



Revenue Audit Program Update



Finance
Committee
Meeting

October 14, 2021

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Finance Department Revenue Division Audit Function

The City's Revenue Auditor ensures compliance with City vendor agreements and the Newport Beach Municipal Code (NBMC) by auditing vendor payments, transient occupancy tax, charter tax, waste hauler franchise, and other types of payments.

Auditor's Main Tasks:

- Identify and prioritize taxpayers and contracts for auditing
- Recommend an audit schedule of taxpayers and vendors and execute such audits in the priority assigned by the Finance Director
- Ensure payments or refunds are made in a timely manner
- Develop internal controls to support revenue management activities and loss prevention

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Summary of Audit Activities to Date Since June 2020

Audit Type	Audited to Date	Main Issue	Appeals	Prelim. Findings
Marine Charter Passenger Tax	3	Operating without MAP & Late Filing	0	\$2,000
TOT-STL Agents & Owners	16	Late Filing & Cleaning Fees	3	\$40,000
TOT-Hotels	1	Cancellation Fees	3	\$0
Franchise Solid Waste Haulers	20	Incorrect Gross Receipts	0	\$40,000
Total	40		6	\$82,000

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Audit Findings

- **Marine Charter Passenger Tax**
 - Operating without a Marine Activities Permit
 - Late Filers
- **Solid Waste Hauler Franchise Fee**
 - Incorrect Gross Receipts

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Audit Findings

- **Transient Occupancy Tax**
- **Hotels**
 - Cancellation Fees
- **Short Term Lodging Agents**
 - Cleaning Fees
 - Getting New Agents Registered
- **Short Term Lodging Owners**
 - Late Filers
 - New Discoveries

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Audit Plan

- **Transient Occupancy Tax**
 - **Hotels**
 - Audit hotels with recent change of ownership (3)
 - **Short Term Lodging Agents/Owners**
 - Select audits based on 2021 TOT filings (15+)
- **Marine Charter Passenger Tax**
 - Audit late filers (3) and new operators (5)
- **Solid Waste Hauler Franchise Fee**
 - Finish remaining audits (10)
 - Follow up audits based on findings

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Questions?

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