



County of Santa Cruz

AUDITOR-CONTROLLER'S OFFICE
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AGENDA: January 24, 2006

January 4, 2006

BOARD OF SUPERVISORS
 County of Santa Cruz
 701 Ocean Street
 Santa Cruz, CA 95060

Subject: Report on the Transient Occupancy Tax Review of the Best Western Seacliff Inn

Dear Members of the Board:

At the request of the Tax Collector we performed a review of the Uniform Transient Occupancy Tax (TOT) collections for the Best Western Seacliff Inn for the three years ended June 30, 2005. The purpose of our review was to determine whether the hotel was collecting and reporting transient occupancy taxes in accordance with County Code Section 4.24.010 et seq.

We discovered that the hotel had incorrectly over reported their taxable receipts to the Tax Collector and accordingly overpaid the TOT for one month during the period we reviewed. The overpayment occurred as a result of an accounting error. Best Western Seacliff Inn overpaid in the amount of \$19.80. This amount should either be refunded to the hotel or credited against future payments. The hotel is properly collecting the TOT in accordance with County Code, and remitting the tax on a timely basis. The results of our review and the detail monthly receipts are presented in the attached review report.

Board of Supervisors/Report on Transient Occupancy Tax Review
January 3, 2006
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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 Best Western Seacliff Inn for \$19.80.

Very truly yours,



Mary Jo Walker
Auditor-Controller

MJW:MH

Attachments

cc: County Administrative Officer
Tax Collector
Auditor-Controller

**AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF
TRANSIENT OCCUPANCY TAX FOR THE
BEST 'WESTERN SEACLIFF INN
FOR THE PERIOD JULY 2002 THROUGH JUNE 2005**

November 3, 2005

**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 REVIEW OF
TRANSIENT OCCUPANCY TAX FOR THE BEST WESTERN SEACLIFF INN
FOR THE PERIOD JULY 2002 THROUGH JUNE 2005

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AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF
TRANSIENT OCCUPANCY TAX FOR THE BEST WESTERN SEACLIFF INN
FOR THE PERIOD JULY 2002 THROUGH JUNE 2005

PURPOSE AND SCOPE

At the request of the Tax Collector, we have reviewed the receipts of the Best Western Seacliff Inn. The purpose of our review was to determine the amount of Transient Occupancy Taxes due to the County of Santa Cruz County **and** to determine Best Western Seacliff Inn's compliance with County Code 4.24.010 through 4.24.150. The scope of our examination covered July 1, 2002 through June 30, 2005.

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 review, we determined that:

- Best Western Seacliff Inn accurately remitted amounts during 2002 **and** 2003, over remitted amounts of \$19.80 during 2004, and accurately remitted amounts during 2005.
- Best Western Seacliff Inn did not display their TOT certificate in a conspicuous location, as required by County Code.
- Best Western Seacliff Inn did not report gross receipts **and** deductions in a consistent **manner** as prescribed on the monthly transient occupancy tax form issued by the **Tax** Collector.

RESULTS AND RECOMMENDATIONS

The Best Western Seacliff Inn has consistently reported their taxable receipts to the Tax Collector in a timely **manner**. **Our** examination indicated that for the period July 2002 through June 2005, Best Western Seacliff Inn accurately reported their taxable receipts during 2002 and 2003, over reported their taxable receipts by \$198 during 2004, and accurately reported their taxable receipts during 2005. This has led to a net overpayment of the Uniform Transient Occupancy Tax in the amount of \$19.80 for the period July 2002 through June 2005. We recommend **that** the Tax Collector:

- Provide either a credit or a refund in the amount of \$19.80 to Best Western Seacliff Inn.
- Issue to Best Western Seacliff Inn a replacement TOT certificate **and** instructions for proper placement as stipulated in County Code §4.24.070.
- Provide instruction to Best Western Seacliff Inn regarding completing the monthly TOT reports submitted to the **Tax** Collector.

This review 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.**

Edith Driscoll, CIA
Audit and Systems Manager



November 3, 2005

EXHIBIT A

**AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF
TRANSIENT OCCUPANCY TAX FOR THE BEST WESTERN SEACLIFF INN
SCHEDULE OF TAXABLE RECEIPTS AND TAXES DUE
FOR THE PERIOD JULY 2002 THROUGH JUNE 2005**

	6-Months Ending 12/31/02	2003	2004	6-Months Ending 6/30/05
Taxable Receipts:				
Reported Receipts	\$ 1,758,006	\$ 3,026,581	\$ 3,387,064	\$ 1,571,556
Audited Receipts	1,758,006	3,026,581	3,386,866	1,571,556
Reported Receipts Over/ (Under) Audited Receipts	\$ -	\$ -	\$ 198	\$ -
Taxes Due:				
Tax Paid at 10%	\$ 175,801	\$ 302,658	\$ 338,706	\$ 157,156
Tax Due	175,801	302,658	338,686	157,156
Tax Paid Over/(Under) Tax Due	\$ -	\$ -	\$ 20	\$ -

The accompanying notes are an integral part of this schedule

AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF
TRANSIENT OCCUPANCY TAX FOR THE BEST WESTERN SEACLIFF INN
SCHEDULE OF REPORTED AND AUDITED RECEIPTS BY MONTH
FOR THE PERIOD JULY 2002 THROUGH JUNE 2005

MONTH/YEAR		REPORTED RECEIPTS	AUDITED RECEIPTS	OVER/ (UNDER) REPORTED
2002	July	\$ 425,596	\$ 425,596	\$
	August	448,969	448,969	
	September	271,881	271,881	
	October	240,837	240,837	
	November	205,203	205,203	
	December	165,520	165,520	
	Subtotal	<u>\$ 1,758,006</u>	<u>\$ 1,758,006</u>	<u>\$</u>
2003	January	\$ 135,595	\$ 135,595	\$
	February	164,503	164,503	-
	March	184,355	184,355	-
	April	240,799	240,799	-
	May	266,367	266,367	-
	June	315,209	315,209	-
	July	425,717	425,717	-
	August	427,632	427,632	-
	September	237,751	237,751	-
	October	262,902	262,902	-
	November	191,792	191,792	-
	December	173,959	173,959	-
	Subtotal	<u>\$ 3,026,581</u>	<u>\$ 3,026,581</u>	<u>\$</u>
2004	January	\$ 141,463	\$ 141,463	\$ -
	February	179,658	176,186	3,472
	March	215,854	219,326	(3,472)
	April	281,779	281,779	
	May	295,051	295,051	
	June	366,769	366,769	
	July	455,685	455,685	
	August	423,947	423,947	
	September	306,112	306,112	
	October	284,960	284,960	-
	November	221,179	221,179	
	December	214,607	214,409	198
	Subtotal	<u>\$ 3,387,064</u>	<u>\$ 3,386,866</u>	<u>\$ 198</u>
2005	January	\$ 178,944	\$ 178,944	\$
	February	206,467	206,467	
	March	257,690	257,690	
	April	253,519	253,519	
	June	289,871	289,871	
	June	385,065	385,065	
	Subtotal	<u>\$ 1,571,556</u>	<u>\$ 1,571,556</u>	<u>\$</u>

The accompanying notes are an integral part of this schedule

AUDITOR-CONTROLLER'S REPORT ON THE REVIEW OF
TRANSIENT OCCUPANCY TAX FOR THE BEST WESTERN SEACLIFF INN
NOTES
JUNE 30,2005

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**.