



NOTICE OF PUBLIC MEETING

COUNCIL AUDIT COMMITTEE

City Hall
Willamette Room
Friday, April 11, 2008
8:30 a.m.

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF MINUTES
 - January 16, 2008 [Pages 1-2]
 - Action: _____
4. SCHEDULED BUSINESS
 - a. Business from the Public
 - b. Review Transient Room Tax examination report. [Pages 3-11]
Action: _____
5. BUSINESS FROM THE COMMITTEE
6. NEXT MEETING DATE: *TBA*
7. ADJOURNMENT

City of Albany Web site: www.cityofalbany.net

The location of the meeting/hearing is accessible to the disabled. If you need special accommodations to attend or participate, please notify the Human Resources Department in advance by calling (541) 917-7500.



AUDIT COMMITTEE
Willamette Room
Wednesday, January 16, 2008
8:30 a.m.

MINUTES

Committee members present: Jeff Christman, Sharon Konopa, Ralph Reid, Jr.

Committee members absent: Sue Folden

Staff present: Stewart Taylor, Finance Director; John Stahl, Assistant Finance Director; Mike Murzynsky, Senior Accountant; Diane Wood, Purchasing Coordinator

Others present: Brad Bingenheimer of Boldt, Carlisle, & Smith, LLC

CALL TO ORDER

Jeff Christman called the meeting to order at 8:36 a.m.

APPROVAL OF NOVEMBER 26, 2007, MINUTES

MOTION: Sharon moved to approve the minutes from November 26, 2007. Ralph seconded the motion, and it passed 3-0.

SCHEDULED BUSINESS

Business from the Public

None.

Review of Management Report from Auditors

Brad discussed the issues they found during the audit. The items included internal controls, ambulance, interfund transfers, and the amortization of the prepaid pension contribution.

Internal Controls – Brad suggested creating a policies and procedures manual for all accounting procedures. A manual is a tool for analyzing and reviewing processes. There is a manual for EDEN, but there should be something that shows how the accounting process works. The day-to-day operations, the monthly processes, and the types of reports that need to be created should be included in the manual. Stewart agreed this needs to be done for succession planning, and this will be a great tool for new hires. Stewart asked Brad if he had knowledge of some good models for creating a manual. Brad said he does. Sharon asked if employees should be documenting their tasks. This can be included in the manual. John said this would be good for all departments to do. John said he works in Excel a lot to create reports and the next person may have a different way that they want to do things. Sharon said that it would be useful to know where each person keeps their documents saved on the computer. John said that all of his spreadsheets are accessible to everyone, but it would be good for him to make notes regarding what they are used for.

Ambulance Fund – Brad suggested the City create a process to figure out the actual cost of personnel services based on the time employees spend on Ambulance Fund activities. He said another option is to bring the Ambulance Fund into the General Fund.

Interfund Transfers – Brad suggested that the City provide only a general description of routine transfers.

Amortization of the Prepaid Pension Contribution – Brad said the City is treating this as a negative net pension obligation. This had to do with bonds that were issued several years ago, and the City paid more than it needed to in

order to keep the rate low. In 2002, the bonds were sold to make a prepayment to PERS. The City then joined the PERS State and Local Government Rate Pool. Ralph said he believed that the bonds were sold to repay the debt and it was for current debt not future debt. Brad said there are two different types of accounting – budgetary and financial. Brad suggested making a cumulative adjustment to beginning net assets.

Transient Room Tax Audit Proposals

Stewart said Finance staff has done an internal review of the two auditors' proposals. Sharon asked if there would be an interfund transfer from Economic Development to pay for Finance staff time for the review. Stewart said no. Diane discussed the criteria used during the review which included technical proposal, experience, references, and fees. Koontz and Perdue received 75 points and Boldt, Carlisle & Smith received 85 points. Diane said we could formally interview each firm and they could gain additional points. Sharon didn't think this would be necessary as both firms have done work for the City. The staff recommended Boldt, Carlisle & Smith because they have direct experience performing transient room tax audits.

MOTION: Ralph moved to select Boldt, Carlisle & Smith to perform the audit. Sharon seconded the motion, and it passed 3-0.

Jeff asked if the audit would be done by the 28th of February 2008. It would be nice to get it done by the 28th so a recommendation can be made to the Budget Committee and it can be included in the annual budget. Ralph said we should wait and see what the outcome of the audit is before deciding on an annual schedule; we may just need to spot-check every two years. Sharon said there should be a set policy regarding the transient room tax audit and the audit should occur every year. After the first year, the City should audit random hotels/motels. Ralph said we could figure out what the cost would be for auditing one-third or one-half of the hotels/motels. Jeff said he would report which auditor had been selected to the rest of the City Councilors at the next Work Session meeting. Diane said there is a seven-day waiting period for anyone wishing to protest the auditors selected; after that, a report can be made to the Council. Jeff said he would wait until the next City Council Work Session to make his report.

BUSINESS FROM THE COMMITTEE

None.

NEXT MEETING DATE

It will be scheduled sometime in March.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:50 a.m.

Respectfully submitted,

Diana Eilers
Administrative Assistant I

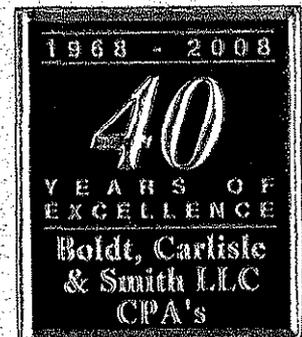
Reviewed by,

Jeff Christman
Chairman



BOLDT, CARLISLE & SMITH LLC
CERTIFIED PUBLIC ACCOUNTANTS
PARTNERSHIP ■ ASSURANCE ■ INNOVATION

CITY OF ALBANY
AGREED-UPON PROCEDURES
ROOM TAX EXAMINATION REPORT
July 1, 2007 to December 31, 2007



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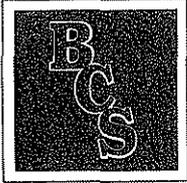
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**CITY OF ALBANY
AGREED-UPON PROCEDURES
ROOM TAX EXAMINATION
July 1, 2007 to December 31, 2007**

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BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Members of the City Council
CITY OF ALBANY
Albany, Oregon

We have performed the procedures enumerated below, which were agreed to by the CITY OF ALBANY, solely to assist management's enforcement of Ordinance 4080. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose:

- a. We reviewed the provisions of Albany Municipal Code Chapter 3.14.
- b. We verified that hotel operators, as defined in Chapter 3.14, are collecting and remitting transient room tax payments to the City.
- c. We observed the selected establishments' compliance with section .070 of Chapter 3.14 regarding the display of a Certificate of Authority.
- d. We examined the monthly returns filed with the City of Albany.
- e. We examined records of the hotels subject to Chapter 3.14 and, on a test basis, agreed the rents reported and recomputed the taxes which were remitted to the City.

Exhibit A lists our findings and recommendations relating to the procedures performed.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on compliance with Albany Municipal Code Chapter 3.14. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the CITY OF ALBANY and is not intended to be and should not be used by anyone other than those specified parties.

Boldt, Carlisle & Smith, LLC

February 28, 2008

FINDINGS AND RECOMMENDATIONS

- We performed the procedures which were agreed to at the following establishments:

Albany La Quinta Inn
Best Western Albany Inn
Blue Ox RV Park
Comfort Suites Albany
Econolodge
Holiday Inn Express
Knox Butte RV Park
Marco Polo
Motel 6
Phoenix Inn Suites Hotel
Quality Inn – Albany
Valu Inn

Exhibit A

- General findings pertaining to the City Municipal Code 3.14 follows:
 - a) We noted that the hotels and parks reduce rent income by discounts, such as AAA, Senior Discounts or Good Sam Club, and compute the occupancy tax on the net rent. Municipal Code Chapter 3.14 defines rent as the consideration charged, whether or not received, valued in money without deduction. We further noted that the software used by the hotels and parks, reports the discounted rent as gross income. Therefore, it may be administratively difficult for the operators to calculate the transient room tax before discounts. We recommend that the City modify Municipal Code 3.14 to clarify whether the tax should be computed on the rental charges before discounts or net of discounts.
 - b) The form used in the calculation of the room tax begins with rents including taxes. If properly completed, the tax base will include the Oregon State Lodging Tax which results in the City taxing the amount collected for the state tax. We recommend the City modify the form to exclude the Oregon State Lodging Tax from the computation of the tax due to the City.
 - c) Municipal Code Chapter 3.14 exempts occupancy for more than 30 successive calendar days. However, this provision is not clear when the exemption begins. We recommend that Municipal Code 3.14 be modified to clarify whether days 1 through 29 are subject to the transient room tax or whether a written agreement for rental of 30 days or more is required for the exemption to apply.
 - d) Municipal Code Chapter 3.14 does not include an exemption for federal employees traveling on federal business who pay with a credit card billed directly to a federal government agency. This exemption is commonly included in transient room tax ordinances and is consistent with the Oregon State Lodging Tax rules. This exemption is based on the prohibition of states and local governments from taxing the U.S. government. We recommend such an exemption be included in Municipal Code Chapter 3.14.

FINDINGS AND RECOMMENDATIONS (Continued)

- Our findings and recommendations for each of the locations follows:

Albany La Quinta Inn

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14. The general manager located the certificate and posted it in the check-in area as a result of our inquiry.

We noted that the amount due the City of Albany for the room tax had not been properly calculated and remitted. The City's form for computing the tax begins with the amount of rents plus tax, which is then divided by 1.09 to arrive at the amount of rents excluding taxes. The hotel erroneously began the computation with the rents excluding taxes and divided that amount by 1.09. This error results in an underpayment to the City of \$3,569.07 for the period of July 1, 2007 to December 31, 2007 as follows:

	Rents Collected	9% Tax Collected	Total	Divided by 1.09	9% Tax	5% Operator Fee	Net Amount to City	Amount Remitted to City	Difference
July	\$ 102,341.22	\$ 9,210.71	\$ 111,551.93	\$ 102,341.22	\$ 9,210.71	\$ 460.54	\$ 8,750.17	\$ 8,027.68	\$ 722.49
August	104,603.52	9,414.32	114,017.84	104,603.52	9,414.32	470.72	8,943.60	8,205.14	738.46
September	89,263.50	8,033.72	97,297.22	89,263.50	8,033.72	401.69	7,632.03	7,001.86	630.17
October	72,768.43	6,549.16	79,317.59	72,768.43	6,549.16	327.46	6,221.70	5,707.98	513.72
November	73,482.52	6,613.43	80,095.95	73,482.52	6,613.43	330.67	6,282.76	5,763.99	518.77
December	63,098.57	5,678.87	68,777.44	63,098.57	5,678.87	283.94	5,394.93	4,949.47	445.46
									<u>\$ 3,569.07</u>

Best Western Albany Inn

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14. The operator stated he would contact the City to obtain the Certificate.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

Blue Ox RV Park

Their Certificate of Authority was displayed as required by section .070 of the Albany Municipal Code Chapter 3.14.

We noted that the room tax is included in the posted rates and is not shown as a separate line item.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

FINDINGS AND RECOMMENDATIONS (Continued)

Comfort Suites Albany

The ownership of this property changed in November of 2007. The records available for our inspection were limited to the period from November 22, 2007 through December 31, 2007.

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14 and it could not be located by the operator.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

Econolodge

Their Certificate of Authority was displayed as required by section .070 of the Albany Municipal Code Chapter 3.14.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

Holiday Inn Express

The ownership of this property changed in November of 2007. The records available for our inspection were limited to the period November 29, 2007 through December 31, 2007 only.

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14 and could not be located by the operator.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

Knox Butte RV Park

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14. The owner located the certificate and posted it in the check-in area as a result of our inquiry.

We noted that the transient room tax is included in the posted rates and is not shown as a separate line item. The rate signage did not indicate the tax was included.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

FINDINGS AND RECOMMENDATIONS (Continued)

Marco Polo

Their Certificate of Authority was displayed as required by section .070 of the Albany Municipal Code Chapter 3.14.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

Motel 6

Their Certificate of Authority was displayed as required by section .070 of the Albany Municipal Code Chapter 3.14.

We noted that occupants had been properly charged the nine percent tax on rents after discounts and that the tax based on the net rents had been remitted to the City.

Phoenix Inn Suites Hotel

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14. The general manager found the certificate and said they would need to obtain permission from their corporate office to display the Certificate in a public area.

We noted that occupants had been properly charged the nine percent tax on net rent and that the reduced amount had been remitted to the City.

FINDINGS AND RECOMMENDATIONS (Continued)

Quality Inn – Albany

Their Certificate of Authority was not displayed as required by section .070 of the Albany Municipal Code Chapter 3.14. The Certificate was in a non-public area.

We noted that the amount due the City of Albany for the room tax had not been properly calculated and remitted. The City's form for computing the tax begins with the amount of rents plus tax, which is then divided by 1.09 to arrive at the amount of rents excluding taxes. The hotel erroneously began the computation with the rents excluding taxes and then divided that amount by 1.09. This error results in an underpayment to the City of \$2,161.67 for the period of July 1, 2007 to December 31, 2007 as follows:

	Rents Collected	9% Tax Collected	Total	Divided by 1.09	9% Tax	5% Operator Fee	Net Amount to City	Amount Remitted to City	Difference
July	\$ 62,184.31	\$ 5,596.59	\$ 67,780.90	\$ 62,184.31	\$ 5,596.59	\$ 279.83	\$ 5,316.76	\$ 4,877.76	\$ 439.00
August	71,677.13	6,450.94	78,128.07	71,677.13	6,450.94	322.55	6,128.39	5,622.38	506.01
September	59,100.44	5,319.04	64,419.48	59,100.44	5,319.04	265.95	5,053.09	4,635.86	417.23
October	38,776.97	3,489.93	42,266.90	38,776.97	3,489.93	174.50	3,315.43	3,041.68	273.75
November	44,202.24	3,978.20	48,180.44	44,202.24	3,978.20	198.91	3,779.29	3,467.24	312.05
December	30,260.31	2,723.43	32,983.74	30,260.31	2,723.43	136.17	2,587.26	2,373.63	213.63
									<u>\$ 2,161.67</u>

FINDINGS AND RECOMMENDATIONS (Continued)

Valu Inn

Their Certificate of Authority was displayed as required by section .070 of the Albany Municipal Code Chapter 3.14.

We noted the Hotel was not charging room taxes on weekly rentals. The owner believed weekly rents fell under an exemption whereby they were not considered transient. We provided a copy of Chapter 3.14 to the owner.

The owner provided us with tax exempt reports for the period of July 1, 2007 through December 31, 2007. These reports did not clearly indicate whether guests with more than 30 days of rentals were continuous and therefore exempt. For purposes of recomputing the taxes we have assumed those rentals were continuous. We have recalculated the tax that should have been collected and remitted to the City which results in an underpayment of tax in the amount of \$4,732.02 as follows:

Amount of rentals less than 30 days previously excluded	\$	55,345.22
9 percent transient room tax		4,981.07
Less 5 percent operator fee		<u>(249.05)</u>
Underpayment	\$	<u>4,732.02</u>