



Agenda Date: 1/31/2006  
Agenda Placement: 6G

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Pamela Kindig - Auditor-Controller  
Auditor - Controller  
**REPORT BY:** Karen Querin, Audit Manager, 253-4588  
**SUBJECT:** Audit Reports for Napa City/County Library, County Executive Office Insurance Revolving Fund and Uniform Transient Occupancy Tax Audit of Rancho Caymus Inn

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### **RECOMMENDATION**

Auditor-Controller requests the Board accept, and instruct the Clerk of the Board to file, the following Audit Reports:

1. Departmental Audit of Napa City/County Library for the 12 months ended March 31, 2005;
2. Internal Audit of the County Executive Office Insurance Revolving Fund for the Fiscal Year Ended June 30, 2005; and
3. Uniform Transient Occupancy Tax Audit of Rancho Caymus Inn for the Period of January 31, 2004 to March 31, 2005.

### **EXECUTIVE SUMMARY**

The Internal Audit Section of the Napa County Auditor-Controller's Office has audited the financial statements of the following. Acceptance of said audit reports are requested.

1. Departmental Audit of Napa City/County Library for the 12 months ended March 31, 2005;
2. Internal Audit of the County Executive Office Insurance Revolving Fund for the Fiscal Year Ended June 30, 2005; and
3. Uniform Transient Occupancy Tax Audit of Rancho Caymus Inn for the Period of January 31, 2004 to March 31, 2005.

### **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****Monitoring, Transportation and Travel, and Departmental Audits**

Staff conducted the following audits in accordance with auditing standards generally accepted in the United States of America and as stipulated in the engagement letter with the respective agencies:

1. Departmental Audit of Napa City/County Library for the 12 months ended March 31, 2005;
2. Audit of the County Executive Office Insurance Revolving Fund for the Fiscal Year Ended June 30, 2005; and
3. Uniform Transient Occupancy Tax Audit of Rancho Caymus Inn for the Period of January 31, 2004 to March 31, 2005.

**Results of the Audits:** An audit report may contain findings in any of the following four categories:

1. Material Noncompliance
2. Material Internal Control Weakness (Reportable Conditions)
3. Immaterial Noncompliance
4. Immaterial Internal Control Weakness

The findings noted during the respective audits have been summarized below:

**Departmental Audit of Napa City/County Library****Category 4: Immaterial Internal Control Weakness****Cash Shortage Procedures Not Followed**

During our examination of the Napa City/County Library, we noted one (1) instance where the cash register was short, and County procedures for Cash Shortages were not followed. In addition, the Auditor – Controller's office was not notified of any cash shortages by the department.

The facts for the above are as follows: On March 29, 2005, a deposit total of \$568.14 was entered into the General Ledger. However, the cash register receipt for the deposit totaled \$585.15. It was brought to the attention of the Office Assistant II, who then made a note on the receipt that the register was short that day by \$17.01. Because it was considered a large amount, it was not reimbursed from the petty cash fund. This error represents 0.0002% of the sample population, and when compared to the total population, the potential dollar amount of shortages that may have occurred is \$1,070.57.

**Audit of the County Executive Office Insurance Revolving Fund**

There were no reportable or immaterial findings for the County Executive Office Insurance Revolving Fund audit for the fiscal year ended June 30, 2005.

**Uniform Transient Occupancy Tax Audit of Rancho Caymus Inn****Category 4: Immaterial Internal Control Weakness****Cancellation Items**

During our examination of the Transient Occupancy Tax for Rancho Caymus Inn during the fifteen (15) months ended March 31, 2005, we noted that Transient Occupancy Taxes were collected, but not paid to the Treasurer-Tax Collector for the deposits kept on reservation cancelations. The amount owed at the time of our audit, after penalties and interest, was \$1,426.

According to the Transient Occupancy Tax Code section 3.32.030 (Tax Imposed – Amount), it states in part, “For the privilege of occupancy or the right to occupancy by nonrefundable deposit or guaranteed no-show fee... each transient is subject to and shall pay a tax in the amount of ten and one-half percent of the rent charged by the operator.” (Ord. 970 § 2, 1990: Ord. 925 § 1 (part), 1989: prior code § 3102)

Section 3.32.031 (Additional Tax) also states in part, “Commencing January 1, 2005, the transient occupancy tax imposed by Section 3.32.030 is increased by one and one-half percent to a total of twelve percent.” (Ord. 04-06 § 3, 2004)

"Occupancy" means the use or possession or the right to the use or possession, of any room or rooms, or portion thereof... for dwelling, lodging or sleeping purposes. The right to use or possession includes any nonrefundable deposit or guaranteed no-show fee paid by a person, whether or not the person making the deposit actually exercises the right to occupancy by using or possessing any room or rooms or portion thereof.

"Operator" means the person who is proprietor of the hotel, whether in the capacity of owner, lessee, sublessee, mortgagee in possession, licensee, or any other capacity.

"Rent" means the consideration charged, whether or not received, and including nonrefundable deposits and guaranteed no-show fees, for the occupancy or right of occupancy of space.

"Transient" means any person who occupies or is entitled to occupy...by reason of concession, permit, right of access, license, nonrefundable deposit, guaranteed no-show fee or other agreement. (Ord. 925 § 1 (part), 1989: prior code § 3101)

**SUPPORTING DOCUMENTS**

None

CEO Recommendation: Approve

Reviewed By: Maiko Klieman