



Agenda Date: 11/20/2007
Agenda Placement: 6Q

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Craig Goodman for Pamela Kindig - Auditor-Controller
Auditor - Controller
REPORT BY: Stephen Owen, Accountant-Auditor II, 253-4589
SUBJECT: Audit Report for Uniform Transient Occupancy Tax Audit of Silverado Resort & Country Club Inc.

RECOMMENDATION

Auditor-Controller requests the Board accept, and instruct the Clerk of the Board to file, the Audit Report for the Uniform Transient Occupancy Tax Audit of Silverado Resort & Country Club Inc. for the period of January 1, 2006 to December 31, 2006.

EXECUTIVE SUMMARY

The Internal Audit Section of the Napa County Auditor-Controller's Office has audited the financial statements of the Uniform Transient Occupancy Tax Audit of Silverado Resort & Country Club Inc. for the period of January 1, 2006 to December 31, 2006. Acceptance of said audit 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 an audit of the Uniform Transient Occupancy Tax of Silverado Resort & Country Club Inc. for the

period of January 1, 2006 to December 31, 2006 in accordance with auditing standards generally accepted in the United States of America and as stipulated in the engagement letter with the Treasurer-Tax Collector.

Results of the Audit: An audit report may contain findings in any of the following three categories:

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

The findings noted during the audit have been summarized below:

Category 1: Material Noncompliance - Two (2) Findings

Category 2: Material Internal Control Weakness - No Findings

Category 3: Immaterial Internal Control Weakness - One (1) Finding

The audit resulted in a potential tax, penalty and interest liability of \$40,122 based on the combined effect of under-reported room revenues of \$206,274 and an error in claiming revenue exempt in accordance with the Napa County Uniform Transient Occupancy Ordinance.

The finding of under-reported room revenues arose because the operator was not previously aware that a mandatory \$3 energy surcharge is subject to the transient occupancy tax in that it comprises part of the charge for occupancy.

Please see the attached Management Comment for a detailed description of the findings, recommendations and the operator's responses.

SUPPORTING DOCUMENTS

A . Silverado Management Comments

CEO Recommendation: Approve

Reviewed By: Maiko Klieman