

**LODGERS' TAX FACILITIES
AGREED UPON PROCEDURES PERFORMED**

EXECUTIVE SUMMARY

High Risk Classification Lodgers' Tax Facilities:

- 1) Entity #8 appeared to understate revenue by \$152.64 or taxes owed of \$10.69
- 2) Entity #10 appeared to overstate revenue by \$853.73 or taxes overpaid of \$59.76.
- 3) Entity #19 remitted taxes late, but did not include penalties and interest owed of \$5,029.89.
- 4) Entity #20 appeared to understate revenue by \$2,016.73 or taxes owed of \$141.17.
- 5) Entity #28 appeared to overstate revenue by \$521.86 or taxes overpaid of \$36.53.
- 6) Entity #29 appeared to understate revenue by \$11,835.50 or taxes underpaid of \$828.45. One payment was submitted late, and penalties and interest of \$932.83 should be assessed.

Moderate Risk Classification Lodgers' Tax Facilities:

- 7) Entity #6 remitted taxes late, but did not include penalties and interest owed of \$5,613.13.
- 8) Entity #14 appeared to overstate revenue by \$376.45 or taxes overpaid of \$26.35. One payment was submitted late, and a penalty of \$929.00 should be assessed.
- 9) Entity #15 appeared to overstate revenue by \$22,615.00 or taxes overpaid of \$1,583.05.
- 10) Entity #23 appeared to overstate revenue by \$132.57 or taxes overpaid of \$9.28.
- 11) Entity #24 appeared to understate revenue by \$125.25 or taxes underpaid of \$8.77.
- 12) Entity #25 appeared to overstate revenue by \$14,678.72 or taxes overpaid of \$1,027.51.
- 13) Entity #26 appeared to understate revenue by \$165,402.90 or taxes owed of \$11,578.20 not including interest and penalties. However, entity #26 had filed bankruptcy.

Low Risk Classification Lodgers' Tax Facilities:

- 14) Entity #12 appeared to understate revenue by \$11,682.68 or taxes underpaid of \$817.79. Two payments were submitted late, and penalties of \$737.63 should be assessed.
- 15) Entity #21 appeared to overstate revenue by \$15,241.14 or taxes overpaid of \$1,066.88.
- 16) Entity #22 appeared to understate revenue by \$23,549 or taxes underpaid of \$1,648.43.

Short Term Lodgers' Tax Renters:

Those who paid lodgers' tax:

- 17) Entity #32 appeared to overstate revenue by \$1,287.01 or taxes overpaid of \$90.09.
- 18) Entity #39 appeared to understate revenue by \$19,795.30 or taxes owed of \$3,524.42 including penalties and interest.

Those who have not paid lodgers' tax, but are advertising:

- 19) Entity #33 appeared to understate revenue by \$114,283.80 or taxes underpaid of \$7,999.87 not including interest and penalties.
- 20) Entity #34 appeared to understate revenue by \$9,562.74 or taxes underpaid of \$1,549.18 including penalties and interest.
- 21) Entity #35 appeared to understate revenue by \$37,368.73 or taxes underpaid of \$3,952.73 including penalties and interest.
- 22) Entity #36 is a short term renting establishment that is actively advertising online, and appears to be almost completely booked for June and July 2014, but does not appear to be remitting lodger's tax.
- 23) Entity #37 is a short term renting establishment that is actively advertising online, and appears to be almost completely booked for July and August 2014, but does not appear to be remitting lodger's tax.
- 24) Entity #38 appeared to overstate revenue by \$250.72 or taxes overpaid of \$17.55.
- 25) Entity #39 appeared to understate revenue by \$19,795.30 or taxes owed of \$3,524.42 including penalties and interest.
- 26) Entity #41 is a short term renting establishment that is actively advertising online, but was not on our list of short term renters with permits, and does not appear to be remitting lodgers' tax.

"29 Years of Excellence"



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Independent Auditors' Report on Applying Agreed-upon Procedures

City of Santa Fe Finance Committee
Santa Fe, New Mexico

We have performed certain procedures as discussed in Attachment I, which was agreed to by the City of Santa Fe, solely to assist you with respect to the accounting records of thirty lodgers' tax facilities and eleven short term renting establishments for the lodgers' tax reports filed for the years July 1, 2010 through June 30, 2013. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties 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.

Our findings are as follows:

High Risk Classification Lodgers' Tax Facilities (July 1, 2010 through June 30, 2011):

Entity #7 had no exceptions noted. 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.

Entity #8 appeared to understate revenue by \$152.64 or taxes underpaid of \$10.69, noted while comparing yearly amounts to the entity's financial statements. Per management of Entity #8 this difference was due to the transition between two accounting software programs in October 2010.

Entity #9 appeared to overstate revenue by \$0.31 or taxes overpaid of \$0.02 noted while comparing yearly amounts to the entity's financial statements. Per management of Entity #9 these differences were the result of rounding caused by the accounting software.

Entity #10 under reported revenue by \$638.98, resulting in taxes owed of \$44.73. These amounts represent tax exemptions which management was never provided documentation to us to substantiate the amount. Two of the four months tested matched without exception. In agreeing amounts to the entity's financial statements, we noted that revenue appeared overstated by \$1,492.71 or taxes overpaid of \$104.49. This difference is due to management including no-show revenue in the room revenue tax calculation on the tax remittance report.

High Risk Classification Lodgers' Tax Facilities (July 1, 2011 through June 30, 2012):

Entity #17 was unable to provide daily room records, monthly cash receipts ledger, financial statements, or bank statements due to a computer crash which resulted in all documents being lost. Management of entity #17 provided proof of gross receipts payments as a basis of proof of revenue received. In performing a comparison to amounts reported for gross receipts and amounts reported for lodger's tax we noted that each month matched without exception.

Entity #18 overstated reported revenue by \$0.12 and \$0.27 for two months tested. For two other months tested revenue appeared understated by \$288.84 and \$0.36. Per management of entity #18, the smaller differences were the result of rounding caused by the software. The \$288.84 difference was the result of a year-end adjustment that was erroneously reported to a revenue account instead of an expense account, which was corrected before the tax remittance was prepared. It was noted while comparing the yearly amounts to the financial statements that revenue appeared understated by \$3,472.48 due the year-end adjustment described above, and a May 2012 tax exemption noted as proper but not separated out for financial statement purposes.

Entity #19 remitted taxes to the City of Santa Fe late for four of the four months tested. Management ignored penalties and interest and only remitted the lodgers' tax due. The City should see that \$5,028.89 in penalties and interest is assessed. Per management, payments were remitted late due to an agreement with the City of Santa Fe to pay overdue taxes which resulted in limited cash flow during the year totaled. Entity #19 appeared to understate revenue by \$23.96 or taxes owed of \$1.68 noted while comparing yearly amounts to the entity's financial statements.

Entity #20 under reported revenue by \$2,016.73, resulting in taxes owed of \$141.17. Management of entity #20 never provided documentation proving to us that these amounts were proper tax exemptions.

High Risk Classification Lodgers' Tax Facilities (July 1, 2012 through June 30, 2013):

Entity #27 under reported revenue by \$0.49, \$0.48, and \$0.06 in three months tested. In the fourth month tested the entity over reported revenue by \$0.37. These instances combine for total taxes owed to the City in the amount of \$0.05. Per management these differences were the result of rounding caused by their software. While comparing yearly amounts to the financial statements we noted that revenue appeared understated by \$115,911.71. This amount represents tax exemptions which were reviewed and noted as proper but were not broken out for financial statement purposes.

Entity #28 over reported revenue by \$759.86, resulting in a tax overpayment of \$53.19. Per management of entity #28, this is most likely a timing difference due to adjustments being posted after month-end resulting in an overpayment to the City. The entity appeared to under report revenue by \$238 or a tax underpayment of \$16.66. Per management, exempt revenue was calculated incorrectly resulting in underpayment. Two of the four months tested matched without exception. While comparing yearly amounts to the financial statements we noted that revenue appeared understated by \$2,920.86. This amount represents tax exemptions which were reviewed and noted as proper but were not broken out for financial statement purposes.

Entity #29 under reported revenue by \$11,835.50; therefore, lodgers' tax payments were underpaid by \$828.45. Per management of entity #29, most of the lodgers' tax payments for the year were prepared by someone who did not know exactly what they were doing, due to management being hospitalized over extended periods for cancer treatment. None of the months tested matched without exception. The entity also submitted late payments on all four months tested, however management failed to calculate penalty owed or interest due to the City. The City should ensure penalties and interest of \$932.83 are assessed. We were unable to do a properly yearly comparison because the entity's financial statements room revenue included revenue from other goods and services under one category instead of into separate revenue accounts due to the small size of the organization.

Entity #30 under reported revenue by \$0.47 and \$0.47 for two months tested. Another month tested showed revenue as over reported by \$0.12. Per management of entity #30, these differences were the result of rounding caused by the accounting software. Our test work also revealed one month where revenue was under reported by \$199.00 because the tax exemption was not proper. Per management of entity #30, the \$199.00 should have been a reduction of miscellaneous income for the purposes of the gross receipts calculation, but due to human error it was mistakenly deducted from the lodger's tax calculation. While comparing yearly amounts to the financial statements we noted that revenue appeared understated by \$27,970.86. This difference is due to new ownership from May 15, 2013 through May 31, 2013 and the new owners paid taxes of these dates which are included in the City's monthly total, but were not included in the previous owner's financial statements. We concluded that all taxes were paid by the previous owner.

Moderate Risk Classification Lodgers' Tax Facilities (July 1, 2010 through June 30, 2011):

Entity #3 appeared to understate revenue by \$0.14 or taxes underpaid of \$0.01, noted while comparing yearly amounts to the entity's financial statements. Per management this difference is due to rounding caused by the accounting software.

Entity #4 appeared to understate revenue by \$50,590.00 or taxes underpaid of \$3,541.30, noted while comparing yearly amounts to the entity's financial statements. This difference represents tax exempt amounts for March 2011 not separated out for financial statement purposes.

Entity #5 under reported revenue by \$0.04, and over reported revenue by \$0.04 in another month. Per management of entity #5, this is a rounding difference caused by their tax software. We noted while comparing yearly amounts to the entity's financial statements that taxes appeared understated by \$30.86 but this was due to management incorrectly coding merchandise sold to room revenue.

Entity #6 remitted taxes to the City of Santa Fe late for three of the three months tested. Management ignored penalties and interest and only remitted the lodgers' tax due. The City of Santa Fe should see that \$5,613.13 of penalties and interest is assessed. Per management of entity #6, payments were remitted late due to a written agreement with the City of Santa Fe to pay overdue taxes which limited cash flows and resulted in late payments of current taxes.

Moderate Risk Classification Lodgers' Tax Facilities (July 1, 2011 through June 30, 2012):

Entity #13 appeared to over report revenue by \$4.97 or taxes over paid of \$0.35, noted while comparing yearly amounts to the entity's financial statements. Per management these are rounding differences caused by the accounting software.

Entity #14 over reported revenue by \$376.45; therefore, lodgers' tax payments were overpaid by \$26.35. Per management, this overpayment is the result of no show revenue being incorrectly included in room revenue and it is the result of software rounding differences. Revenue for March 2012 appeared understated by \$3,995.41 and revenue for May 2012 appeared understated by \$4,045.97. Management of entity #14 provided documentation showing that the prior controller incorrectly coded room discounts to room revenue which improperly inflated their revenue amount, but this was adjusted prior to remittal of taxes. The entity submitted one late payment; however management failed to assess the correct penalty owed to the City. The City should ensure a penalty of \$929 is assessed. We were unable to review the months of July 1, 2011 through December 31, 2011 due to management not having access to records of the previous owner.

Entity #15 under reported revenue by \$1.00; therefore, lodgers' tax payments were underpaid by \$0.07. Per management of entity #15, this difference is a rounding error. Two of the three months tested matched without exception. While comparing yearly amounts to the entity's financial statements we noted that revenue appeared overstated by \$22,615, and management explained this was due to attrition revenue mistakenly included on the tax remittance resulting in a tax overpayment of \$1,583.05.

Entity #16 appeared to under report revenue by \$4,872.02; however management was able to provide documentation proving that these were proper write-offs of delinquent accounts that was not reflected in the initial revenue reports but was properly reflected on the occupancy tax report. While comparing yearly amounts with the entity's financial statements we noted that revenue appeared understated by \$8,738.42, however this was the result of lodgers' tax exemptions that were tested as proper but were not broken out for financial statement purposes.

Moderate Risk Classification Lodgers' Tax Facilities (July 1, 2012 through June 30, 2013):

Entity #23 appeared to overstate revenue by \$132.57 or overpay taxes of \$9.28 which we noted while comparing yearly amounts to the financial statements. Per management of entity #23, this was due to the transition between owners and late adjustments. The new owner purchased the hotel on September 29, 2012, and in performing our test work we were not able to test the months of July, August, and September 1st through September 28th which are records only the previous owner would have.

Entity #24 under reported revenue by \$125.25; therefore, lodgers' tax payments were underpaid by \$8.77. Per management of entity #24, the difference was due human error and the bookkeeper accidentally wrote down the incorrect revenue amount.

Entity #25 under reported revenue by \$89.28; therefore, lodgers' tax payments were underpaid by \$6.25. Per management, the difference was due to the change in management, their change in accounting systems, and the use of two accounting systems. During this change of both employees and systems, management of entity #25 was unable to provide documentation reconciling to the City's reported revenue. Two of the three months tested matched without exception. While comparing yearly amounts with the entity's financial statements we noted that revenue appeared overstated by \$14,768.00 or taxes overpaid of \$1,033.76. Per management of entity #25, this was most likely due to late adjustments that were not reflected in the tax remittance reports.

Entity #26 under reported revenue by \$165,402.90 for October 2012 and half the month of November 2012 or taxes owed of \$11,578.20 based on figures from the daily revenue report. Per management they filed for Chapter 11 bankruptcy on 11/09/12, and their attorney advised them not to pay any liabilities, so they never remitted October's lodgers' tax collected. Post bankruptcy Entity #26 resumed paying liabilities from 11/16/12 forward, and management of entity #26 stated they have not paid taxes for the first half of November at the request of their attorney. The City should ensure its lien for lodgers' tax has been filed.

Low Risk Classification Lodgers' Tax Facilities (July 1, 2010 through June 30, 2011):

Entity #1 appeared to overstate revenue by \$4,834.00 or taxes overpaid of \$338.38 noted while comparing yearly amounts to the financial statements. This amount represents no-show revenue that was accidentally included in room revenue in July 2010.

Entity #2 appeared to understate revenue by \$27,630.83 or taxes underpaid of 1,934.16 noted while comparing yearly amounts to the financial statements. This amount represents tax exempt amounts which were reviewed as proper. However these amounts were not broken out for financial statement purposes.

Low Risk Classification Lodgers' Tax Facilities (July 1, 2011 through June 30, 2012):

Entity #11 appeared to understate revenue by \$1,345 or taxes underpaid of 94.15 noted while comparing yearly amounts to the financial statements. This amount represents tax exempt amounts which were reviewed as proper. However these amounts were not broken out for financial statement purposes.

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.

Low Risk Classification Lodgers' Tax Facilities (July 1, 2012 through June 30, 2013):

Entity #21 over reported revenue by \$15,901.13; therefore lodger's tax payments were overpaid by \$1,113.08. Per management, the difference is due to a change in bookkeepers during this time period. Management does not know which reports support the amount of revenue reported by this bookkeeper the documents provided by management had no amount of revenue close to the amount reported by the prior bookkeeper. Due to their change in bookkeepers management was unable to communicate with the old bookkeeper to ask where the amount came from. The entity under reported revenue by \$659.99; therefore lodger's tax payments were underpaid by \$46.20. Per management of entity #21, the difference is due to timing differences between report dates and stated they are actively working to resolve this problem.

Entity #22 refused to provide documentation for the months of July 2012 through November 2012, cash receipts ledgers, and would not provide daily room records for test work. After repeated attempts to acquire the missing documentation we decided to perform test work on the seven months we were given. Entity #22 under reported revenue by \$4,367.46; therefore lodger's tax payments were underpaid by \$305.72. We were unable to receive an explanation for these differences because management was uncooperative. While comparing yearly amounts to the financial statements we noted that revenue appeared understated by \$23,549 or taxes underpaid of \$1,648.43. Management of entity #22 never responded to our questions other than to state that they needed more time due to loss of staff, illness, and other excuses.

Short Term Lodgers' Tax Renters (July 1, 2012 through June 30, 2013):

Short term establishments that have paid lodgers' tax:

Entity #31 appeared to understate revenue in September 2012 by \$1,949.97, and October 2012 revenue appeared overstated by \$1,949.04 and per management this was how they corrected for a late cancellation and refund that was not reconciled properly. Four months were noted with a cumulative tax effect of taxes under paid by \$0.06 due to rounding differences caused by the accounting software. In December 2012 revenue appeared understated by \$11.80 or taxes owed of \$0.89, and per management this difference was caused by human error. In January 2013, revenue appeared understated by \$3,449.29, and per management this difference was due to a change of accounting software that changed when revenue was recognized from the day of check-in to the day the customer checked out. The difference represents customers that stayed days in December 2012 and January 2013, and the entity paid taxes for these guests in December 2012 because this was the month of their check-in, yet the new software showed taxes were owed again in January because the guests checked out in January 2013.

Entity #32 appeared to overstate revenue for July 2012 by \$1,287.01 or a tax overpayment of \$90.09. Per management this was due to human error when recording the revenue amounts and they accidentally recorded June's room revenue total not July's room revenue total. We noted that lodgers' tax for March 2013 was recorded by the City of Santa Fe as \$376.84, but the actual amount remitted was \$371.84. This was due to the legibility of the handwriting, and we recommend that in circumstances where handwriting is difficult to read that the City of Santa Fe confirm the amount written on the tax report with the amount on the check.

Entity #39 appeared to understate revenue by \$19,795.30 or taxes owed of \$1,285.27, penalties of \$2,049.53, and interest of \$189.52.

- In September 2012, it appeared that taxes were overpaid by \$100.40 due to human error when calculating taxes owed.
- In December 2012, revenue appeared understated by \$5,585.99 and management explained that while waiting for new owner permits they did not collect or remit taxes. The total amount owed is \$1,008.27, including taxes owed of \$391.02, penalty of \$558.60, and interest of \$58.65.
- In January 2013, revenue appeared understated by \$6,279.42 and management explained that one property was located in a commercially zoned area and they believed this meant they did not have to collect lodgers' tax. Additionally, while management was waiting for new owner permits to arrive they did not collect or remit taxes. The total amount owed is \$1,129.04, including taxes owed of \$439.56, penalty of \$627.94, and interest of \$61.54.
- In February 2013, revenue appeared understated by \$6,479.88 and management explained that while waiting for new owner permits they did not collect or remit taxes on two properties, and one property they manage was completely overlooked while filing taxes. The total amount owed is \$1,160.55, including taxes owed of \$453.59, penalty of \$647.99, and interest of 58.97.
- In April 2013, it appeared revenue was understated by \$300 and management explained this was human error in recording the correct revenue amount. The total amount owed is \$123.31, including taxes owed of \$21, penalty of \$100, and interest of \$2.31.
- In May 2013, it appeared that revenue was understated by \$1,150 and management explained that this was due to human error and this property was overlooked while filing taxes. The total amount owed is \$203.55, including taxes owed of \$80.50, a penalty of 115, and interest of \$8.05.
- During our test work, we discovered that the entity was not remitting the correct amount of gross receipts tax. On amounts that were lodgers' tax exempt for stays longer than 30 days, management did not collect or remit gross receipts tax for these amounts. We also noted two instances where gross receipts tax on management fees totaling \$127.73 are also owed.

Entity #40 had no exceptions noted.

Short term establishments that have advertised, but are not paying lodgers' tax:

Entity #33 stated that they do not keep any records. They had no records for income of any month nor did they keep copies of their tax remittance forms for the 2013 fiscal year. Based on our conversation with the owner there would be no way for us to verify the monthly revenue or make sure that the correct amount was remitted to the City of Santa Fe. They informed us that they were four months late on remitting lodgers' tax. The owner bases their revenue off of amounts provided by credit card services that process credit card payments made to them. The owner also indicated that they receive checks; however they stated that any amounts paid by checks would have been minimal and this is not being included in what they report on the lodgers' tax report. It was noted that 2012 credit card income was \$54,076.50 and 2013 credit card income was \$60,207.30 per the 1099 form for each calendar year. We recommend that the City of Santa Fe compare the total credit card receipts of \$114,283.80 to the amount remitted to determine the exact amount owed to the City of Santa Fe.

Entity #34 did not remit any taxes to the City of Santa Fe from July 2012 through June 2013, and per management they had no excuse for not paying, and are fully prepared to pay the taxes owed plus penalties and interest. In performing our test work, eight months were noted with revenue totaling \$9,562.74 that was not reported to the City and taxes are owed. The total amount owed to the City of Santa Fe including penalties and interest is \$1,549.18.

Entity #35 did not remit any taxes to the City of Santa Fe from July 2012 through June 2013, and per management at the beginning of January 2012 the bookkeeper left and the owner was in the hospital due to a stroke which left no one to file taxes. Upon the conclusion of our test work, the owner stated that they would pay all taxes, penalties, and interest owed. There were 10 months with revenue totaling \$37,368.73, or taxes, penalties, and interest owed to the city in the amount of \$3,952.73.

Entity #36 appeared to be a short term renting establishment that was not paying lodgers' tax but was advertising online. As part of our test work we noted that the entire month of June 2014 was booked or unavailable except for 7 available days. The entire month of July 2014 was booked with the exception of 7 days that were available. We noted that the advertisement on the HomeAway website stated that the owner is collecting lodgers' tax of 7%, but based on the spreadsheet we were provided by the City of Santa Fe this entity is not remitting lodgers' tax under the entity's name.

Entity #37 appeared to be a short term renting establishment that was not paying lodgers' tax but was advertising online. As part of our test work we noted that the entire month of July 2014 of this establishment was unavailable or completely booked. For the month of August 2014 with the exception of 4 days the entire month was booked or unavailable. We noted that the advertisement on the HomeAway website stated the owner is collecting lodgers' tax of 7%, but based on the spreadsheet we were provided by the City of Santa Fe this entity is not remitting lodgers' tax under the entity's name.

Entity #38 appeared to overstate revenue in February 2013 by \$265, and in May 2013 revenue appeared understated by \$14.28. Per management, the February difference was the result of management accidentally including in room revenue a cancellation fee. Per management, the May difference was the result of human error resulting in taxes owed to the City of Santa Fe in the amount of \$1.00.

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.

In summary about 60% of the entities had exceptions. The City should consider offering additional information or training to the entities on how to determine the correct lodgers' tax amount. Also there are no additional penalties for entities that are not responsive to be tested. The City should consider increasing the penalty for intentional failure to pay lodgers' taxes.

We are not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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 City of Santa Fe Finance Committee and management of the City of Santa Fe, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Randy J. Hancock P.C.", written in a cursive style.

June 5, 2014
Santa Fe, New Mexico

**LODGERS' TAX FACILITIES
AGREED UPON PROCEDURES PERFORMED**

Attachment I

- 1) Review if all lodging establishments selected by the City have been paying lodger's tax.
- 2) Compare the businesses presently paying lodger's tax to other databases (i.e., yellow pages, business license information, etc.).
- 3) Identify any lodging establishments within the City of Santa Fe that are not presently a lodgers' taxpayer.
- 4) Review if any of the entities were late on their payments and determine if applicable late fees were charged.
- 5) Procedures to be performed on high risk entities:
 - A. Select four monthly tax remittances to the City and perform the following:
 - Agree amount reported collected to the cash receipts records and to the bank statements. Compare revenue reported to the entities financial statements or general ledger.
 - Compare ten daily bank receipts to the room records or other supporting documentation to determine if all income from occupied rooms had been reported.
 - B. Agree the yearly amount of revenue reported to the entity's financial statements and/or income tax returns.
- 6) Procedures to be performed on moderate risk entities:
 - A. The procedures would be identical as a high risk entity but the scope of testing the monthly tax remittances tested would be three months.
 - B. Agree the yearly amount of revenue reported to the entity's financial statements and/or income tax returns.
- 7) Procedures to be performed on low risk entities:
 - A. The procedures would be identical as a high risk entity but the scope of testing the monthly tax remittances would be two months.
 - B. Agree the yearly amount of revenue reported to the entity's financial statements and/or income tax returns.
- 8) Procedures to be performed for short-term lodger's tax:
 - A. Compare the listing of all current short-term renter permit holders to the list of short-term renters that have paid lodger's tax.
 - B. Select a sample of 11 short-term renters and agree the yearly amount of revenue to the entity's financial statements or tax returns.