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Agenda Date: 4/19/2011

Agenda Placement: 7F

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Tracy Schulze - Auditor-Controller
Auditor - Controller

REPORT BY: Marie Nicholas, Accountant-Auditor II - 253-4977

SUBJECT: Napa County Uniform Transient Occupancy Tax Review of The Cottages of Napa Valley

RECOMMENDATION

Auditor-Controller requests the Board accept, and instruct the Clerk of the Board to file, the Report for the Napa County Uniform Transient Occupancy Tax Ordinance review of The Cottages of Napa Valley for the period of January 1, 2009 to March 31, 2010.

EXECUTIVE SUMMARY

The Internal Audit Section of the Napa County Auditor-Controller's Office has reviewed the Napa County transient occupancy tax of The Cottages of Napa Valley for the period of January 1, 2009 to March 31, 2010. Acceptance of said report is requested.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Staff conducted a review of the Napa County transient occupancy tax of The Cottages of Napa Valley for the period of January 1, 2009 to March 31, 2010 in accordance with the Napa County Uniform Transient Occupancy Tax Code and as stipulated in the respective engagement letter with the Treasurer-Tax Collector. The purpose of this review is to provide assurance to the County, specifically the Treasurer-Tax Collector, that the operator has remitted transient occupancy tax in accordance with Napa County Code of Ordinances, Title 3, Chapter 3.32.

Results of the Review: If findings occur, they are categorized as follows:

- 1 Noncompliance - Records are not maintained and/or transient occupancy tax is not remitted in accordance with Napa County Code of Ordinances, Title 3, Chapter 3.32
- 1 Material Internal Control Weakness - A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the B & B's financial records will not be prevented, or detected and corrected on a timely basis
- 1 Immaterial Control Weakness - A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis (before the quarterly tax return is submitted to the Napa County Treasurer-Tax Collector)

The findings noted during the review of financial records for the period of January 1, 2009 to March 31, 2010 is summarized below by category of noncompliance or internal control deficiency:

Category	Number of Findings
Noncompliance	0
Material Internal Control Weakness	0
Immaterial Control Weakness	5

Please see the attached Management Comments for a detailed description of the findings and recommendations. The applicable tax, interest and penalties of \$980 resulting from the findings noted above have been calculated through the date of our site visit, May 18, 2010. The tax is due to Napa County upon the receipt of a letter from the Napa County Treasurer-Tax Collector. The report is on file and available for viewing with the Clerk of the Board.

The results of the Transient Occupancy Tax Audits conducted in May of 2010 have indicated a need to communicate with the Operators areas of County-wide deficiencies determined from our audits. A letter will be issued to the Operators from the Auditor-Controller communicating these areas of deficiencies and the recommended approach to resolving them.

SUPPORTING DOCUMENTS

A . The Cottages of Napa Valley

CEO Recommendation: Approve

Reviewed By: Helene Franchi