

Office of the City Auditor

Audit Report

**Summary Report on Transient
Occupancy Tax Audits
2008-2011**

May 2013



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Executive Summary

Under Chapter 3.64 of the Long Beach Municipal Code (Code), the Transient Occupancy Tax (TOT) is levied on individuals who occupy a hotel/motel room within the City of Long Beach for a period of 30 days or less. The tax is collected by the hotels/motels and remitted to the City monthly. Beginning in 2006, the Office of the City Auditor (OCA) began contracting with an outside firm to conduct TOT audits to ensure that TOT taxes were properly remitted. In addition to verification of tax payments, these audits educate hotel/motel operators on compliance with the City's TOT ordinance. In Fiscal Year (FY) 2012, the City of Long Beach received just under \$17.8 million in revenue related to TOT.

There were 130 hotels/motels audited for compliance with the TOT ordinance between calendar years (CY) 2008 to 2011. The results of these audits are shown in Table 1 below. The "tax assessed" column represents, in dollars, the total amount of revenue identified that was underpaid by the hotel/motel operator as indicated in these audits.

Table 1
Audit Findings from TOT Audits CY 2008-2011

Year (CY)	# of Hotels Audited	Tax Assessed	Amount Collected	Balance Due
2008	45	\$101,103	\$2,252	\$98,851
2009	40	\$8,624	\$8,624	\$0
2011	45	\$54,167	\$27,574	\$26,593
Total:	130	\$163,894	\$38,450	\$125,444

Note: No TOT Audits were performed for CY 2010

Tax assessments that resulted from the audits were provided to the Department of Financial Management's Business Relations Bureau for collection. For tax assessments from 2008 and 2011, two hotels/motels disputed a total of \$60,738 of the total balance due. As of the date of this report, these issues have not been resolved.

Background

Section 7280 of the California Revenue and Taxation Code permits the legislative bodies of any city or county in the State of California to impose an occupancy tax for the privilege of occupying a room in a hotel, motel, or other lodging. This tax applies to any person who is not exempt from such a tax, such as Federal or State employees when on government business, unless the occupancy is for any period of more than 30 days.

Chapter 3.64 of the Long Beach Municipal Code, established by City Council Ordinance, sets forth the City's regulations for the Transient Occupancy Tax (TOT) including TOT administration, tax rate imposed, collection, refunds, records, and penalties. The City Council amended the TOT Code in 2005, which included improved documentation requirements, clarified ambiguities in the Code, and provided the City with remedies to collect unpaid and underpaid tax. The TOT is levied on individuals who occupy a hotel/motel room in the City of Long Beach for a period of 30 days or less. The tax is collected by the hotel/motel operator and remitted to the City on a monthly basis. The City's Department of Financial Management's Business Relation Bureau is responsible for the collection and administration of TOT.

From 2008 to 2011, the TOT tax rate was 12%. For hotels and motels located within the Downtown Redevelopment Area, tax receipts were allocated evenly between the General Fund and the Redevelopment Agency. Since the Redevelopment Agency's dissolution in February 2012, TOT taxes collected for these hotels/motels are now being allocated entirely to the General Fund. TOT taxes collected on all other hotel/motels are allocated evenly between the General Fund and the City's Special Advertising and Promotions Fund. Table 2 represents TOT revenues remitted to the City from 2008 to 2011.

Table 2
Transient Occupancy Tax Revenue
2008-2012

Year	General Fund	Special Ad. & Promotion	Redevelopment Agency	Total
2008	\$9,108,780	\$5,150,871	\$4,063,932	\$18,323,583
2009	\$7,368,690	\$3,771,655	\$3,494,950	\$14,635,295
2010	\$7,637,304	\$4,606,149	\$3,218,159	\$15,461,612
2011	\$8,846,638	\$4,935,851	\$3,820,061	\$17,602,550
Total:	\$44,554,653	\$23,662,327	\$15,565,574	\$83,782,554

It should be noted that only a sample of hotels/motels are selected for audit each year. As previously noted, no TOT audits were conducted during 2010.

Audit Objective, Scope and Methodology

This is a summary report of the audits conducted on financial records of hotels/motels for 2008 to 2011. The objective of the TOT audits summarized within this report was to verify that hotel/motel operators selected for audit comply with the TOT ordinance and remit the proper amount of TOT to the City. The Office of the City Auditor (OCA) contracted this audit work to Tax Compliance Services (TCS), who has experience performing this work in other jurisdictions.

To complete the TOT audits summarized in this report, the following procedures were performed by TCS:

1. Notified selected hotels/motels of pending site visit;
2. Reviewed and analyzed relevant documents in support of tax calculation, waivers/exemptions, and remittance; and
3. Compared City, State, and Federal tax filings for consistencies in revenue reporting.

Results

Table 3
2008 Audit Findings by Hotel/Motel

	Hotel	Audit Assessment	Amount Paid	Amount Due	Notes
1	Alpine Motel	-	-	-	
2	American Inn	-	-	-	
3	Argonne Motel	-	-	-	
4	Avalon Motel	-	-	-	
5	Beach Inn Motel	-	-	-	
6	Best Western Golden Sails Hotel	-	-	-	
7	Best Western Hotel	-	-	-	
8	Best Western of Long Beach	\$515.78	\$515.78	\$0.00	
9	Carlton Motel	-	-	-	
10	City Center Motel	-	-	-	
11	Coast Motel	-	-	-	
12	College Inn Motel	-	-	-	
13	Comfort Inn & Suites	\$98,611.82	\$0.00	\$98,611.82	Note 1
14	Coronado Motel	-	-	-	
15	Crest Motel	-	-	-	
16	Days Inn	-	-	-	
17	Don's Motel	-	-	-	
18	Extended Stay America #932	-	-	-	
19	Holiday Inn Downtown	-	-	-	
20	Hyland Inn	-	-	-	
21	Joyland Motel	-	-	-	
22	Long Beach Days Inn	\$13.65	\$13.65	\$0.00	
23	Long Beach Inn Motel	-	-	-	
24	Magnolia Motel	-	-	-	
25	Maya hotel aka Coast LB Hotel	\$249.58	\$249.58	\$0.00	
26	Monterey Motel	-	-	-	
27	Motel 6	\$29.87	\$29.87	\$0.00	
28	Oliver Hotel	-	-	-	
29	Palms Motel	-	-	-	
30	Residence Inn- Long Beach	-	-	-	
31	Roadway Inn	-	-	-	
32	Rocky Inn Motel	-	-	-	
33	Ruby Motel	-	-	-	
34	Stallion Inn Motel	\$77.81	\$77.81	\$0.00	
35	Super 8 Motel - LB	-	-	-	
36	Travelodge - LB	-	-	-	
37	Vagabond Inn	-	-	-	
38	Courtyard by Marriott	\$238.72	\$0.00	\$238.72	
39	Holiday Inn LB Airport	\$641.45	\$641.45	\$0.00	
40	Hyatt Regency LB	\$168.98	\$168.98	\$0.00	
41	Long Beach Airport Marriott	-	-	-	
42	Long Beach Hilton	\$273.50	\$273.50	\$0.00	
43	Queen Mary	-	-	-	
44	Renaissance Hotel LB	-	-	-	
45	The Westin LB	\$281.57	\$281.57	\$0.00	
	Totals	\$101,102.73	\$2,252.19	\$98,850.54	

Note 1: Hotel owner sent letter dated August 10, 2009 requesting waiver of \$39,340.29 in penalties and interest of the total balance due of 98,611.82. As of the date of this report, this issue has not been resolved.

Table 4
2009 Audit Findings by Hotel/Motel

	Hotel Name	Audit Assessment	Amount Paid	Amount Due	Notes
1	All 8 Motel	-	-	-	
2	Arlington Motel	-	-	-	
3	Avia - Long Beach	-	-	-	
4	Beacon Motel	-	-	-	
5	Bixby Knolls Motel	-	-	-	
6	Bristol Motel	-	-	-	
7	Busy Eagle Inn, Inc.	-	-	-	
8	Courtyard by Marriott	\$457.96	\$457.96	\$0.00	
9	Dockside Boat & Bed	-	-	-	
10	El Capitan Motor Inn	-	-	-	
11	Flamingo In motel	-	-	-	
12	Galanis, Jerry	-	-	-	
13	Haystack Motel	-	-	-	
14	Hilton Long Beach	\$556.04	\$556.04	\$0.00	
15	Holiday Inn - Long Beach Airport	\$524.86	\$524.86	\$0.00	
16	Hyatt Regency Long Beach	\$1,259.45	\$1,259.45	\$0.00	
17	Hyland Motel	-	-	-	
18	Kearney Motel	-	-	-	
19	La Mirage Inn	-	-	-	
20	Liberty Hotel	-	-	-	
21	Long Beach Airport Marriott	-	-	-	
22	McIntosh, Geoffrey K	-	-	-	
23	Motel 6 #1312	-	-	-	
24	Oak Tree Inn	-	-	-	
25	Queen Mary	\$5,825.59	\$5,825.59	\$0.00	
26	Raymoure Motel	-	-	-	
27	Renaissance Long Beach Hotel	-	-	-	
28	Royal Hotel	-	-	-	
29	Royal Inn	-	-	-	
30	Sakuda Inn	-	-	-	
31	Sea Breeze Motel	-	-	-	
32	Searle Motel	-	-	-	
33	Slumber Inn	-	-	-	
34	Star Motel	-	-	-	
35	State Motel	-	-	-	
36	Sunshine Motel	-	-	-	
37	Travel King Motel	-	-	-	
38	Village Hotel	-	-	-	
39	Walls Motel	-	-	-	
40	Westin Long Beach	-	-	-	
	Totals	\$8,623.90	\$8,623.90	\$0.00	

Table 5
2011 Audit Findings by Hotel/Motel

	Hotel	Audit Assessment	Amount Paid	Difference	Notes
1	Aqua Venture Inn	-	-	-	
2	Avon Hotel	-	-	-	
3	Bay Hotel	-	-	-	
4	Beach Inn Motel	-	-	-	
5	Bel Shore Motel	-	-	-	
6	Best Western Golden Sails Hotel	-	-	-	
7	Best Western Hotel	-	-	-	
8	Best Western of Long Beach	-	-	-	
9	Carlton Motel	-	-	-	
10	City Center Days Inn	-	-	-	
11	City Center Motel	-	-	-	
12	Club Hotel	-	-	-	
13	Comfort Inn & Suites	\$507.89	\$507.89	\$0.00	
14	Coronado Motel	-	-	-	
15	Grace hotel	-	-	-	
16	Hotel Currnet aka Guesthouse Hotel	\$846.87	\$846.87	\$0.00	
17	Holiday Inn Downtown Long Beach	\$726.74	\$0.00	\$726.74	
18	Hotel De La Pasada	-	-	-	
19	Hotel Maya	\$21,397.79	\$0.00	\$21,397.79	Note 2
20	Inn of Long Beach	-	-	-	
21	Long Beach Days Inn	-	-	-	
22	Magnolia Motel	-	-	-	
23	Monterey Motel	-	-	-	
24	Motel 6	-	-	-	
25	Pacifica Motel	\$2,717.12	\$2,717.12	\$0.00	
26	Palms Motel	\$9,908.15	\$7,042.20	\$2,865.95	Note 3
27	Princess Inn	-	-	-	
28	Residence Inn by Marriott	-	-	-	
29	Rocky Inn Motel	-	-	-	
30	Rodeway Inn	-	-	-	
31	Royal Inn Motel	-	-	-	
32	Ruby Motel	-	-	-	
33	Seaport Marina Hotel	\$1,087.70	\$1,087.70	\$0.00	
34	Super 8 Motel Long Beach	\$32.51	\$32.51	\$0.00	
35	Travelodge Long Beach	-	-	-	
36	Unity Hotel	\$2,155.97	\$2,155.97	\$0.00	
37	Vagabond Inn	-	-	-	
38	Courtyard by Marriott	\$7,748.11	\$7,748.11	\$0.00	
39	Holiday Inn Long Beach Airport	\$1,602.57	\$0.00	\$1,602.57	
40	Hyatt Regecy Long Beach	\$4,799.10	\$4,799.10	\$0.00	
41	Long Beach Airport Marriott	-	-	-	
42	Long Beach Hilton	-	-	-	
43	Queen Mary	\$636.66	\$636.66	\$0.00	
44	Renaissance Long Beach Hotel	-	-	-	
45	The Westin Long Beach	-	-	-	
	Totals	\$ 54,167.18	\$ 27,574.13	\$ 26,593.05	

Note 2: Hotel is disputing the full tax assessment. As of the date of this report, this issue has not been resolved.

Note 3: Account is set up on a monthly payment plan to pay assessment in full.