



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 24-455, Version: 1

Approve and authorize the Auditor-Controller to sign an Amendment No. 7 to the Professional Services Agreement with Hinderliter, de Lamas & Associates, for the provision of sales and use tax recovery analysis and audit services, extending the Agreement two years, for a revised full term of July 1, 2019 to June 30, 2026 and adding \$215,553 for a revised total contract amount of \$679,508.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Approve and authorize the Auditor-Controller to sign an Amendment No. 7 to the Professional Services Agreement with Hinderliter, de Lamas & Associates, for the provision of sales and use tax recovery analysis and audit services, extending the Agreement two years, for a revised full term of July 1, 2019 to June 30, 2026 and adding \$215,553 for a revised total contract amount of \$679,508.

SUMMARY:

The County Auditor-Controller's Office (ACO) provides oversight and coordination related to sales, use and transaction tax analysis and audits to ensure the County of Monterey receives its proper share of these revenues. For many years the ACO has contracted with Hinderliter de Lamas & Associates (HdL) for these services. HdL also provides ongoing data and analyses to support County staff in fiscal and economic planning and development. HdL represents most of the counties in California and the cities in Monterey County in this capacity. HdL actively interfaces with CSAC, SACA and Beacon Economics of California.

The cost for HdL services is a set cost of \$7,200 per year plus 15% of all new and recovered sales, use and transaction tax revenue received by the County. The ACO does not anticipate the set cost to increase significantly. However, due to the fluctuation of monies recovered by HdL, the associated 15% fee fluctuates.

The ACO is requesting the authorization of Amendment No. 7, extending the Agreement through June 30, 2026, and adding \$215,553 for a revised total contract amount of \$679,508.

DISCUSSION:

State taxing agencies are responsible each quarter for collecting and monitoring sales tax revenues from thousands of accounts. Considering the sheer number of returns, the complexities and variations of each state's tax system, and the number of sales tax filings by out-of-state corporations, the taxing agencies do a very effective job of collecting and distributing sales and use tax revenues. However, despite their diligence, approximately 3% of local revenues are misallocated.

To address these errors, the HdL Companies administers an ongoing, taxpayer-friendly system of monitoring client sales and use tax receipts to identify errors and recover lost revenues. These recoveries directly benefit Monterey County's General Fund.

HdL looks for and corrects allocation errors including:

- Sales misreported as "use tax" transactions.
- "Point of Sale" revenues misreported to administrative offices or other locations.
- Misallocations occurring because sales from multiple retail outlets, order desks, or offices are credited to a single location.
- Misallocations due to jurisdiction miscoding.

The sales and use tax recovery performed by HdL for fiscal year 2024 was \$799,434 for Monterey County while charges totaled \$126,515. This represents a net return on investment of 632% on audit, reporting and management fees paid to HdL.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel has reviewed and approved this amendment as to form. The County Auditor-Controller has reviewed and approved this amendment as to financial terms.

FINANCING:

The HDL contract is administrated by the ACO appropriation AUD002 Annual Audits Unit 8010. The contract amount has been included in the budget for FY 2024-25.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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Approved by: Rupa Shah, CPA, Auditor-Controller, 755-5040

Attachments:

1. Board Report
2. HDL Amendment No. 7
3. HDL Amendment No. 6, 5, 4, 3, 2 & 1
4. HDL Agreement