>735,322</u>	<u>1,259,928</u>	<u>1,906,937</u>	<u>3,902,187</u>
Receipts not Reported	<u>\$ 30,296</u>	<u>\$ 50,759</u>	<u>\$ 549,926</u>	<u>\$ 630,981</u>
 <u>Taxes Due:</u>				
Tax Paid at 10%	\$ 70,503	\$ 120,917	\$ 135,701	\$ 327,121
Tax Due	<u>73,532</u>	<u>125,993</u>	<u>190,694</u>	<u>390,219</u>
Due to County	<u>\$ 3,029</u>	<u>\$ 5,076</u>	<u>\$ 54,993</u>	<u>\$ 63,098</u>

The accompanying notes are an integral part of this schedule

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR BEST OF PAJARO
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	\$ 14,745	\$ 10,375	\$ 4,370
February	7,525	16,063	(8,538)
March	17,890	18,018	(128)
April	41,456	35,059	6,397
May	35,855	41,878	(6,023)
June	73,003	74,362	(1,359)
July	107,517	110,925	(3,408)
August	146,762	168,074	(21,312)
September	74,984	84,300	(9,316)
October	62,921	66,376	(3,455)
November	67,334	73,098	(5,764)
December	55,034	36,794	18,240
Subtotal	<u>705,026</u>	<u>735,322</u>	<u>(30,296)</u>
1999 January	25,219	43,380	(18,161)
February	35,134	46,214	(11,080)
March	39,709	30,800	8,909
April	64,252	62,905	1,347
May	39,967	67,077	(27,110)
June	95,323	95,323	0
July	185,946	189,046	(3,100)
August	250,495	250,495	0
September	133,299	133,732	(433)
October	101,295	101,955	(660)
November	107,080	107,081	(1)
December	131,450	131,920	(470)
Subtotal	<u>1,209,169</u>	<u>1,259,928</u>	<u>(50,759)</u>
2000 January	35,483	37,590	(2,107)
February	79,530	81,661	(2,131)
March	65,699	65,699	0
April	108,030	108,030	0
May	107,950	109,900	(1,950)
June	320,678	324,605	(3,927)
July	334,315	338,175	(3,860)
August	21,181	311,808	(290,627)
September	8,018	161,602	(153,584)
October	91,118	130,168	(39,050)
November	92,330	133,800	(41,470)
December	92,679	103,899	(11,220)
Subtotal	<u>1,357,011</u>	<u>1,906,937</u>	<u>(549,926)</u>
TOTAL	<u>\$ 3,271,206</u>	<u>\$ 3,902,187</u>	
Receipts:			
Over Reported			39,263
Under Reported			<u>(670,244)</u>
NET OVER/ (UNDER)REPORTED			<u>\$ (630,981)</u>

The accompanying notes are an integral part of this schedule

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR BEST OF PAJARO
NOTES

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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.