

Audit Report

***Finance/Business Tax:
Transient Occupancy Tax***

August 2012

AU12-06

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REPORT SUMMARY

The Finance Department/Business License/Tax Division is the designated Tax Administrator for Riverside Municipal Code Section 5.32 – Transient Occupancy Tax (TOT) responsible for the administration, collection, and transaction recording of “Rent” revenue¹ from the various city hotels (hotel operators) as defined in the code. Based upon the results of our review, we identified opportunities for the Tax Administrator to improve operational processes and controls. A number of recommendations have been made to streamline the monthly reporting process for hotel operators and internal administrative processes.

We also found in testing the monthly registration and billing transactions of 10 selected hotels over a period of 19 months, an inconsistency in assessing tax imposed on a transient for the “rent” of a room. Vague wording in sections of the ordinance has been misinterpreted by some of the hotel operators. For example, we reviewed transactions for guaranteed reservations with a “No Show.” A hotel holds a room for the person who made the reservation and bills them even though they fail to appear. The hotel should charge and collect the TOT on the “No Show” billing. Based on the legal definition of “Occupancy” the person making the reservation has the right to use the room, even if they do not actually arrive and use it. The financial impact to the City was a loss of revenue from this one hotel during the audit period in the amount of \$18,536. With City Council approval, certain clarifications in the Riverside Municipal Code will ensure consistent application of the imposed tax.

We have met with Hotel Operators that were not in full compliance with the Riverside Municipal Code Section 5.32. Corrections to Hotel billing systems were implemented effective August 1, 2012.

Based on our review and analysis of a Hotel Operator’s records, we requested the Business Tax Supervisor invoice the specific hotel for TOT owed in the total amount of \$2,159.55. This amount has since been paid by the hotel.

We believe the recommendations in our report provide the opportunity for improved operations, while ensuring the City receives the correct amount of tax imposed on occupancy of city hotels.

We have discussed the following findings related to activities/processes that could be improved by the implementation of recommendations with the Assistant Finance Director and Business Tax Supervisor. Responses are included.

We thank the Business Tax Supervisor and staff for their cooperation during the course of this review.

¹ Per Section 5.32.010, Rent is defined as “the amount of the consideration charged or chargeable to the tenant or person entitled to occupancy, for the occupancy space, valued in money whether received in money, labor or otherwise, including the full value of receipts, cash, credits, property or services of any kind or nature, without any deduction whatsoever.”

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our audit objectives were to:

- Determine if there are adequate internal controls for the TOT administration process;
- Verify Hotel Operator's understanding and compliance of the Riverside Municipal Code Section 5.32 Transient Occupancy Tax; and
- Determine whether selected Hotels properly assessed, collected and remitted all TOT owed to the City in compliance with Riverside Municipal Code Section 5.32.

Scope and Methodology

The review was conducted during the period from May to July 2012. To address the audit objectives and as part of our assessment of risk, we:

- Obtained an understanding of the City of Riverside's Municipal Code Section 5.32 (Transient Occupancy Tax), California Revenue and Taxation Code 7280 – 7283.51, other applicable regulations and guidelines;
- Interviewed Business Tax personnel to gain an understanding of the current TOT practices;
- Performed an analytic review of the TOT data;
- Reviewed the monthly TOT information reported to select a sample of hotels for review based upon our established criteria;
- Verified Business Tax Division maintained copies of TOT returns filed and submitted by Hotel Operators in accordance with the City's Records Retention Schedule;
- Interviewed Hotel Staff members from hotels selected for review to verify their understanding of the Riverside Municipal Code 5.32 and their TOT reporting process;
- Verified each hotel operator selected for review had the *Transient Occupancy Registration Permit* available for review and/or posted in a conspicuous place at all times; and
- Verified the information reported on the TOT returns agreed to the accounting records and applicable supporting documentation.

Transaction testing was performed on a sample of 10 hotels (43%) that were selected for review from a total population of 23 hotels for the period July 1, 2010 through January 31st, 2012. Hotel selection was based upon the following established criteria:

- At least \$2 million in annual Gross Room Revenue;
- Total monetary exemptions exceeded total TOT paid; and
- No occupancy exemptions reported.

Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* and according to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. Those standards require that the audit is planned and performed to afford a reasonable basis for judgments and conclusions regarding the department, division, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe our audit provides a reasonable basis for our conclusions.

BACKGROUND

Riverside Municipal Code Section 5.32 levies a Transient Occupancy Tax (TOT) on the daily usage of a hotel room(s) in the City of Riverside. Each Guest staying at a hotel is required to pay a tax on the daily Room Rate charged by the Hotel Operator. The TOT constitutes a debt owed by the Guest to the City and extinguished when the Guest pays the Hotel Operator the Total Room Rate and TOT for their stay in the hotel room. All TOT collected by the Hotel Operator are to be remitted to the City on a monthly basis. The TOT becomes delinquent and subject to penalties and interest if not received by the City on or before the fifteenth (15th) calendar day of the month following the close of each calendar month.

On November 2, 2010 in a Special Municipal Election voters approved an increase in the TOT rate to support the Riverside Convention Center renovations. On January 4, 2011, the City Council approved the Riverside Municipal Code Section 5.32 be amended to increase the TOT rate, by a total of 2% phased in over time, from 11% to 12% as of July 1, 2012 and to 13% as of July 1, 2014. During our review period, the TOT rate was 11%. The revenue generated by TOT is recorded in the General Fund (101-313000).

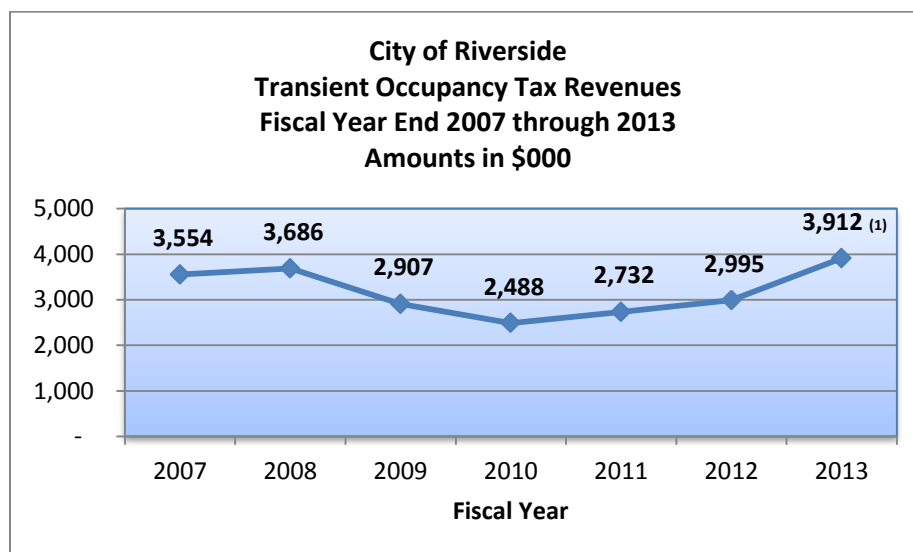
No TOT shall be imposed upon:

- Any person as to whom or any occupancy as to which it is beyond the power of the City to impose the tax herein provided;
- Any officer or employee of a foreign government who is exempt by reason of express provision of law or international treaty.

No exemptions shall be granted except upon a claim form made at the time the rent is collected and under penalty of perjury upon a form prescribed by the Tax Administrator.

Financial Impact

As noted in the chart below, from Fiscal Year 2007 through 2012, TOT revenues have fluctuated, reflecting the impact of the region's economic conditions on the local hotels.



(1) Budgeted revenue reflects an increase due in TOT rate by 1 % and opening of a new hotel.

There are currently 24 hotels open and operating in the City of Riverside; one hotel began operating during the time this audit was being conducted and excluded from this review. During our audit period, we selected 10 hotels for review; they accounted for 81% of the total TOT revenue. Room Revenue, Exemptions, and TOT for the hotels selected for the audit are listed below. Names of hotels have been excluded in order to be compliant with Section 5.32.270 (Confidentiality of records) of the Riverside Municipal Code.

Room Revenue, Exemptions, and Transient Occupancy Tax Sample Hotels Period July 1, 2010 through January 31, 2012			
	Gross Room Rentals \$	Exemptions \$	TOT Collected \$
Hotel 1	12,902,590	246,934	1,392,122
Hotel 2	10,638,037	856,945	1,075,920
Hotel 3	4,827,598	638,086	460,846
Hotel 4	2,681,267	-	294,939
Hotel 5	2,162,644	167,768	219,436
Hotel 6	588,204	-	64,702
Hotel 7	510,560	-	56,162
Hotel 8	390,578	101,235	31,828
Hotel 9	309,500	114,185	21,485
Hotel 10	301,511	40,689	28,690
Total	\$ 35,312,489	\$ 2,165,842	\$ 3,646,130

In reviewing the various selected hotel's documentation and reporting process for TOT, we noted the following practices:

- Additional fees charged by the Hotel Operator may or may not be included in the Total Room Revenue reported to the City, depending on the Hotel's reporting practices. Hotels do charge additional fees for Rollaway Beds, Internet access, Pet Fee, Smoking Fee, Phone Fee, Parking Fee, etc. Other items such Refrigerators, Microwaves, and Safes are complimentary or a fee may be assessed depending on the hotel.
- Hotels that offer various types of packages to Guest(s) including Spa, Romance, Movie, Shopping, Breakfast, and others; TOT is only collected on the room rate.
- Hotels maintain supporting documentation for Exemptions claimed, often using the *City of Riverside's Exemptions Form*, which is completed by the Guest. Copies of Checks or Vouchers paid by a government entity are retained by the Hotels.
- Hotels that have a Rewards Program allow Guest(s) to redeem points in place of paying with money. The Hotel will Direct Bill the Rewards Program. The Room Rate and TOT assessed, collected and reported is on the significantly lower negotiated rate.

- Hotels have rooms sold via Online Travel Companies (OTC) such as Expedia.com, Hotels.com, Travelocity.com, etc. The Hotel is notified by the OTC with the Guest Information; the OTC collects the Room Rate and applicable Taxes from the Guest(s). The amount paid by the Guest to the OTC is forwarded to the Hotel less an administrative fee. The Hotels report the Room Rate and Taxes received from the OTC, not the amount paid by the Guest to the OTC. This practice is being challenged in the Courts by several cities.

The following Findings and Recommendations have been discussed with the management of the Business Tax Division; their responses are included.

FINDINGS & RECOMMENDATIONS

Finding # 1: Riverside Municipal Code Section 5.32 Transient Occupancy Tax wording is vague in some sections, and has been misinterpreted to allow for different reporting practices by several of the hotels located in the City.

No Show, Cancellation, and Attrition

Hotel # 1 has a Room Reservation policy in place that allows a Guest(s) to cancel their Hotel Room Reservation 24 hours prior to arrival. If the Guest(s) do not show up or fail to cancel the reservation per the policy, they are considered to be a “No Show” and billed a penalty of one night’s room rate.

During our audit, we reviewed the monthly Room Revenue report for “No Show”. A hotel, under its guaranteed reservation policy, holds a room for the Guest who made the reservation and bills them even though they fail to appear. The hotel should charge and collect the Transient Occupancy Tax on the “No Show” billing. Based on the legal definition of “Occupancy” in the Riverside Municipal Code, the person making the reservation has the right to use the room, even if they do not actually use it.

Hotel # 1 has not been assessing nor collecting TOT for “No Show” billings for the audited period July 1, 2010, through January 31, 2012. We calculated the amount of TOT the City should have received during the audit period. We did not review records prior to or after the audit period for “No Show” Revenues. Since the hotel did not assess the TOT, we did not request payment for the period tested.

HOTEL # 1	
Month/Year	No Show Revenue
July 2010	\$ 7,466
August 2010	7,061
September 2010	5,160
October 2010	8,129
November 2010	11,640
December 2010	22,512
January 2011	7,088
February 2011	9,525
March 2011	9,817
April 2011	6,742
May 2011	7,154
June 2011	6,786
July 2011	4,403
August 2011	8,706
September 2011	9,185
October 2011	8,499
November 2011	9,326
December 2011	10,110
January 2011	9,204
No Show Revenue	\$ 168,513
Occupancy Tax Rate ⁽¹⁾	11%
Occupancy Tax	\$ 18,536.43

(1) TOT Rate during audit period. Effective July 1, 2012 rate increased to 12%.

We found that Hotel # 2 – 10 assessed and collected TOT on “No Show, Cancellation and Attrition” Revenue; no issues were found.

Auditor’s Comment

On July 18, 2012, we met with the Finance Director of Hotel # 1 to discuss the issue noted in our audit. Hotel # 1 received an official letter from the City of Riverside Internal Audit with the results of the audit; they agreed to modify their billing procedures to assess and collect TOT on No Show, Attrition, or Cancellation Room Revenue and include this tax in the monthly report and remittance to City of Riverside’s Business Tax Division as of August 1, 2012.

Long-Term Guest

Hotel # 1 and 2 provided an example of a Guest Folio for an individual that stayed more than 30 consecutive days at their establishment. The Guest Folios indicated one individual at Hotel #1 occupied a room for a total of 474; one individual at Hotel #2 occupied a room for a total of 45 consecutive days. Both hotels adjusted the registration records to exempt all Transient Occupancy Taxes for the full period of occupancy. Per the TOT Code, a Guest is considered a “Transient” the first 30 days the hotel room is occupied. TOT should be assessed and collected during those first 30 days; beginning on the 31st day and thereafter, the Guest is exempt from the imposed TOT.

We are not able to quantify the amount of TOT that would have been collected during the audit period from Hotel # 1 and 2 for Guest(s) that stayed 30 days or more and an adjustment was made to exempt all TOT from their Guest Folio. An effort was made by the Internal Audit Division to request this data for analysis purposes only from the Hotels; however, they are reluctant to provide this information to the City.

Hotels # 6, 7, and 8 have established a policy that no Guest(s) are allowed to stay more than 28-29 days at a time. As a result, Hotel # 6, 7, and 8 always assess and collect TOT and remit this amount at the time of reporting.

Hotels # 4, 5, 9, and 10 have Guest(s) that stay longer than 30 days at their establishment; we confirmed that they collect TOT during the first 30 days of occupancy.

Auditor’s Comment

Effective August 1, 2012, Hotel # 1 and 2 have agreed to modify their billing system to ensure TOT is assessed daily up until the 31st day. As of the 31st day and thereafter, TOT is no longer applied to the daily room rate.

Recommendation(s)

- With the City Council approval, we recommend Business Tax modify Municipal Code Section 5.32 Transient Occupancy Tax as follows for better clarification:
 - Revise the definition of a “Transient”; note that the first 30 consecutive days of their stay is assessed for TOT and remitted to the City; occupants are exempt from the TOT assessment starting on the 31st day. (City of Anaheim’s TOT Ordinance provides an excellent example of a definition of a Transient.)
 - Include a provision that Guest(s) are to be assessed TOT on No Shows and Cancellations.

- As a “best practice” to address commonly asked questions and/or provide guidance on common type situations that may arise with collection and reporting of TOT, we recommend the establishment of a FAQ (Frequently Asked Questions) section on the Business Tax webpage.

Management’s Response

“Per RMC 5.04.240, the Collector will formulate regulations to more clearly define the following areas:

- The definition of a “transient” to note that TOT will be assessed for days 1-30 and occupants are exempt from the assessment beginning on the 31st day.
- The assessment of TOT on No Shows and Cancellations.

As recommended, the following FAQ’s have been created and will be placed on the City’s website under “Pay My TOT”:

How do I pay my TOT?

Your return and remittance may be paid by one of the following methods:

- **Via electronic ACH payment** at www.riversideca.gov/finance/licensetot.asp
- **By Mail:**
 1. Complete the TOT Return Form found at the above site
 2. Print the form
 3. Mail return and check payable to:
City of Riverside
Business Tax Office
3900 Main Street
Riverside, CA 92522
- **In Person:**
Bring completed TOT Return Form to:
City of Riverside City Hall
Business Tax Office
3900 Main Street, 6th Floor
Riverside, CA 92522
Hours: Monday thru Friday, 8 a.m. – 5 p.m.

Please Note:

The Business Tax Office does not currently accept credit card payments for TOT Returns.

When is my TOT return and payment due?

The TOT return, payment, and any Tax Exemption Claim Forms are to be received by the Business Tax Division on or before the 15th day of the month following the close of each calendar month. If the 15th

falls on a Saturday, Sunday or Holiday, the next business day becomes the due date.

Is a post mark acceptable?

No. All payments and returns must be received by our office on or before the 15th.

What if I don't pay?

All returns are considered delinquent if received on the 16th day of the month following the close of the reporting period: 10% the first day late, 25% on the thirtieth day of delinquency, and 50% on the sixtieth day of delinquency. In addition to penalties, interest of 1% per month will be included on delinquent payments.

Who is exempted from TOT?

Any officer or employee of a government agency while on official business only.

Any officer or employee of a foreign government.

Any person whose rent is being paid directly by a tax exempt organization.

Any person occupying space beginning on the 31st consecutive day of occupancy.”

Finding # 2: Selected Hotels did not have the required *Transient Occupancy Registration Permit*.

Per the Riverside Municipal Code Section 5.32.050 Transient Occupancy Tax (Registration), all hotel operators are required to have an application on file with the City for a *Transient Occupancy Registration Permit*. The permit must be in effect at all times and posted in a conspicuous place with the required information: Owner's name, Hotel name, address, date of issuance, and standard verbiage as required by the Municipal Code. Hotel Operators are not in compliance with the Municipal Code if they operate without a *Transient Occupancy Registration Permit* or do not post it in a conspicuous at all times.

Of the 10 hotels selected for review, six (60%) hotels did not possess a copy of the *Transient Occupancy Registration Permit* when requested during our initial meeting with the various Hotel Operators.

The *Transient Occupancy Registration Permit* informs the Guest (s) the Hotel Operator has fulfilled the requirements of Section 5.32.050; giving the Hotel the right to collect TOT from Guest(s), unless otherwise exempt, and to remit all the tax collected to the City. The six hotels that did not have the *Transient Occupancy Registration Permit* had no knowledge of the permit and its requirement by the Municipal Code.

At the conclusion of our audit, each Hotel Operator received an official letter from Internal Audit with the results of the Transient Occupancy Tax audit; included was a reminder that every hotel is required to have the *Transient Occupancy Registration Permit*, and if they do not have one, to obtain one from Business Tax as soon as possible.

Recommendation(s)

- With City Council approval Business Tax should modify the Riverside Municipal Code Section 5.32.050 Transient Occupancy Tax (Registration) to allow for the *Transient Occupancy Registration Permit* to be available for review at all times upon request, instead of requiring the permit to be posted at all times;
- Business Tax should perform visual inspections annually to verify the Hotel Operator maintains a *Transient Occupancy Registration Permit* on the premises.

Management's Response

“One of the recommendations is to modify RMC Section 5.32.050 to allow the Transient Occupancy Registration Permit to be available for review at all times as opposed to the current requirement of posting the permit in a conspicuous place. However, the posting of the permit helps to assure the general public that their transient occupancy tax is properly collected and remitted to the City. In addition, having the Permit posted may also assist the operator should a guest question the authority to collect the tax.

Considering that many hotels have been under the same ownership for many years and may have misplaced their original permit and due to factors such as changing personnel, it may be beneficial to provide hotel management with a new permit each year. Therefore, The Business Tax Division will provide the hotel with a new Transient Occupancy Registration Permit annually on July 1. The Permit will be modified to include the current TOT rate and effective date. Providing a new permit each year should eliminate the need for a special field visit each year to verify the posting.”

Finding # 3: Business Tax process and procedures for TOT are manually-driven and inefficient.

Currently, Business Tax has written procedures in place that outline the administrative process for sending out email reminders through Outlook, receiving and processing the TOT Returns and payments. A majority of these procedures are performed manually by staff. The only process that is electronic is the PDF form available on the City's website, which performs automatic calculation of the tax based upon the information input by the Hotel Operator.

All information reported by the Hotels for TOT including Total Room Revenue, Exemptions and Taxes paid is recorded manually for each hotel on an Excel spreadsheet located on the Finance G: Directory. This manually collected and reported information is used periodically by management. Access to submitted TOT documents and various folders is limited to department personnel.

We performed a comparison of the information recorded per Hotel on the Excel spreadsheet to the TOT returns located on the Finance G: Directory. Based upon our review, we found several input errors, missing data, transposition of data, and incorrect formulas that could cause the yearly totals to be erroneous or invalid. Additionally, no reconciliations are performed of the TOT paid by the Hotel Operators to the IFAS GL Revenue account (101-313000) to ensure all taxes have been received and collected in our financial system.

Recommendation(s)

- Business Tax should consider purchasing a Web-Based application/system or utilize the current Business License software in order to automate the TOT administration process. Some features and capabilities to consider:
 - Each Hotel create a Username and Password to establish an online TOT account;
 - File the Business Tax Certificate and TOT Return electronically including automatic calculation of the TOT due;
 - History Maintenance of all TOT returns filed by the hotel operator;
 - Automatic reminder of the TOT return due date;
 - Automatic reminders at least four to six months in advance of a change in TOT rates;
 - Provide payment options such as Electronic Check or Credit Card (Visa, MasterCard, American Express, or Discover);
 - Send a confirmation email with the date and time the TOT Return was filed and method of payment;
 - Generate Exception Reports for hotels that have not filed their TOT return by the established due date;
 - Provide the option for Hotel Operators to upload the supporting documentation for Exemptions claimed;
 - Real-time data collection history for Business Tax Certificate, Gross Room Revenue, Exemptions and TOT payments; and
 - Ad-Hoc reports as needed for review, analysis, and decision-making.

Management's Response

“The Business Tax Division is considering a business license software upgrade and has reviewed an HdL product specific to business licensing. HdL software will facilitate enhanced management of the TOT process in addition to business tax. Vendor demonstrations have included processes that will meet many of the recommendations set forth in the audit report such as history maintenance of returns filed, confirmation e-mails, exception reports, etc. In addition, new software will assist with reconciliation of monies with our financial system.”

Finding # 4: Business Tax did not maintain copies of the TOT Return filed by several Hotel Operators for various months during the audit period.

A Records Retention Schedule represents the period of time a document should be kept by an organization either electronically or in hard copy format. At the end of the designated retention time period, the document is to be determined to no longer be needed and destroyed. Per the City of Riverside’s Records Retention Schedule for the City Manager’s Office – Finance/Revenue/Business Tax, the TOT Financial Records are required to be kept for five years. The City’s Records Retention Schedule has been approved by the Department Head and City Attorney’s Office.

TOT return forms are required to be filed on a monthly basis with the City of Riverside’s Business Tax Division. The TOT return can be filed by email, fax, mail, or in person. As of November 2010 hotel operators have the ability to complete their TOT returns and Exemption forms using a PDF form available on the City’s website. The form allows the hotel operator to input all the information in order for the TOT due to be automatically calculated.

All TOT returns filed by email are received in the Business Tax Division email account, BT-TOT@riversideca.gov. An assigned staff member downloads the returns from the email account that have been received for filing; a copy is to be retained in the Business Tax’s shared folder on the Finance G: Directory. Outlook has an automatic setting to delete all items not filed in a folder that are older than 30 days; deleted emails are not retrievable.

A review was performed of the retention of TOT returns filed during November 2010 – January 2012 to verify compliance with the Records Retention Schedule. We did not review the retention of the returns prior to November 2010, because they were filed manually with Business Tax. We noted the following:

TRANSIENT OCCUPANCY TAX RETURNS				
Month/Year	(1) Received	(2) Retained	(3) Missing	% Missing
November 2010	23	23	-	-
December 2010	23	23	-	-
January 2011	23	23	-	-
February 2011	23	13	10	43%
March 2011	23	21	2	9%
April 2011	23	22	1	4%
May 2011	23	23	-	-
June 2011	23	23	-	-
July 2011	23	23	-	-
August 2011	23	23	-	-
September 2011	23	23	-	-
October 2011	23	23	-	-
November 2011	23	22	1	4%
December 2011	23	23	-	-
January 2012 ⁽⁴⁾	23	22	1	4%

For the months with the TOT returns missing, Business Tax is not in compliance with the City's Records Retention Schedule. A copy of the TOT financial records are required to be maintained for a minimum of five years. The current process in place for TOT returns is manually-driven, not electronic. By not maintaining a copy of the returns filed by the Hotel Operators has put the Business Tax Division is at risk if there is a request for review or refund. The City would not able to provide supporting documentation to support the TOT payment(s).

Auditor's Comment

During the audit review, Business Tax directed Information Technology to create a "Safe Inbox," an additional email account that will automatically be populated with a copy of all emails received. This will allow more time for the Business Tax staff to save emailed documents to the Finance G: Directory. The "Safe Inbox" is not setup for automatic deletion of all emails 30 days and older and removes the potential of the loss of TOT data.

Recommendation(s)

- Improve the current procedures to mitigate the internal control weakness. These procedures should ensure a copy of all TOT returns filed by email are downloaded and saved in a timely manner on the Finance G: Directory.
- Business Tax/Collections Supervisor should periodically review the Finance G: Directory at the end of each month to ensure a copy of the TOT returns filed by each Hotel Operator(s) are maintained and available for review.
- Business Tax Division should consider reviewing the purchase of a web-based application/system that would automate the filing, receipt, review, and retention all TOT returns (as noted in Finding/Recommendation #3 above).

Management's Response

"As per the auditor's comment, when it came to the attention of Business Tax that some files had not been retained, we quickly looked for a solution. With the assistance of IT, the "Safe Inbox" was created to insure that all future returns are retained per the retention schedule. The recommendation for the Business Tax Supervisor to review the files on a monthly basis will also be implemented."

Chart Footnotes:

- (1) TOT Returns received and filed with the City of Riverside's Business Tax Division.
- (2) Number of TOT returns, an electronic copy maintained on the Finance G: Directory.
- (3) Number of TOT returns, no electronic or hard copy is maintained of the return filed by the Hotel Operator.
- (4) A copy of TOT return saved as Hotel # 10 is the TOT return for another hotel; there is no electronic or hardcopy of the TOT return filed by Hotel # 10.

Finding # 5: Hotel # 10 did not properly remit all TOT owed to the City.

In compliance with the Riverside Municipal Code Section 5.32.130, we conducted an audit of the records and supporting documentation for Hotel # 10 to verify proper collection and remittance of all TOT due to the City. The period covered during the course of our audit was July 1, 2010 to January 31, 2012.

Our review of the records showed Hotel # 10 did not properly remit all TOT owed to the City during November 2010 through November 2011. Based upon our discussion with our point of contact, the TOT returns for the 12 month period were prepared and completed by the staff at the Corporate Office using the information provided by Hotel # 10. The records showed the information was forwarded to the Corporate Office for filing of the TOT Returns. However, differences were noted when the information reported was compared to the Hotel's monthly records. The results of our review were forwarded to Business Tax for review and collection.

Auditor's Comment

On July 2, 2012, the Business Tax Division sent an official letter to the Corporate office of Hotel # 10 with the results of the audit and the amount due (\$2,159.55) for underreporting of TOT including penalties and interest. Hotel # 10 paid this amount in full on August 1, 2012. No further action is required.

Management's Response

No Management response required.