



**AUDIT COMMITTEE AGENDA**  
**Thursday, February 06, 2020 - 2:00 PM**  
**Conference Room A, Newport City Hall, 169 SW Coast Highway**

---

The meeting location is accessible to persons with disabilities. A request for an interpreter for the DEAF AND HARD OF HEARING, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting to Peggy Hawker, City Recorder at 541.574.0613.

The agenda may be amended during the meeting to add or delete items, change the order of agenda items, or discuss any other business deemed necessary at the time of the meeting.

---

1. CALL TO ORDER
2. INTRODUCTIONS
3. FINANCE REPORT ON AUDIT
  - 3.A Review/Recommendation of Action Plan
  - 3.B Results on FY17-18 General Finance Officers Association (GFOA) CAFR Program
4. ASSIGNMENT OF AUDIT SECTIONS TO COMMITTEE FOR PRESENTATION TO CITY COUNCIL  
*Audit & Financial Report for Year Ended June 30, 2019*

5. COMMITTEE COMMENTS

6. PUBLIC COMMENT

6.A Written Public Comment  
[02-06-20 Public Comments.pdf](#)

7. ADJOURNMENT

To: Audit Committee Chair David Allen, and other members of the City Audit Committee,

I had been hoping to attend the next Audit Committee and speak in person during Public Comment, but I will be out of town on February 6. Please include the following as part of the official minutes of your February 6, 2020 meeting.

I have reviewed the Draft Language for the Room Tax Audit Program presented at your last committee meeting (October 24, 2019). Two items caught my attention.

First, under the section "The Auditing Process," the third bullet for "Audits are conducted for:" states

**\* promote voluntary compliance**

I strongly suggest this language be changed to:

**\* promote compliance**

When there are no monetary repercussions for documented violations to Municipal Code rules regarding payment of transient room taxes, the City is encouraging scofflaw behavior. The Municipal clearly states that failure to pay transient room taxes entirely, or failure to pay the correct amount, is punishable by \$500 to \$1,000/infraction, plus late charges and interest. With the City budget in such severe peril that the City Manager is proposing an increase in property taxes, a year-round gasoline tax, instituting a restaurant tax, a new water/sewer tax, etc., it seems logical that the City would first go after the commercial entities that owe money to the City, and to pursue past-due accounts to make up the shortfall. Here is the pertinent section of the Municipal Code:

3.05.200 Penalty

A. A violation of any provision of this chapter is a civil infraction, with a maximum civil penalty of \$500.00. If a person commits a further violation within 24 months of a judgment that the person has violated this chapter, the maximum civil penalty shall be \$1000.00. The penalty is in addition to all other remedies, including but not limited to late charges and the requirement to pay interest on late payments.

B. Each day during which a violation shall continue shall constitute a separate infraction. If more than one provision of this chapter is violated, each violation of each separate provision shall constitute a separate infraction.

Second, the final bullet under "Methods vary for selecting a business (or individual) to audit. Here are some examples of how potential audit candidates are identified:" states:

**\* Note, VRD's and Airbnb type places are not in this process because that's a relatively new arrangement.**

I strongly urge you to **INCLUDE** all VRDs (commercially managed as well as owner managed) as part of your Audit Program. **VRDs have been licensed entities in Newport since 1976.** (See

Ordinance No. 1033: "An Ordinance Providing For A 5 Percent Transient Room Tax For Newport..." effective June 1, 1976). Vacation rentals are not a "relatively new arrangement." Short-term rental transient room taxes are the second largest revenue source for the City after property taxes. This is a critical aspect of the City's budget.

One method to promote compliance with Municipal Code is to audit each licensed short-term rental on a rotating basis, just as you suggest in your Audit Program draft. Those with infractions should be fined to discourage their future infractions. Right now, the City is going through the removal of vacation rentals without licenses, but they are not requiring illegal VRDs to pay past-due taxes. That sends the message that it is far better financially to ignore City Code and beg forgiveness if caught.

The cost to the City for enforcement and processing of vacation rental violators has a monetary value that is now being absorbed by residents' property taxes. This is unfair. The violators need to pay the costs of their audit and staff time for processing.

Please consider these two issues as you formalize the final draft of your Room Tax Audit Program.

Change "promote voluntary compliance" to "**promote compliance,**" and **include** vacation rentals in your Audit Program.

Thank you for your consideration,  
-Carla Perry  
Newport, Oregon.