

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

OFFICE OF INTERNAL AUDIT

Professional Audit and Advisory Service

FINAL REPORT

**Audit of the Davidson County Clerk's Office
Hotel/Motel Occupancy Tax Fund**

Date Issued: June 30, 2008

Office Location and Phone Number

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*The Metropolitan Nashville Office of Internal Audit is an independent audit agency
reporting directly to the Metropolitan Nashville Audit Committee*

EXECUTIVE SUMMARY

June 30, 2008

Results in Brief	Recommendations
<p>We performed an audit of the Davidson County Clerk’s Office (County Clerk) Hotel/Motel Occupancy Tax Fund. Key audit objectives and conclusions follow:</p> <ul style="list-style-type: none"> • Are all hotels, motels and other lodging establishments in Davidson County remitting hotel/motel occupancy taxes? <p>Yes. No material weaknesses, significant issues or control observations were noted. Controls and processes are in place to ensure that Davidson County lodging establishments are identified and remit hotel/motel occupancy taxes.</p> <ul style="list-style-type: none"> • Are all hotels, motels and other lodging establishments properly collecting and submitting all revenue subject to the Hotel/Motel Occupancy Tax Ordinance to the County Clerk? <p>Generally, yes. However, field audits of hotel operators for the past few years have been a low priority. We observed compliance issues totaling \$5,814 in additional tax assessments for four of the five hotels where we joined with the County Clerk to audit hotel operators.</p> <ul style="list-style-type: none"> • Are hotel/motel occupancy tax financial transactions properly allocated between the designated program areas as authorized by Section 5.12.060 of the Metropolitan Code? <p>No. We observed errors in the allocation of revenue for designated program areas. Errors appeared to be isolated to the current operating year.</p>	<p>Key recommendations of this report are for the County Clerk to:</p> <ul style="list-style-type: none"> • Ensure errors in allocating FY 2008 hotel/motel occupancy tax collections are corrected. The allocations are related to funding for the new convention center, the current convention center, tourism and arts promotions, and the Sommet Center subsidy. • Ensure designated accounting for the Opryland Tourist Development Zone hotel/motel occupancy tax collections does not start until July 1, 2008, and until the related bonds are issued by the Industrial Development Board. • Increase the number of hotel/motel occupancy tax audits conducted annually. • Improve internal controls related to overrides/write-off for hotel/motel occupancy tax owed versus actual collections. <p>Management’s response can be seen in Appendix A.</p>

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INTRODUCTION

BACKGROUND

The Metropolitan Government of Nashville and Davidson County (Metro) has levied a hotel/motel occupancy tax since 1976. During the past four years (FY 2004 through FY 2007) Metro's hotel/motel occupancy tax (HOT) has generated \$87.9 million. Effective September 1, 2007, the HOT rate was increased from five percent to six percent, plus two dollars (\$2) per room. Additionally on this date a new tax on airport car rentals and taxis was implemented. Exhibit A below shows the three tax streams for the HOT Fund, the hotel/motel portion represents 97% of the total receipts.

Exhibit A
HOT Revenue for July 2007 though March 2008

Funding Source	FY 2008 Actual
Hotel/Motel	\$ 27,129,729
Car Rentals	446,366
Taxis	168,225
Total	<u>\$ 27,744,320</u>

Source: Metro EnterpriseOne Financial Accounting System for nine months ending March 31, 2008.

Potential program recipients from this Fund include the planned new convention center, existing Nashville Convention Center, Gaylord Opryland tourist development zone, Sommet Center subsidy, and tourism and arts promotions.

This program was selected for audit because of the significance of the revenue stream and the number of high profile programs that are funded by this tax. Also, during the past few years other municipalities, with similar tax regulations, have discovered a variety of hotel operator compliance issues related to HOT. Compliance issues have centered upon the validity of exemptions and revenue exclusions for frequent guest award rebates.

In Metro there are two classes of exemptions allowed.

1. A tenant who has occupied room space for thirty or more continuous days is not required to pay the tax after the thirtieth day.
2. Local, state or federal government agencies are exempt from this tax when consideration is paid by those agencies.

PROCESS

Individual hotel operators are assessed the HOT for each guest and monthly remit accumulated amounts to the Davidson County Clerk's Office (County Clerk). The hotel operator is responsible for retaining appropriate

documentation for exemptions claimed by hotel guest for three years. The hotel operator retains two percent (2%) of the total tax amount collected for administrative costs.

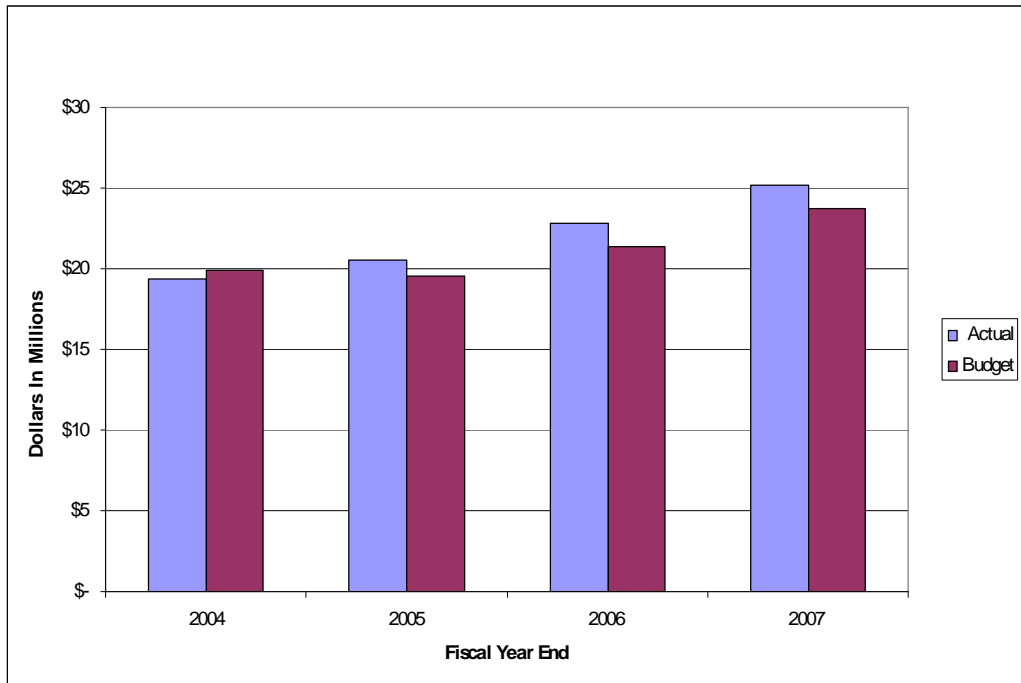
The County Clerk is responsible for verifying the HOT calculations and matching payments to returns. Their computer system recalculates the HOT, plus any interest and penalties for late payments. Payment overages or shortages are monitored using a tickler system initiated by print screens from the computer system. Additionally, the computer system provides a delinquent payment report of hotel operators that do not remit a monthly tax return.

Tax payments are then deposited and a report is prepared detailing the allocation to be used for the HOT revenue accounting entry. This report is used by the County Clerk to post HOT revenue into Metro's financial accounting system.

REVENUE COMPARISON

Exhibit B illustrates a four year summary of projected and actual HOT revenue for Davidson County.

Exhibit B
HOT Revenue Comparison for FY 2004 though FY 2007



Source: Metro Annual Adopted Operating Budgets and Comprehensive Annual Financial Reports

OBJECTIVES AND CONCLUSIONS

Are all hotels, motels and other lodging establishments in Davidson County remitting hotel/motel occupancy taxes?

Yes. No material weaknesses, significant issues or control observations were noted. Controls and processes are in place to ensure that Davidson County lodging establishments are identified and remit HOT. Specific controls include, two County Clerk revenue enforcement officers who continuously visit and verify that Davidson County businesses and hotels have a valid business license. Additionally, the Office of Internal Audit identified 61 hotels through random tours of Davidson County that were all registered at the County Clerk.

Are all hotels, motels and other lodging establishments properly collecting and submitting all revenue subject to the HOT Ordinance to the County Clerk?

Generally yes. Audits of hotel operators for the past few years have been a lower priority for the County Clerk. We observed compliance issues totaling \$5,814 in additional tax assessments for four of the five hotels where we joined with the County Clerk to audit hotel operators. (See Observation C on page 7.)

Are HOT financial transactions properly allocated between the designated program areas as authorized by section 5.12.060 of the Metropolitan Code and the Opryland tourist development zone interlocal agreement as authorized by Metro Ordinance BL2007-1555?

No. We observed errors in the allocation of revenue for designated program areas. Errors appeared to be isolated to the current operating year. (See Observation A on page 4 and Observation B on page 5.)

Are penalties and interest fees calculated properly in accordance with Section 5.12.090 of the Metropolitan Code?

Undeterminable. While reviewing prior interest and/or penalty fee assessments we were not able to recalculate the fees due to a lack of mathematical support. (See Observation C on page 7.)

OBSERVATIONS AND RECOMMENDATIONS

A – Allocation of Hotel/Motel Occupancy Tax Receipts Are Based On Wrong Assumptions

The County Clerk did not properly allocate the HOT receipts in accordance with the new Ordinance BL2007-1557 that took effect on September 1, 2007.

Ordinance BL2007-1557 specifies how HOT receipts collected by the County Clerk are to be allocated. Specifically, taxpayers are charged a six percent privilege tax plus and an additional two dollar (\$2) privilege tax upon the occupancy of each hotel room for each night of occupancy. The ordinance requires the six percent privilege tax proceeds to be allocated in the following manner:

- 1/3 of the proceeds are to be allocated for the direct promotion of tourism
- 1/3 of the proceeds are to be allocated to a reserve fund to be used exclusively for the purposes of modifying, constructing, financing and operating a convention center
- 1/6 of the proceeds are to be used for tourist related activities
- 1/6 of the proceeds are to be deposited into the Metro General Fund

The additional two dollar (\$2) privilege tax upon the occupancy of each hotel room for each night of occupancy is required to be deposited into a separate convention center fund, where the proceeds are to be used towards the construction of a new convention center.

The County Clerk was not properly allocating the HOT receipts due to inaccurate pre-set formulas entered into the computer system. This was because the County Clerk based the allocation on a different interpretation of the ordinance. Consequently, financial journal entries prepared based on the allocation amounts reflected in the computer system, were also improperly entered into Metro's accounting system.

Criteria

- Metro Ordinance BL2007-1557
- Metro Code 5.12.060

Risk

When HOT Fund receipts are not properly allocated before preparing subsequent journal entries, the receipts and corresponding financial accounts will not be accurately reflected in the Metro accounting system. This can result in Metro scaling back intended program funding or over extending appropriations with funds that are not legally available for certain programs. Fortunately, this accounting classification issue appears to be isolated to the current fiscal year and can be corrected with minimal impact to individual program expenditures.

Please refer to Exhibit C below to illustrate the financial impact on the specific accounts.

Exhibit C
HOT Allocation for Sep 2007 though FY 2007
(Dollars in Thousands)

Fund	Business Unit	Description	County Clerk Allocation	Internal Audit Allocation	Difference
30008	1103050	ADM Convention Center 1%	\$(2,513)	\$(2,711)	\$(198)
30008	1103080	ADM Tourist Promotion	(1,828)	(2,711)	(883)
30008	1103090	ADM Tourist Related	(1,828)	(1,356)	472
30008	1103100	ADM General Fund Transfer	(915)	(1,356)	(441)
30031	1103310	ADM Convention Cntr 2007 \$2	(3,611)	(2,562)	1,049
		Total	<u>\$(10,695)</u>	<u>\$(10,696)</u>	

Source: Metro EBS Accounting System and Metropolitan Office of Internal Audit calculation.

Recommendation

The County Clerk should contact the computer programmer and correct the allocation formulas in their computer system to properly reflect the allocation method as outlined in Ordinance BL2007-1557. Management should also review journal entries prior to being entered into the Metro accounting system to prevent any discrepancies.

B – The Opryland Tourist Development Zone Interlocal Agreement Was Prematurely Implemented

The County Clerk prematurely implemented a change in the allocation method used to share approximately \$1.3 million in HOT revenues collected between September 2007 and December 2007.

The change was related to an Interlocal Cooperation Agreement between The Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (IDB), Metro and the State of Tennessee that allows Metro through the IDB to assist in the development of additional hotel rooms and meeting space at the Opryland Hotel. The supporting legislation (Ordinance BL2007-1555) describes two key effective dates for the legislation's provisions to take effect.

- July 1, 2008 - Ordinance BL2007-1555, Section 3 identifies July 1, 2008 as the effective date. On this date two points of the existing hotel occupancy tax that exceeds a certain baseline amount should be directed to the general fund to assist in the implementation of the Interlocal Cooperative Agreement. The baseline amount is one third (1/3) of two points received at fiscal year ending June 30, 2006. This baseline amount is to be adjusted annually by one hundred three percent (103%).
- Bond Issue Date - Ordinance BL2007-1555, Section 1 and 4 identifies the first day of the calendar month in which the IDB issues the bonds, as the effective date. On this date an additional one point of the existing hotel occupancy tax should be directed to the general fund to assist in the implementation of the

Interlocal Cooperative Agreement. As of May 1, 2008, these bonds have not been issued.

Because the overall hotel occupancy tax rate changed as of September 2007, the County Clerk had to update their computer system in August 2007. While updating their computer system, the County Clerk's Office believed it would be advantageous and cost effective to implement the new accounting structure regarding the Opryland hotel starting in September 2007.

Criteria

- Metro Ordinance BL2007-1555
- Metro Ordinance BL2007-1556

Risk

When HOT Fund receipts are not properly allocated before preparing subsequent journal entries, the receipts and corresponding financial accounts will not be accurately reflected in the Metro accounting system. This can result in Metro scaling back intended program funding or over extending appropriations with funds that are not legally available for certain programs.

Business unit balances for the following programs do not fairly reflect the break-out of monies received:

- 1103050 - ADM Convention Center 1% Tax
- 1103080 - ADM Tourist Promotion
- 1103090 - ADM Tourist Related
- 1103100 - ADM General Fund Transfer

Fortunately, this accounting classification issue appears to be isolated to the current fiscal year and can be corrected with minimal impact to individual program expenditures.

Recommendation

The County Clerk should ensure the accounting method for Ordinance BL2007-1555, Section 3, does not take effect until July 1, 2008 and that the accounting method for Ordinance BL2007-1555, Section 3, does not take effect until the month the IDB issues the related bonds.

We also recommend that the County Clerk with the assistance of the Finance Department, prepare correcting journal entries so that the inaccurate journal entries are adjusted and posted to the correct object accounts in Metro's financial system.

C – The Internal Control Environment Should Be Improved

The general control environment for the HOT division needs improvement. During the course of fieldwork it was noted that several expected internal control measures were missing in the collection process. Generally, weak internal control systems have much higher risks than strong internal controls systems. Thus, until proper controls are implemented, revenue dependent programs have increased vulnerabilities associated with expected revenue streams.

Hotels Are Not Audited

Audits to verify hotel operator exemption claims and total revenue are infrequent. With the small staff assigned to HOT, routine audits of the 200 plus hotel locations have been neglected in favor of daily transactional processing requirements within the County Clerk. During a three year period (January 2005 - December 2007), only five hotels out of approximately 200 were audited by the County Clerk. Three of five audits disclosed errors in exemption claims resulting in additional tax assessments totaling \$8,800.

As part of this audit, the County Clerk and the Office of Internal Audit partnered to conduct five audits covering calendar year 2007 HOT returns. Four of the five audits disclosed errors in exemptions and completeness of reported revenue, resulting in additional tax assessments of \$5,814.

Hotel Audit Documentation Improvements

County Clerk's documentation of hotel audits completed should be improved. A record of prior hotel audits was disjointed between manual and computer generated reports. Prior audit papers did not include documentation to support why penalty fees were not assessed. Additional tax assessments that included interest and/or penalties could not be recalculated due to a lack of mathematical support.

Lax Controls for Overrides and Write-off's of HOT and Penalties

County Clerk HOT processors can post payments greater than or less than the hotel tax liability by overriding the computer tax assessment calculation without supervisor approval. It was also noted that penalties and interest payments may be posted without the computer system recalculating these assessments by simply entering the penalties and/or interest amounts claimed on a tax return into the system below the automatic calculation line. Furthermore, computer generated exception reports detailing processor override amounts are not currently available.

Hotel Accounts Receivable Balances

The County Clerk is unable to retrieve debit and/or credit balances for individual hotel accounts from the computer system being used to track HOT assessments and payments. When a payment is over or short, the processor will print the computer screen reflecting the account balance and file the print out in a manual follow-up tickler system. Currently, there is not an option available within the computer system to create a report of the outstanding amounts due or owed to each hotel operator to help management verify the tickler system. This process is

dependent on manual methods, as well as human memory, to follow-up on delinquent taxes owed Metro.

Tax Assessment Analytics

Expected information to facilitate analysis of hotel tax trends was not readily available. The current procedures do not capture the number of rooms exempted for the month. Additional metrics would facilitate the County Clerk's ability to create individual hotel benchmarks that could be used to intelligently select hotel operators to audit. A significant positive or negative spike in the average room rate or duplicate total tax assessments within the preceding twelve months may indicate an operator manipulating its self-reported tax assessment.

Criteria

- Committee of Sponsoring Organizations of the Treadway Commission, Internal Controls – Integrated Framework, Control Activities
- Department of Finance, Treasury Policy #9

Risk

When basic internal controls needed to ensure that HOT payments are collected and posted properly are not present, the risk for potential revenue losses are greatly increased. Additionally, by not conducting random audits of local hotels, their effectiveness as a control and fraud deterrent is greatly diminished.

Recommendation

To improve the internal control issues identified, the County Clerk should implement the following:

- 1) Expand the existing audit program to optimize HOT revenue inflows. Audits of hotel operators should be performed annually on a risk, statistical or cycle basis to encourage hotel operators' compliance with Metro HOT regulations and help provide reasonable assurance that all HOT revenues are received. Tennessee State Code requires other local government entities to audit every hotel annually.

Active, well communicated audit programs have been shown to greatly increase deterrent value for under reporting revenues and greatly increases voluntary compliance with requirements.

- 2) Develop a procedure to track all hotel audits performed and improve hotel audit documentation. Audit working papers should indicate the total number of nights verified, include detailed support documenting any additional tax assessments due. If penalties and interest fees are assessed, the audit working papers should clearly document the time period and or "as of date used" to calculate those penalties and interest assessments. Lastly, in the event that penalties are not assessed or waived, there should be an approval form and an explanation included in the audit papers to support the waiver.

- 3) The HOT Director should implement additional system controls within the computer system to limit overriding capabilities to the ten dollar threshold that is referred to in the policy and procedure manual. Further system controls should be added to include exception reports that can capture any overrides made. If overriding capabilities are delegated to the HOT processor, this authority should be documented and approved by the appropriate supervisor. Monthly, the HOT supervisor should review this report for unusual transactions.
- 4) The County Clerk should contact the computer administrator to discuss reporting options that can be added to the HOT computer system. At a minimum a reporting feature should be added to the system that can list outstanding payments with debit or credit balances.
- 5) The County Clerk should contact the computer administrator to discuss additional metrics that could be captured using the existing computer system, such as the number of room nights exempted. Additionally, the County Clerk should work with the computer administrator to facilitate connectivity to the HOT database. This may be accomplished through existing database connectivity technology or develop a program to provide monthly extracts of HOT transaction history. The County Clerk should perform periodic analysis of historic HOT information to help identify potential hotel operator and/or County Clerk processor errors. Checks for duplicate tax returns, average room rates, and average exemptions classified by hotel size could help identify compliance issues.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit from January to April 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

SCOPE AND METHODOLOGY

The audit period focused primarily on the period July 1, 2006 through December 31, 2007 financial balances, transactions and performance on the processes in place during the time of the audit. Certain analyses required the consideration of financial results, performance and operations outside that time period.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various forms of data, reports and information maintained by the County Clerk's administrative office and hotel operators. Management, administrative and operational personnel, as well as personnel from other Metro departments and other stakeholders were interviewed, and various aspects of the County Clerk's office were directly observed.

CRITERIA

In conducting this audit, the existing Davidson County Clerk's Office operations and processes over the HOT Fund were evaluated for compliance with:

- Metro Code Section 5.12.060
- Metro Code Section 5.12.090
- Metro Ordinance No. BL2007-1555
- Metro Ordinance No. BL2007-1556
- Metro Ordinance No. BL2007-1557
- Department of Finance, Treasury Policy #9
- Committee of Sponsoring Organizations of the Treadway Commission, Internal Controls – Integrated Framework, Control Activities

The "5% Occupancy Program" was approved by the Metro Council on May 25, 1976 (Bill No. 76-143) and was amended on August 9, 2007. As amended, this new ordinance, (BL2007-1557) levees a 6% tax upon the privilege of occupancy and also imposes an additional (\$2.00) two dollar

privilege tax upon the occupancy of each hotel room within the territory of the Metro for a new convention center. The tax so imposed is a city tax upon each occupied room for each night of occupancy.

Chapter 704 of the Public Acts of 1976, as passed by the 89th General Assembly of the State of Tennessee, authorized counties having a Metropolitan form of government to levy a privilege tax upon the occupancy in any hotel, motel, or bed and breakfast of each transient in an amount not to exceed six percent (6%) of the consideration charged by the operator

STAFF ACKNOWLEDGEMENT

Mark Swann, CPA - TEXAS, CIA, CISA -Metropolitan Auditor
Jane Terry – In Charge Auditor
Bill Walker, CPA – Staff Auditor

APPENDIX A. MANAGEMENT RESPONSE

- Management's Responses Starts on Next Page -

JOHN ARRIOLA
COUNTY CLERK

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**



COUNTY CLERK
523 MAINSTREAM DRIVE
P.O. Box 196333
NASHVILLE, TN 37219-6333

June 30, 2008

Mark Swann
Metropolitan Auditor
Office of Internal Audit
222 3rd Avenue North, Suite 401
Nashville, TN 37201

Dear Mr. Swann:

This letter is acknowledgement that the Davidson County Clerk's Office has received the report entitled, *Audit of the Davidson County Clerk's Office Hotel/Motel Occupancy Tax Fund*. The County Clerk's Office is determined to evaluate all of the observation raised in the Report. Many corrective action tasks have already been initiated. For the remaining observations we will develop a plan to meet each specific concern.

We appreciation your assistance and cooperation during this process. Any improvement we can make in the collection of hotel/motel occupancy tax is always welcomed.

Sincerely,

John Arriola

John Arriola
Davidson County Clerk

**County Clerk's Office
Management Response to Cash Receipts Audit Recommendations
June 2008**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>A.1 The County Clerk should contact the computer programmer and correct the allocation formulas in their computer system to properly reflect the allocation method as outlined in Ordinance BL2007-1557. Management should also review journal entries prior to being entered into the Metro accounting system to prevent any discrepancies.</p>	<p>Accept. We are currently working with the Department of Accounts to prepare correcting journal entries. Additionally, we have requested a quotation from Delta Computing to correct the allocation formulas in our computer system.</p>	<p>Deputy County Clerk – Operations</p>	<p>July 2008</p>
<p>B.1 The County Clerk should ensure the accounting method for Ordinance BL2007-1555, Section 3, does not take effect until July 1, 2008 and that the accounting method for Ordinance BL2007-1555, Section 3, does not take effect until the month the IDB issues the related bonds.</p> <p>We also recommend that the County Clerk with the assistance of the Finance Department, prepare correcting journal entries so that the inaccurate journal entries are adjusted and posted to the correct object accounts in Metro's financial system.</p>	<p>Accept. We are currently working with the Department of Accounts to prepare correcting journal entries and will continue to adjust the computer generated accounting entries until this Ordinance takes effect on July 1, 2008. Additionally, we will continue to adjust the computer generated accounting entries until the month the IDB issues the bonds for the Opryland Tourist Development Zone development project.</p>	<p>Deputy County Clerk – Operations</p>	<p>July 2008</p>
<p>C.1. Expand the existing audit program to optimize HOT revenue inflows.</p>	<p>Partially Accept. Our office is planning on our HOT Director to increase the number of audits. However, at this time due to Budget reductions, we are not able to hire a full time auditor, or an additional Clerk to specifically perform HOT collections.</p>	<p>Deputy County Clerk – Operations</p>	
<p>C.2 Develop a procedure to track all hotel audits performed and improve hotel audit documentation.</p>	<p>Accept. We are developing a procedure to track all hotel audits performed and will improve hotel audit documentation. Hotels/motels will be required to submit a more detailed report of revenue and deductions. Our office has already created a database to list audit results for easier tracking.</p>	<p>Deputy County Clerk – Operations</p>	<p>July 2008</p>

**County Clerk's Office
Management Response to Cash Receipts Audit Recommendations
June 2008**

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
C.3 The HOT Director should implement additional system controls within the computer system to limit overriding capabilities to the ten dollar threshold that is referred to in the policy and procedure manual. Further system controls should be added to include exception reports that can capture any overrides made. If overriding capabilities are delegated to the HOT processor, this authority should be documented and approved by the appropriate supervisor. Monthly, the HOT supervisor should review this report for unusual transactions.	Accept. The HOT Director has already begun documenting any overrides and they are reviewed by the Business Services Director.	Deputy County Clerk – Operations	July 2008
C.4 The County Clerk should contact the computer administrator to discuss reporting options that can be added to the HOT computer system. At a minimum a reporting feature should be added to the system that can list outstanding payments debit or credit balances.	Accept. Our Business Services Director has already contacted the computer administrator to discuss available reporting options that can be added to our HOT database. The administrator is currently developing a schedule of available upgrades/changes, the time frame and costs associated. This would include a debit/credit function that would allow our office to track and reconcile payments more efficiently.	Deputy County Clerk – Operations	Pending Vendor Backlog
C.5 The County Clerk should contact the computer administrator to discuss additional metrics that could be captured using the existing computer system, such as the number of room nights exempted. Additionally, the County Clerk should work with the computer administrator to facilitate connectivity to the HOT database.	Accept. Same as above. Metrics possibility is being evaluated by the computer administrator.	Deputy County Clerk – Operations	Pending Vendor Backlog