Lodger's Tax
Agreed Upon Procedures
07/01/2010-06/30/2013
Follow-Up

February 2015

OFFICE OF THE
INTERNAL
AUDITOR

CITY OF SANTA FE

Santa Fe: The City Different, The City Prepared

The Internal Audit Department and the role of Internal Auditor were created by City Ordinance No. 2012-32 and amended by City Ordinance No. 2013-34, Section 2-22 Santa Fe City Code (SFCC) 1987. A primary purpose of the Internal Auditor is to share a duty with the members of the governing body to insure that the actions of public officials, employees and contractors of the city are carried out in the most responsible manner possible and that city policies, budgets, goals and objectives are fully implemented. The Internal Auditor is also the City of Santa Fe's liaison to the Audit Committee.

The Audit Committee was created by City Ordinance No. 2013-35, Section 6-5 SFCC 1987. This committee is an advisory committee and consists of five members of the community. Of the five members, one member shall be a certified public accountant, one member shall be a lawyer or have a law enforcement background and one member shall be a management consultant.

The Internal Auditor and the audit committee are structured in a manner to provide independent oversight of the City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

AUDIT COMMITTEE

Clark de Schweinitz, Esq., Chairman

Hazeldine Romero, Retired CIA, CPA, CGFM, Vice Chairman

Marc Tupler

Cheryl Pick Sommer

Loretta Valencia, CPA

INTERNAL AUDITOR

Liza Kerr, CPA, CISA, CIA, MBA

Mission Statement

The mission of the City of Santa Fe Internal Audit Department is to provide independent, objective assurance and review services designed to promote transparency, accountability, efficiency, and effectiveness of City government for the citizens of the City of Santa Fe.

City of Santa Fe – Internal Audit

200 Lincoln Ave, Santa Fe, NM 87504-0909 (505) 955-5728, cell (505) 490-3372
Liza A. Kerr, Internal Auditor

Date: February 4, 2015

To: Brian Snyder, City Manager

From: Liza Kerr, Internal Auditor

RE: Follow-Up

The Internal Audit Department performed a follow-up of the Lodger's Tax Agreed-Upon Procedures Report 07/01/2010 to 06/30/2013. The agreed upon procedures included recommendations to the City of Santa Fe, Finance management.

Follow-up procedures are not an audit and are substantially less in scope. Our objective is to report on the status of corrective action taken by Finance to address the findings and recommendations. We limited our scope to actions taken to address the recommendations from the above mentioned agreed upon procedures report.

The follow-up relies on the department providing the current status and supporting documentation for addressing the recommendations.

Internal Audit extends its appreciation to Finance staff and management who assisted and cooperated with us during this process.

Internal Audit Department

Liza Kerr, CIA, CISA, CPA, MBA
Internal Auditor

cc: Brian Snyder, City Manager
Javier Gonzales, Mayor
Oscar Rodriquez, Director of Finance
Kelley Brennan, City Attorney
Finance Committee
Audit Committee
Accounting and Consulting Group

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EXECUTIVE SUMMARY

The follow-up test-work of Lodger's Tax agreed-upon procedures for 07/01/2010 to 06/30/2013 is complete. These follow-up procedures are authorized pursuant to City of Santa Fe Ordinance 2012-32, §2-22.5 B. These follow-up procedures are required by Governmental Auditing Standards Section 7.05 which requires the auditor to "facilitate follow-up to ensure that corrective action has been taken."

The purpose of this follow-up was to ensure that management has cleared the findings as cited in the original report.

The original report was issued in June of 2014, and can be found and downloaded from Internal Audit's website at http://www.santafenm.gov/internal_auditor. The report, which is in PDF format, is titled Lodger's Tax Agreed-Upon Procedures, 07/01/2010 to 06/31/2013.

The original report cited 40 findings. Upon completion of the follow-up testwork, we have determined the status of the findings which are summarized in the table below:

Year of Audit	Category of Risk	# of Findings in Report	# of Findings Cleared	Remaining Open Findings	Revised Remediation Date
2011	Low	2	2	0	N/A
2011	Medium	4	4	0	N/A
2011	High	4	3	1	February 25, 2015
2012	Low	2	1	1	February 25, 2015
2012	Medium	4	4	0	N/A
2012	High	4	4	0	N/A
2013	Low	2	2	0	N/A
2013	Medium	4	4	0	N/A
2013	High	4	4	0	N/A
2013	Short Term	10	9	1	Undetermined
	Totals	**40**	**37**	**3**	

In summary, 37 of the original 40 findings have been cleared, with 3 remaining open. Finance is continuing to work with the Legal Department to clear the remaining open findings.

The open findings and comments received from management are included in Attachment 1.

Lodger's Tax Status of Findings

Year	Category	Entity	Finding
2012	Low Risk	LT Entity #1	Entity #12 under reported revenue by $11,682.68; therefore lodger's tax payments were underpaid by $817.79. Per management of entity # 12, they had no explanation for the difference. In performing our test work, we noted one instance where monthly revenue as reported by the entity on its tax remittance did not match the City of Santa Fe's spreadsheet displaying monthly tax collected. The City's spreadsheet showed no payment for the month of May 2012. However the client's records show that payment was submitted timely in the amount of $4,232.93. We recommend that the City of Santa Fe review their daily receipts for payments received and reconcile this to the spreadsheet to the general ledger. The entity also submitted late payments on both of the months tested, however management failed to calculate the penalty owed. The City should ensure a penalty of $737.63 is assessed.
Status	Open	Comments	David Tapia Finance, 10/02/2014, No action will be taken. Action has been corrected and in current good standing. Internal Audit"s response 10/02/2014 - this recommendation calls action by for Finance - specifically, to reconcile the spreadsheet to the general ledger. David Tapia Finance, 01/29/2015, Will reconcile to the General Ledger Internal Audit's Response 01/29/2015, this item remains open - 'will reconcile to General Ledger" is not saying they are reconciling to the general ledger on a monthly basis. This fiding is open until a reconciliation process is implemented by Finance to be conducted on a monthly basis.
2011	High Risk	LT Entity #7	It was noted that the City's spreadsheet listing taxes collected for November 2010 showed $196.04 was collected, however review of a copy of the check showed that $1,960.04 was remitted to the City of Santa Fe. The City should ensure that payments are being recorded accurately. The City should reconcile the excel spreadsheet of lodgers' tax payments to the general ledger total.
Status	Open	Comments	David Tapia Finance, 10/02/2014, No action will be taken. Action has been corrected and in current good standing. Internal Audit"s response 10/02/2014 - this recommendation calls action by for Finance - specifically, to reconcile the spreadsheet to the general ledger. David Tapia Finance, 01/29/2015, Will reconcile to the General Ledger Internal Audit's Response 01/29/2015, this item remains open - 'will reconcile to General Ledger" is not saying they are reconciling to the general ledger on a monthly basis. This fiding is open until a reconciliation process is implemented by Finance to be conducted on a monthly basis.

Year	Category	Entity	Finding
2013	Short Term	ST Entity #4	Based on our cursory review of the website HomeAway, a vacation rental marketplace, we noted that Entity #41 was not on our list of short term renters with permits. The entity appeared to be an establishment that was fully booked for the upcoming months, and had many reviews from past guests evidence that in the past months or years the establishment has been active in renting. This entity was also active in advertising on two additional vacation rental sites, and currently operates its own website advertising this location as well. This entity indicated in advertisements that they are collecting lodger's tax. We recommend that the City of Santa Fe review records to see if this entity is indeed paying lodgers' tax and, if not, it should be included in the next lodgers' tax testwork to determine the taxes owed to the City of Santa Fe.
	Status Open	Comments	ST have advertised but are not paying Lodger's Tax. Per David Tapia, Finance, he will speak with the legal department to verify the best way to proceed.