



County of Santa Cruz

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AUDITOR-CONTROLLER'S OFFICE

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AGENDA: January 8, 2002

December 19, 2001

BOARD OF SUPERVISORS

County of Santa Cruz

701 Ocean Street

Santa Cruz, CA 95060

Subject: Report on the Transient Occupancy Tax Audit of Tyrolean Inn and Cottages

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 Tyrolean Inn and Cottages for the period September 1999 to June 2001. The purpose of our audit was to determine whether the motel operator was collecting and reporting transient occupancy taxes in accordance with County Code Section 4.24.150 et seq.

We discovered that the motel management **had** under reported their taxable receipts to the Tax Collector and accordingly under paid the TOT for several months during the period we reviewed. Tyrolean Inn and Cottages under paid in the amount of **\$653**. This amount, plus appropriate interest and penalties, should be assessed and invoiced **by** the Tax Collector to Tyrolean Inn and Cottages. 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 Tyrolean Inn and Cottages for \$653 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

**AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR TYROLEAN INN AND COTTAGES
FOR THE PERIOD SEPTEMBER 1999 TO JUNE 2001**

October 3, 2001

**Auditor-Controller County of Santa Cruz
701 Ocean Street, Suite 100, Santa Cruz, CA 95060-4073
(831) 454-2500 Fax: (831) 454-2660**

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR TYROLEAN INN AND COTTAGES⁰⁰³⁸
FOR THE PERIOD SEPTEMBER 1999 TO JUNE 2001

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AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR TYROLEAN INN AND COTTAGES
FOR THE PERIOD SEPTEMBER 1999 TO JUNE 2001

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PURPOSE AND SCOPE

We have audited the receipts of Tyrolean Inn and Cottages. The purpose of our audit was to determine the amount of Transient Occupancy Taxes due to the County of Santa Cruz and Tyrolean Inn and Cottages' compliance with County Code 4.24.010 through 4.24.150. The scope of our examination covered the period of September 1999 to June 2001

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:

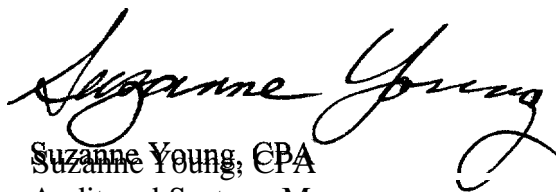
- Tyrolean Inn and Cottages under remitted \$93 during 1999, under remitted \$495 during 2000 and under remitted \$65 during 2001 for a total of \$653 under remitted.

RESULTS AND RECOMMENDATIONS

Tyrolean Inn and Cottages has not consistently reported their taxable receipts to the Tax Collector in a timely manner. Late reporting occurred for 12 out of 22 months audited. Our examination indicated that for the period September 1999 to June 2001, Tyrolean Inn and Cottages under reported their taxable receipts by \$937 during 1999, under reported their taxable receipts by \$4952 during 2000, and under reported their taxable receipts by \$651 during 2001. This has lead to a net underpayment of the Uniform Transient Occupancy Tax in the amount of \$653 for the period September 1999 to June 2001. We recommend that the Tax Collector:

1. Assess and invoice Tyrolean Inn and Cottages for the delinquent taxes plus appropriate interest and penalties.
2. Review the Tyrolean Inn and Cottages' 2001 reported receipts and tax payments for potential under reporting by comparing them to the prior years' audited results.

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

October 3, 2001

**AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR TYROLEAN INN AND COTTAGES
SCHEDULE OF TAXABLE RECEIPTS AND TAXES DUE
SEPTEMBER 1999 THROUGH JUNE 2001**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Total</u>
<u>Taxable Receipts:</u>				
Reported Receipts	\$ 13,646	\$ 40,567	\$ 11,213	\$ 65,426
Audited Receipts	<u>14,583</u>	<u>45,519</u>	<u>11,864</u>	<u>71,966</u>
Receipts not Reported	\$ <u>937</u>	\$ <u>4,952</u>	\$ <u>651</u>	\$ <u>6,540</u>
 <u>Taxes Due:</u>				
Tax Paid at 10%	\$ 1,365	\$ 4,057	\$ 1,121	\$ 6,543
Tax Due	<u>1,458</u>	<u>4,552</u>	<u>1,186</u>	<u>7,196</u>
Due to County	\$ <u>93</u>	\$ <u>495</u>	\$ <u>65</u>	\$ <u>653</u>

The accompanying notes are an integral part of this schedule

AUDITOR-CONTROLLERS REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR TTROLEAN INN AND COTTAGES
 SCHEDULE OF REPORTED AND AUDITED RECEIPTS BY MONTH
 SEPTEMBER 1999 THROUGH JUNE 2001

<u>MONTH/YEAR</u>		<u>REPORTED/ ASSESSED RECEIPTS</u>	<u>AUDITED RECEIPTS</u>	<u>OVER/ (UNDER) REPORTED</u>
1999	September	\$ 3,920 A	\$ 3,920	\$ 0
	October	3,973 A	3,973	0
	November	3,013 A	3,244	(231)
	December	2,740 A	3,446	(706)
	Subtotal	<u>13,646</u>	<u>14,583</u>	<u>(937)</u>
2000	January	4,070 A	4,070	0
	February	3,384 A	3,384	0
	March	2,160 A	2,987	(827)
	April	2,544 A	3,061	(517)
	May	2,655	3,000	(345)
	June	5,222	5,496	(274)
	July	6,293	5,527	766
	August	4,653	4,965	(312)
	September	2,666	3,706	(1,040)
	October	3,350	3,533	(183)
	November	2,400	2,680	(280)
	December	1,170	3,110	(1,940)
	Subtotal	<u>40,567</u>	<u>45,519</u>	<u>(4,952)</u>
2001	January	0	0	0
	February	1,379	1,469	(90)
	March	1,144	1,199	(55)
	April	2,210	2,335	(125)
	May	2,764	2,865	(101)
	June	3,716	3,996	(280)
	Subtotal	<u>11,213</u>	<u>11,864</u>	<u>(651)</u>
TOTAL		\$ <u>65,426</u>	\$ <u>71,966</u>	
Receipts:				
Over Reported				766
Under Reported				<u>(7,306)</u>
NET OVER/ (UNDER)REPORTED				\$ <u><u>(6,540)</u></u>

A=Assessed, see Note 1.

The accompanying notes are an integral part of *this* schedule

AUDITOR-CONTROLLER'S REPORT ON THE
TRANSIENT OCCUPANCY TAX FOR TYROLEAN INN AND COTTAGES
NOTES
FOR THE PERIOD SEPTEMBER 1999 TO JUNE 2001

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.

County Code §4.24.100 states "As soon as the tax administrator shall procure such facts and information as he is able to obtain upon which to base the assessment of any tax imposed by this chapter and payable by any operator who has failed or refused to collect the same and to make such report and remittance, he shall proceed to determine and assess against such operator the tax, interest and penalties provided for by this chapter. In case such determination is made, the tax administrator shall give a notice of the amount so assessed by serving it personally or by depositing it in the United States mail, postage prepaid, addressed to the operator so assessed at his last known place of address. Such operator may within ten days after the serving or mailing of such notice make application in writing to the tax administrator for a hearing on the amount assessed. If application by the operator for a hearing is not made within the time prescribed, the tax, interest and penalties, if any, determined by the tax administrator shall become final and conclusive, and immediately due and payable."

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.