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City likely to audit sales taxes

SCOTTS VALLEY 1990

Scotts Valley wants to ensure its fair share

By Terri Morgan
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The Scotts Valley City Council is expected to approve a contract with a private revenue management firm tonight that will ensure the city is collecting all sales taxes due it.

City Manager Chuck Comstock and members of Scotts Valley's finance committee have recommended the council approve a contract with a Southern California firm, Hinderliter, de Llamas and Associates, to provide sales tax audit services. By identifying and correcting errors, the city expects to increase the amount it collects in sales taxes.

“Our estimated error factor statewide is less than 1.5 percent. In some cities it's zero; in other cities it's 15 percent.”

— Lloyd de Llamas,
auditor

The audit firm is paid at a rate of 15 percent of all new sales tax, or use tax, revenue received by the city as a result of the firm's work, Comstock said.

Many of the errors discovered through audits are common ones, such as figures that get transposed during bookkeeping. Other common errors include business owners with multiple stores misidentifying the point-of-sale and paying sales tax to the wrong city or making mistakes when consolidating data from their different shops.

Lloyd de Llamas said his firm is under contract with about 120 cities in California to perform audit services. He said it is impossible to predict how much new revenue the audit would generate.

“It's like the lottery,” de Llamas said. “Our estimated error factor statewide is less than 1.5 percent. In some cities it's zero; in other cities it's 15 percent.”

Scotts Valley took in about \$1.6 million in sales taxes during the 1990-'91 fiscal year.

“Sales taxes have become such an important portion of cities' general funds that they need some sort of check to make sure they're collecting all revenue due to them,” de Llamas said.