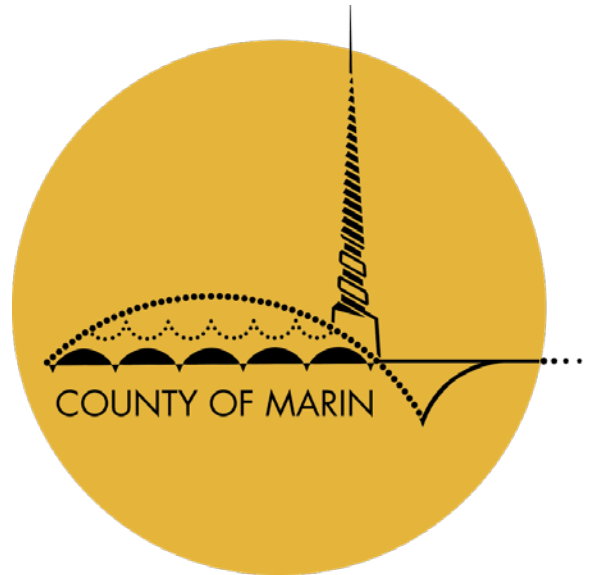


**COUNTY OF MARIN**  
DEPARTMENT OF FINANCE



Measure W West Marin Transient Occupancy Tax Oversight Committee

Engagement Planning and Audit Program

Measure W Revenue and Expenditure Compliance Audit

November 9, 2020

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## Introduction

Internal Audit is established as a function within the County of Marin's Department of Finance. Pursuant to Government Codes 1236, 25250, 26881, 26883, and 26981, the Director of Finance is authorized to direct a broad, comprehensive program of internal auditing within the County. Internal Audit assists all levels of the administration in achieving County objectives by bringing a systematic approach to evaluating and improving the effectiveness of risk management, control, and the administrative processes in the following areas:

- Compliance with laws and regulations
- Safeguarding of assets
- The reliability and integrity of financial information
- Economy and efficiency of operations and resource usage

## Executive Summary

### MISSION STATEMENT

The mission of the Department of Finance (DOF) is to instill the public's trust in County government and to ensure the financial integrity of the County of Marin by safeguarding its funds and promoting the prudent utilization of County resources. The Department of Finance shall support the County of Marin through the efforts of its employees by providing the highest degree of fiscal stewardship, transparency, accessibility and service when administering public funds and in the protection of official public records.

### PURPOSE, AUTHORITY, AND RESPONSIBILITY

Established under Government Code Sections 26980-26990, the consolidated office of the Director of Finance (Department of Finance) is appointed by the Board of Supervisors and is responsible for the powers and duties of the offices of the Auditor, Controller, Tax Collector, Treasurer, and Public Administrator. The Department of Finance's state-mandated functions are governed by the California Revenue and Taxation Code, Government Code, Code of Civil Procedures, and Probate Code.

The primary duties of the Internal Audit function are to ensure taxpayer confidence, provide fiscal oversight of County departments and ensure the safeguarding of all public funds. We provide support to the Board of Supervisors and County management in accomplishing their missions and stewardship responsibilities by conducting audits that provide reliable, independent, objective assessments of the adequacy and effectiveness of internal controls.

We assist all levels of management in assuring internal and external parties that the County financial resources are being properly managed and accounted for, and that the County of Marin is complying with the applicable policies and laws. Internal Audit covers a broad range of activities including:

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- Testing transactions for compliance with accepted business practices
  - Reviewing internal controls
  - Establishing rules and regulations
  - Performing audits to improve efficiency and cost savings

The Internal Audit function applies the principles of the Generally Accepted Government Auditing Standards (GAGAS or “Yellow Book”). The development of this Audit Plan is in compliance with the aforementioned standards and is driven by legal mandates, information gathered through consultations with County management and in consideration of input or feedback from the public.

**Generally Accepted Government Auditing Standards require:**

- Independence of audit staff and the audit organization
- Objectivity of the auditors performing the work
- Competent staff, including continuing professional education
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

**Examination of Internal Controls**

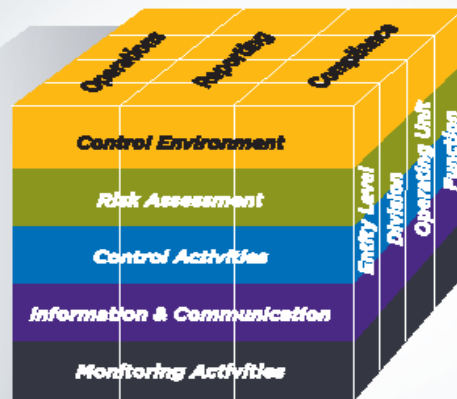
This Audit Plan includes an examination of internal control as established in the framework designed by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework Principles. This framework covers organizational objectives for operations (effectiveness of internal controls, efficiency of business processes, safeguarding of assets), reporting (external and internal financial and non-financial), as well as compliance including adherence to laws, regulations, and policies and procedures. The framework consists of five components (control environment, risk assessment, control activities, information and communication, and monitoring) that are broken down into 17 principles (see next page for a diagram of the COSO Framework as presented by [coso.org](http://coso.org)).

**Internal Audit Engagements**

Internal Audit provides attestation engagements and performance audits. Attestation engagements examine, review, or perform specific procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessing County services and processes and providing recommendations to improve department operations.

Internal Audit provides both audit assurance and consulting services while retaining its independence and objectivity - a cornerstone of this profession.

# COSO Internal Control — Integrated Framework Principles



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## Control Environment

- 1 The organization demonstrates a commitment to integrity and ethical values.
- 2 The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
- 3 Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- 4 The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- 5 The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.



## Risk Assessment

- 6 The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
- 7 The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
- 8 The organization considers the potential for fraud in assessing risks to the achievement of objectives.
- 9 The organization identifies and assesses changes that could significantly affect the system of internal control.



## Control Activities

- 10 The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- 11 The organization selects and develops general control activities over technology to support the achievement of objectives.
- 12 The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.



## Information & Communication

- 13 The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
- 14 The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
- 15 The organization communicates with external parties regarding matters affecting the functioning of internal control.



## Monitoring Activities

- 16 The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
- 17 The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

For more information about COSO, visit [coso.org](http://coso.org).

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## Measure W – West Marin Transient Occupancy Tax

### Background

On November 6, 2018, the voters of West Marin passed Measure W to establish the West Marin Transient Occupancy Tax area. In recognition of the impacts of visitors to the area, the increase in the transient occupancy tax approved by the measure will provide increased funding for enhanced fire and emergency services and long-term community housing. Effective January 1, 2019, Measure W increased the transient occupancy tax (TOT) rate in West Marin from 10.00% to 14.00% percent for hotels and short-term rentals, and it applied a 4.00% percent tax to commercial campground visitors.

Corresponding County Ordinance No. 3692 requires all funds to be used exclusively in West Marin. Distribution of revenues will have local oversight by the Measure W West Marin Transient Occupancy Tax Oversight Committee (Oversight Committee), whereby the tax revenue generated by Measure W (Measure W TOT) is to be allocated through a 50%/50% split between fire and emergency services and community housing.

### Governance Structure

The Oversight Committee is comprised of resident who live in the West Marin Tax Area. Through this Ordinance, the Oversight Committee will be provided with annual audit of the revenue and expenditures of the Measure W TOT tax. The Oversight Committee shall provide oversight as to the revenue and expenditures of the Measure W TOT to ensure that the revenue is spent within the boundaries of the West Marin Tax Area and for the purpose approved by the voters.

### Administration

The collection of transient occupancy tax, including Measure W TOT, from operators is administered by the Marin County Tax Collector.

Half of the Measure W TOT tax collected shall be allocated to for fire and emergency services in the West Marin Tax Area. Included in this allocation are the fire districts and volunteer fire departments located in West Marin (currently the Bolinas and Stinson Beach Fire Protection Districts, the Fire Department in the Inverness Public Utility District, and Nicasio, Muir Beach, and Tomales volunteer fire departments, and the Marin County Fire Department in Tomales, Point Reyes Station, Hicks Valley, Woodacre and Throckmorton). The allocation is subject to the approval of the Marin County Board of Supervisors, and funds will be administered by the Marin County Fire Department.

The remaining half of the Measure W TOT tax collected shall be allocated for community housing in the West Marin Tax Area, including, but not limited to, housing for West Marin public safety employees, teachers, and other members of the West Marin workforce, housing for families, housing for persons with disabilities and housing for seniors. The allocation shall be subject to the approval of the Marin County Board of Supervisors, and the funds will be administered by the Marin County Community Development Agency (CDA).

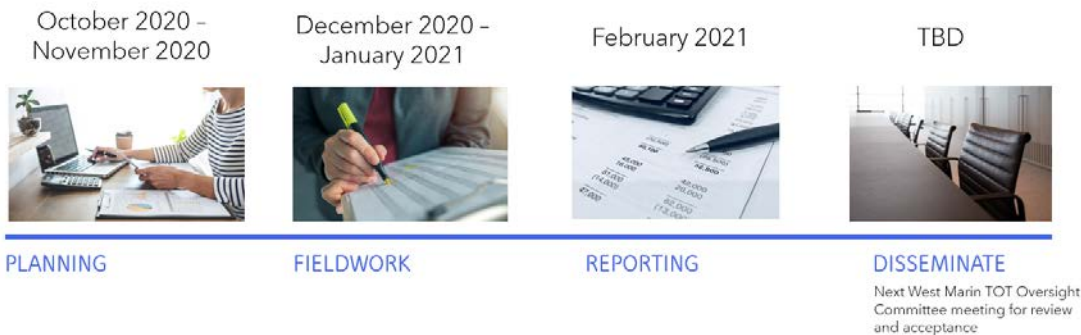
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## Measure W TOT Compliance Audit Plan

### Audit Scope and Objective:

For the audit period of January 1, 2019 through June 30, 2020 (18 months), determine that Measure W TOT proceeds were collected, distributed, and spent in compliance with Marin County Code Section 3.05.35 and Marin County Ordinance No. 3692.

### Audit Timing:



### Procedures:

- Review and assess the adequacy of policies, procedures and documentation of the TOT collection process for the 10.00% unincorporated Marin County TOT tax and the additional 4.00% Measure W TOT tax to ensure compliance with the requirements of the corresponding Code and Ordinance.
- Determine if the Measure W TOT administration system of internal controls were operating effectively to minimize compliance risks.
- Assess the compliance and applicable audit assertions associated with the tax collection revenue of West Marin TOT spanning January 1, 2019 through June 30, 2020.
- Validate that the one-time direct costs of Measure W and annual administrative costs not to exceed 5.00% were retained and not subject to distribution.
- Assess the compliance and applicable audit assertions associated with the allocation and disbursement of Measure W TOT proceeds spanning January 1, 2019 through June 30, 2020 to determine that disbursements to County departments and external agencies were made in accordance with Board-approved allocations.
- Examine documentation provided by sub-recipients to ensure that certification was provided attesting that TOT proceeds were used to enhance services beyond available sub-recipient resources.
- Perform additional procedures deemed necessary to verify compliance.

### Next Steps:

Approval of Audit Plan in consultation with Oversight Committee.