

The Mayor & City Council Approval
of the Payment of \$42,000 from Padmanabh (La
Quinta)

**City Council of the City of Galveston
Regular Meeting Agenda
Thursday October 24, 2013**

14. Action Items

- H. Discuss and consider for action authorizing the Finance Director to accept the hotel/motel tax payment from the La Quinta Inn located on 89th Street (Padmanabh).

CM Banks moved to approve

CM Robb second the motion

The Mayor & City Council **Unanimously Approved**



City of Galveston
Padmanabh, Inc. Hotel Occupancy Tax Examination
City Auditor Executive Summary

September 30, 2013

The purpose of this report is to determine if the correct hotel occupancy tax was paid to the City of Galveston from Padmanabh, Inc. which is doing business as La Quinta Inn located at 8710 Seawall Boulevard in Galveston, Texas. The City Auditor conducted an impartial examination of all records that were obtainable from Padmanabh, Inc. in connection with La Quinta Inn located at 8710 Seawall Boulevard from November 16, 2011 through August 21, 2013. The initial examination determined additional hotel occupancy tax and late penalties due in the amount of \$127,495.33. Padmanabh, Inc. provided additional information to the City Auditor on February 22, 2013 and via email by their attorney on March 7, 2013. The information provided on March 7, 2013 was in response for a request from the City Auditor for more detail on the information provided February 22, 2013. The City Auditor analyzed this additional information and adjusted the hotel occupancy tax and late penalties due as of May 28, 2013 to a total amount of \$109,928.17. Padmanabh, Inc. provided the City Attorney with additional information on August 19, 2013. This additional information included 3 Silverleaf Resorts, Inc. check copies, a copy of an Audit conducted at Candlewood Suites and the State Audit for La Quinta. The City Auditor analyzed this additional information and adjusted the hotel occupancy tax, late penalties due and interest due to a total amount of \$74,617.17. The total amount due to the City of Galveston from Padmanabh, Inc. doing business as La Quinta Inn at 8710 Seawall Boulevard as of the date of this report is \$74,617.17.

Scope

The scope of the City Auditor's procedures included inspections of all books, records, and other information provided by of Padmanabh, Inc. doing business as La Quinta Inn at 8710 Seawall Boulevard in Galveston, Texas. These books and records included:

- Padmanabh, Inc. doing business as La Quinta Inn at 8710 Seawall Boulevard Gross Receipts Journal from October 2008 through October 2012.
- Padmanabh, Inc. doing business as La Quinta Inn at 8710 Seawall Boulevard Hotel Occupancy Tax Exemption Certificates from October 2008 through October 2012.

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- Various printouts, copies, and spreadsheets provided by Padmanabh, Inc. and their attorney on February 22, 2013 and March 7, 2013.
- Copies of 3 Silverleaf checks, Candlewood Suite Audit and the State Audit for La Quinta provided by Padmanabh, Inc., and their attorney on August 19, 2013.

Fieldwork Performed

The City Auditor performed four selected tests and analyzed and evaluated the results of those tests.

1. The City Auditor compared the Gross Receipts Journal from La Quinta Inn 8710 Seawall Boulevard maintained on the hotel's computer software system to the gross receipts reported on the hotel occupancy tax reports submitted to the Finance Department at the City of Galveston from October 2008 through October 2012.
2. The City Auditor requested the hotel's exemption certificates to document the validity of the allowable deductions reported by Padmanabh, Inc. operating as La Quinta Inn at 8710 Seawall Boulevard on their monthly hotel occupancy tax reports submitted to the City of Galveston. The City Auditor was taken upstairs in the hotel in which he was told the exemption certificates were kept in a room. However, the City Auditor was not able to enter the room because the door was locked. Hotel management was not able to locate the key. The City Auditor informed hotel management that he would need to verify the exemption certificates and they would need to make these exemption certificates available to him. The City Auditor was not contacted back to review these exemption certificates.
3. The City Auditor reviewed the various printouts, copies, and spreadsheets provided by Padmanabh, Inc. and their attorney on February 22, 2013 and March 7, 2013 to determine if any credit could be given to Padmanabh, Inc. in regards to validating exemptions from hotel occupancy tax. The City Auditor used Hearing Number 201009933H dated September 22, 2010 from the State Office of Administrative Hearings to make his conclusions.
4. The City Auditor reviewed the Silverleaf check copies and audit information provided by Padmanabh, Inc. and their attorney on August 19, 2013 to determine if any credit could be given to Padmanabh, Inc.

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Summary of Results

The Summary of results is:

1. There were no variances noted between the Gross receipts Journal of Padmanabh, Inc. operating as La Quinta Inn at 8710 Seawall Boulevard and the gross receipts reported on the hotel occupancy tax reports submitted to the Finance Department at the City of Galveston from October 2008 through October 2012. Therefore, there was no additional tax due from examining the gross receipts of Padmanabh, Inc. operating as La Quinta Inn 8710 Seawall Boulevard.
2. The City Auditor was not contacted to review Padmanabh, Inc. operating as La Quinta Inn at 8710 Seawall Boulevard's exemption certificates. Therefore, the City Auditor denied all deductions from the time from October 2008 through October 2012 until Padmanabh, Inc. is able to produce the appropriate exemption certificates or source records for the time frame requested. As a result, Padmanabh, Inc. operating as La Quinta Inn at 8710 Seawall Boulevard currently owes in tax and late penalties \$109,928.17 to the City of Galveston. This amount does not include the penalty described in Section 33-91 (b) of the City of Galveston code.
3. The City Auditor used Hearing Number 201009933H dated September 22, 2010 from the State Office of Administrative Hearings to determine if the various printouts, copies, and spreadsheets provided by Padmanabh, Inc. and their attorney on February 22, 2013 and March 7, 2013 qualified for validating exemptions from hotel occupancy tax. This Administrative Hearing focused on the distinction between appropriate source records which would validate hotel occupancy tax exemptions and summary records which would not validate hotel occupancy tax exemptions. A description of the information provided and the results are as follows:
 - 3.1 A report of guest names generated by information entered into a software system by front desk employees when a guest arrives for check in. This report is summary in nature and does not support underlying source records. This report does not validate hotel occupancy tax exemptions.
 - 3.2 A report of daily summaries. This report is a summary computation and therefore is insufficient to validate exemptions for hotel occupancy tax. Also included with these daily summaries is one tax exempt certificate for the month of July 2012 and one tax exempt certificate for the month of

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January 2013. An exemption for \$97 was given to Padmanabh, Inc. for the month of July 2012. The tax exempt certificate provided for the month of January 2013 was not part of our audit scope.

3.3 A letter from the Texas State Comptroller for a State Hotel Occupancy Tax Audit performed for the same audit period which stated there were no audit findings. This letter does not have an impact on the City of Galveston's Hotel Tax Audit. Chapter 351 of the Texas Municipal Hotel Occupancy Tax Code clearly states the requirement for tax exemption certificates to be present for review by the auditor. No credit can be given to Padmanabh, Inc. for hotel occupancy tax exemptions based upon this letter.

3.4 A daily summary report for the month of August 2011 that had an email and a copy of a check attached to it from the U.S. Coast Guard requesting a room for two nights. The cost of the room was \$188 which was allowed as a deduction for hotel occupancy tax.

3.5 A letter from Lynch & Company, LLP (Certified Public Accounting Firm that performs accounting services for Padmanabh, Inc.) stating taxable sales, tax exempt sales and accounts receivable balances provided to them by Padmanabh, Inc. operating as La Quinta Inn at 8710 Seawall Boulevard. This letter does not provide support for underlying source records and therefore no amount is allowed as an exemption for hotel occupancy tax.

3.6 Spreadsheets of payments made to Padmanabh, Inc. operating as La Quinta at 8710 Seawall Boulevard from FEMA for the months of October 2008 through April 2009. Padmanabh, Inc. provided documentation that these funds were received from FEMA. The City Auditor analyzed these spreadsheets and allowed and disallowed for exemptions as follows:

3.6.1 FEMA paid \$1,009.40 for rentals in September 2008 which was not part of the scope and therefore no exemption from hotel occupancy tax was allowed.

3.6.2 FEMA paid \$35,030.30 in the month of October 2008. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$35,030.30. The City Attorney recommended deducting this month from the exams.

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- 3.6.3 FEMA paid \$67,864.50 in the month of November 2008. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$67,864.50.
- 3.6.4 FEMA paid \$83,276.11 in the month of December 2008. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$83,276.11.
- 3.6.5 FEMA paid \$123,641.80 in the month of January 2009. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$123,641.80.
- 3.6.6 FEMA paid \$126,881.00 in the month of February 2009. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$126,881.00.
- 3.6.7 FEMA paid \$62,429.00 in the month of March 2009. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$62,429.00.
- 3.6.8 FEMA paid \$326.00 in the month of April 2009. The City Auditor allowed tax exemptions from hotel occupancy tax for this month in the amount of \$326.00.
- 3.7 A copy of a contract with Silverleaf Resorts, Inc. signed on May 29, 2011 for long term rentals for the months of June 2011 through September 2011. The contract amount was for \$239,700. No documentation was included to prove that the transaction actually took place and therefore no exemptions were allowed for hotel occupancy tax.
- 3.8 Deposit slips and deposit tickets that do not have any source documentation attached. The City Auditor is unable to allow any exemptions for hotel occupancy tax based upon this limited information.
- 3.9 Accounts Receivable Transaction Reports generated by Padmanabh, Inc. operating as La Quinta at 8710 Seawall Boulevard. The City Auditor is unable to allow any exemptions for hotel occupancy tax based upon this limited information.

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4. Padmanabh, Inc. and their attorney provided additional information to the City Attorney on August 19, 2013. This information was evaluated by the City Auditor for compliance with the City of Galveston code Section 33-91(b).
 - 4.1 Three Silverleaf check copies dated June 6, 2011, June 28, 2011 and July 28, 2011 were provided to the City Attorney. The total amount for all 3 checks was \$239,700. The City Auditor analyzed these checks and allowed for the full amount to be deducted.
 - 4.2 A copy of the Candlewood Suites Audit conducted by MuniServices on July 9, 2013. The City Auditor is unable to allow any exemptions for hotel occupancy tax based upon an audit at another property owned by Padmanabh, Inc.
 - 4.3 A letter from the Texas State Comptroller for a State Hotel Occupancy Tax Audit performed for the same audit period which stated there were no audit findings. This letter does not have an impact on the City of Galveston's Hotel Tax Audit. Chapter 351 of the Texas Municipal Hotel Occupancy Tax Code clearly states the requirement for tax exemption certificates to be present for review by the auditor. No credit can be given to Padmanabh, Inc. for hotel occupancy tax exemptions based upon this letter.
5. The City Auditor added ten (10) percent interest per annum on the delinquent taxes per Section 33-91(b) of the City of Galveston Code. The total amount of accrued interest done at the date of this report is \$19,167.86.

City Auditor's Recommendations

The City Auditor recommends that this report be forwarded to the Director of Finance for the City of Galveston for collection of \$74,617.17 and that in addition to the \$74,617.17.

The City Auditor has met twice with representatives of Padmanabh, Inc. to explain the results of this audit. These representatives stated at each meeting that the necessary information would be provided. However, all necessary information has not been received by the City Auditor as of the date of this report to substantiate all exemptions deducted for hotel occupancy tax by Padmanabh, Inc. operating as La Quinta Inn at 8710

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Seawall Boulevard in Galveston, Texas. Representatives of Padmanabh, Inc. have made certain claims in The Galveston Daily News that in the City Auditor's opinions are false. An objective third party expert in the field of hotel occupancy taxes was contracted upon an agreement between the City of Galveston and Padmanabh, Inc. The objective third party expert agreed entirely with the City Auditor's report and is willing to testify as an expert witness in case of litigation.

City Managers Comments

CONFIDENTIAL

PADMANABH, INC.
TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX AND LATE PENALTIES DUE

EXAM 1

(1) DATE OF TAXPAYER (HOTEL) COLLECTIONS	(2) TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	(3) TOTAL OF ADDITIONAL LATE PENALTIES DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	(4) TOTAL INTEREST ON DELINQUENT TAX NOT PAID 60 DAYS FROM THE DUE DATE	(5) TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX DUE TO THE CITY OF GALVESTON AND TOTAL OF ADDITIONAL LATE PENALTIES AND INTEREST DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE
November 2008	\$ 6,778.31	\$ 1,016.75	\$ 3,161.94	\$ 10,956.99
December 2008	9,386.54	1,407.98	4,300.44	15,094.96
January 2009	3,098.09	464.71	1,393.58	4,956.38
February 2009	3,900.15	585.02	1,721.88	6,207.05
March 2009	2,920.14	438.02	1,264.89	4,623.05
April 2009	1,958.31	293.75	831.95	3,084.01
May 2009	1,430.37	214.56	595.75	2,240.67
June 2009	1,751.58	262.74	714.94	2,729.26
July 2009	585.99	87.90	234.30	908.19
August 2009	4,738.68	710.80	1,855.24	7,304.72
September 2009	463.14	69.47	177.47	710.08
October 2009	605.52	90.83	226.98	923.33
November 2009	863.01	129.45	316.31	1,308.77
December 2009	503.28	75.49	180.27	759.04
January 2010	387.00	58.05	135.40	580.45
February 2010	820.89	123.13	280.36	1,224.38
March 2010	471.92	70.79	157.24	699.95
April 2010	299.97	45.00	97.45	442.42
May 2010	266.04	39.91	84.21	390.16
June 2010	931.95	139.79	287.24	1,358.98
July 2010	130.59	19.59	39.16	189.34
August 2010	166.05	24.91	48.41	239.37
September 2010	\$88.56	13.28	25.08	126.93
October 2010	98.64	14.80	27.12	140.55
November 2010	540.90	81.14	144.18	766.22
December 2010	803.79	120.57	207.56	1,131.92
January 2011	57.33	8.60	14.33	80.26

PADMANABH, INC.				
TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX AND LATE PENALTIES DUE				
EXAM 1				
(1)	(2)	(3)	(4)	(5)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	TOTAL OF ADDITIONAL LATE PENALTIES DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	TOTAL INTEREST ON DELINQUENT TAX NOT PAID 60 DAYS FROM THE DUE DATE	TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX DUE TO THE CITY OF GALVESTON AND TOTAL OF ADDITIONAL LATE PENALTIES AND INTEREST DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE
February 2011	951.84	142.78	229.94	1,324.55
March 2011	0.00	0.00	0.00	0.00
April 2011	0.00	0.00	0.00	0.00
May 2011	0.00	0.00	0.00	0.00
June 2011	0.00	0.00	0.00	0.00
July 2011	0.00	0.00	0.00	0.00
August 2011	0.00	0.00	0.00	0.00
September 2011	0.00	0.00	0.00	0.00
October 2011	0.00	0.00	0.00	0.00
November 2011	0.00	0.00	0.00	0.00
December 2011	46.98	7.05	7.83	61.85
January 2012	97.11	14.57	15.37	127.05
February 2012	487.98	73.20	73.17	634.34
March 2012	392.13	58.82	55.53	506.48
April 2012	397.17	59.58	52.93	509.68
May 2012	621.72	93.26	77.68	792.66
June 2012	942.30	141.35	109.89	1,193.54
July 2012	0.00	0.00	0.00	0.00
August 2012	\$146.34	21.95	14.63	182.92
September 2012	0.00	0.00	0.00	0.00
October 2012	86.49	12.97	7.20	106.67
TOTALS	\$48,216.79	\$7,232.52	\$19,167.86	\$74,617.17
Column 1:	This Column indicates the Month and Year of Taxpayer Collections of Hotel Occupancy Tax.			
Column 2:	This Column indicates The Additional Hotel Occupancy Tax Due to the City of Galveston Calculated in Exam 2. These Amounts are Carried Forward from Exam 2.			

PADMANABH, INC.

TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX AND LATE PENALTIES DUE

EXAM 1

(1)	(2)	(3)	(4)	(5)	(2) + (3) + (4)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	TOTAL OF ADDITIONAL LATE PENALTIES DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	TOTAL INTEREST ON DELINQUENT TAX NOT PAID 60 DAYS FROM THE DUE DATE	TOTAL OF ADDITIONAL HOTEL OCCUPANCY TAX DUE TO THE CITY OF GALVESTON AND TOTAL OF ADDITIONAL LATE PENALTIES AND INTEREST DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	
Column 3:	This Column indicates the Late Penalty of the Additional Tax Due for Failure to Pay the Tax by the Due Date Carried Forward from Exam 3.				
Column 4:	This Column indicates the the Interest due on the Additional Hotel Occupancy Tax due to the City of Galveston in Exam 4.				
Column 5:	This Column indicates the Total Amount Due as of the Date of this Report to the City of Galveston. (Column 2 + Column 3 + Column 4).				

PADMANABH, INC.

**COMPARISON BETWEEN ALLOWABLE DEDUCTIONS PER HOTEL OCCUPANCY TAX COLLECTION REPORT AND EXEMPTION CERTIFICATE INFORMATION
EXAM 2**

(1)	(2)	(3)	(4)	(5)	(6)	(4) - (5) - (6)	(8)	(7) x (8)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ALLOWABLE DEDUCTIONS REPORTED BY TAXPAYER PER HOTEL OCCUPANCY TAX COLLECTION REPORT REMITTED TO CITY OF GALVESTON	EXEMPTION CERTIFICATES PROVIDED TO CITY AUDITOR OF GALVESTON FOR PROOF OF ALLOWABLE DEDUCTIONS BEFORE FEBRUARY 22, 2013	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON BEFORE FEBRUARY 22, 2013	ADDITIONAL INFORMATION RECEIVED ON FEBRUARY 22, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL INFORMATION RECEIVED ON AUGUST 19, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON	CITY OF GALVESTON MUNICIPAL HOTEL OCCUPANCY TAX RATE	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON
November 2008	\$ 143,179.00	\$ -	\$ 143,179.00	\$ 67,864.50	\$ -	\$ 75,314.50	9%	\$ 6,778.31
December 2008	187,571.00	0.00	187,571.00	83,276.11	0.00	104,294.89	9%	9,386.54
January 2009	158,065.00	0.00	158,065.00	123,641.80	0.00	34,423.20	9%	3,098.09
February 2009	170,216.00	0.00	170,216.00	126,861.00	0.00	43,335.00	9%	3,900.15
March 2009	94,875.00	0.00	94,875.00	62,429.00	0.00	32,446.00	9%	2,920.14
April 2009	22,085.00	0.00	22,085.00	326.00	0.00	21,759.00	9%	1,958.31
May 2009	15,893.00	0.00	15,893.00	0.00	0.00	15,893.00	9%	1,430.37
June 2009	19,462.00	0.00	19,462.00	0.00	0.00	19,462.00	9%	1,751.58
July 2009	6,511.00	0.00	6,511.00	0.00	0.00	6,511.00	9%	585.99
August 2009	52,652.00	0.00	52,652.00	0.00	0.00	52,652.00	9%	4,798.68
September 2009	5,146.00	0.00	5,146.00	0.00	0.00	5,146.00	9%	463.14
October 2009	6,728.00	0.00	6,728.00	0.00	0.00	6,728.00	9%	605.52
November 2009	9,589.00	0.00	9,589.00	0.00	0.00	9,589.00	9%	863.01
December 2009	5,592.00	0.00	5,592.00	0.00	0.00	5,592.00	9%	503.28
January 2010	4,300.00	0.00	4,300.00	0.00	0.00	4,300.00	9%	387.00
February 2010	9,121.00	0.00	9,121.00	0.00	0.00	9,121.00	9%	820.89
March 2010	5,243.57	0.00	5,243.57	0.00	0.00	5,243.57	9%	471.92
April 2010	3,333.00	0.00	3,333.00	0.00	0.00	3,333.00	9%	299.97
May 2010	2,956.00	0.00	2,956.00	0.00	0.00	2,956.00	9%	266.04
June 2010	10,355.00	0.00	10,355.00	0.00	0.00	10,355.00	9%	931.95
July 2010	1,451.00	0.00	1,451.00	0.00	0.00	1,451.00	9%	130.59
August 2010	1,845.00	0.00	1,845.00	0.00	0.00	1,845.00	9%	166.05
September 2010	984.00	0.00	984.00	0.00	0.00	984.00	9%	88.56

PADMANABH, INC.

COMPARISON BETWEEN ALLOWABLE DEDUCTIONS PER HOTEL OCCUPANCY TAX COLLECTION REPORT AND EXEMPTION CERTIFICATE INFORMATION

EXAM 2

(1)	(2)	(3)	(4)	(5)	(6)	(4) - (5) - (6)	(8)	(7) x (8)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ALLOWABLE DEDUCTIONS REPORTED BY TAXPAYER PER HOTEL OCCUPANCY TAX COLLECTION REPORT REMITTED TO CITY OF GALVESTON	EXEMPTION CERTIFICATES PROVIDED TO CITY AUDITOR OF GALVESTON FOR PROOF OF ALLOWABLE DEDUCTIONS BEFORE FEBRUARY 22, 2013	ADDITIONAL RECEIPTS DUE TO CITY OF GALVESTON BEFORE FEBRUARY 22, 2013	ADDITIONAL INFORMATION RECEIVED ON FEBRUARY 22, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL INFORMATION RECEIVED ON AUGUST 19, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON	CITY OF GALVESTON MUNICIPAL HOTEL OCCUPANCY TAX RATE	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON
October 2010	1,096.00	0.00	1,096.00	0.00	0.00	1,096.00	9%	98.64
November 2010	6,010.00	0.00	6,010.00	0.00	0.00	6,010.00	9%	540.90
December 2010	8,931.00	0.00	8,931.00	0.00	0.00	8,931.00	9%	803.79
January 2011	637.00	0.00	637.00	0.00	0.00	637.00	9%	57.33
February 2011	10,576.00	0.00	10,576.00	0.00	0.00	10,576.00	9%	951.84
March 2011	6,402.00	0.00	6,402.00	0.00	6,402.00	0.00	9%	0.00
April 2011	3,815.00	0.00	3,815.00	0.00	3,815.00	0.00	9%	0.00
May 2011	11,684.00	0.00	11,684.00	0.00	11,684.00	0.00	9%	0.00
June 2011	80,654.00	0.00	80,654.00	0.00	80,654.00	0.00	9%	0.00
July 2011	71,304.00	0.00	71,304.00	0.00	71,304.00	0.00	9%	0.00
August 2011	50,362.00	0.00	50,362.00	188.00	50,174.00	0.00	9%	0.00
September 2011	9,700.00	0.00	9,700.00	0.00	9,700.00	0.00	9%	0.00
October 2011	1,157.00	0.00	1,157.00	0.00	1,157.00	0.00	9%	0.00
November 2011	2,306.00	0.00	2,306.00	0.00	2,306.00	0.00	9%	0.00
December 2011	3,026.00	0.00	3,026.00	0.00	2,504.00	522.00	9%	46.98
January 2012	1,079.00	0.00	1,079.00	0.00	0.00	1,079.00	9%	97.11
February 2012	5,422.00	0.00	5,422.00	0.00	0.00	5,422.00	9%	487.98
March 2012	4,357.00	0.00	4,357.00	0.00	0.00	4,357.00	9%	392.13
April 2012	4,413.00	0.00	4,413.00	0.00	0.00	4,413.00	9%	397.17
May 2012	6,908.00	0.00	6,908.00	0.00	0.00	6,908.00	9%	621.72
June 2012	10,470.00	0.00	10,470.00	0.00	0.00	10,470.00	9%	942.30
July 2012	97.00	0.00	97.00	97.00	0.00	0.00	9%	0.00
August 2012	1,626.00	0.00	1,626.00	0.00	0.00	1,626.00	9%	146.34

PADMANABH, INC.

COMPARISON BETWEEN ALLOWABLE DEDUCTIONS PER HOTEL OCCUPANCY TAX COLLECTION REPORT AND EXEMPTION CERTIFICATE INFORMATION

EXAM 2

(1)	(2)	(3)	(2) - (3)	(5)	(6)	(4) - (5) - (6)	(8)	(7) x (8)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ALLOWABLE DEDUCTIONS REPORTED BY TAXPAYER PER HOTEL OCCUPANCY TAX COLLECTION REPORT REMITTED TO CITY OF GALVESTON	EXEMPTION CERTIFICATES PROVIDED TO CITY AUDITOR OF GALVESTON FOR PROOF OF ALLOWABLE DEDUCTIONS BEFORE FEBRUARY 22, 2013	ADDITIONAL RECEIPTS DUE TO CITY OF GALVESTON BEFORE FEBRUARY 22, 2013	ADDITIONAL INFORMATION RECEIVED ON FEBRUARY 22, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL INFORMATION RECEIVED ON AUGUST 19, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON	CITY OF GALVESTON MUNICIPAL HOTEL OCCUPANCY TAX RATE	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON
September	0.00	0.00	0.00	0.00	0.00	0.00	9%	0.00
October	961.00	0.00	961.00	0.00	0.00	961.00	9%	86.49
TOTALS	\$1,240,145.57	\$0.00	\$1,240,145.57	\$464,703.41	\$239,700.00	\$535,742.16		\$48,216.79

Column 1: This Column indicates the Month and Year of Taxpayer Collections of Hotel Occupancy Tax. Hotels are Defined in Article III Section 33-86 of the City of

Galveston Code as any Building or Buildings in which the Public may, for a Consideration, Obtain Sleeping Accommodations. The Term shall Include Hotels, Motels,

Tourist Homes, Houses or Courts, Lodging Houses, Inns, Rooming Houses or Other Buildings where Rooms are Furnished for a Consideration, but shall not be

Defined so as to Include Hospitals, Sanitariums or Nursing Homes. The Hotel Occupancy Tax Collection Report is Remitted to the City of Galveston in the following

Month after Collections (i.e. Collections for the Month of October 2008 were Reported and Remitted to the City of Galveston in November 2008.

This Column indicates Allowable Deductions from Line 2 of the Hotel Occupancy Tax Collection Report Remitted to the City of Galveston.

This Column indicates the Dollar Amount of the Exemption Certificates that were Provided to the City Auditor as Proof of Allowable Deductions before February 22, 2013.

A completed Texas Hotel Occupancy Tax Exemption Certificate (Form 12-302) is Required to be Provided to the Hotel Before a Hotel can be Allowed to Deduct the Hotel

Occupancy Tax for it's Patrons. The Hotel (Taxpayer) is Required to Retain these Exemption Certificates as Proof of the Deductions for the Hotel Occupancy

PADMANABH, INC.

COMPARISON BETWEEN ALLOWABLE DEDUCTIONS PER HOTEL OCCUPANCY TAX COLLECTION REPORT AND EXEMPTION CERTIFICATE INFORMATION

EXAM 2

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) x (8)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ALLOWABLE DEDUCTIONS REPORTED BY TAXPAYER PER HOTEL OCCUPANCY TAX COLLECTION REPORT REMITTED TO CITY OF GALVESTON	EXEMPTION CERTIFICATES PROVIDED TO CITY AUDITOR OF GALVESTON FOR PROOF OF ALLOWABLE DEDUCTIONS BEFORE FEBRUARY 22, 2013	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON BEFORE FEBRUARY 22, 2013	ADDITIONAL INFORMATION RECEIVED ON FEBRUARY 22, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL INFORMATION RECEIVED ON AUGUST 19, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON	CITY OF GALVESTON MUNICIPAL HOTEL OCCUPANCY TAX RATE	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON
	Tax Allowed to it's Patrons.							
Column 4:	This Column indicates the Allowable Deductions for Hotel Occupancy Tax Reported and Remitted to the City of Galveston Less the Exemption Certificates							
	Provided by the Taxpayer (Hotel) as Proof of Deductions before February 22, 2013. (Column 2 - Column 3).							
Column 5:	This Column indicates the Additional Information received by the City Auditor on February 22, 2013 that can Legally be used to Reduce Hotel Occupancy Tax.							
Column 6:	This Column indicates the Additional Information received by the City Attorney on August 19, 2013 that can Legally be used to Reduce Hotel Occupancy Tax.							
Column 7:	This Column indicates the Additional Taxable Receipts due to the City of Galveston after Additional information was provided to the City Auditor on February 22, 2013, and provided to City Attorney on August 18, 2013 (Column 4 - Column 5 - Column 6).							
Column 8:	The City of Galveston Hotel Occupancy Tax Rate is 9% Upon the Cost of Occupancy of any Room or Space Furnished by any Hotel where such Cost of Occupancy is at the Rate of Two Dollars (\$2.00) or More per Day. The State of Texas Hotel Occupancy Tax Rate is 6% of Gross Hotel Receipts. Both are Charged at the Same Time to Hotel Patrons which Totals 15%. Hotels (Taxpayers) send the 9% to the City of Galveston and the 6% Due to the State of Texas is Remitted directly to the Texas State Comptroller's Office.							

PADMANABH, INC.

COMPARISON BETWEEN ALLOWABLE DEDUCTIONS PER HOTEL OCCUPANCY TAX COLLECTION REPORT AND EXEMPTION CERTIFICATE INFORMATION

EXAM 2

	(1)	(2)	(3)	(2) - (3)	(4)	(5)	(6)	(4) - (5) - (6)	(7) x (8)
		ALLOWABLE DEDUCTIONS REPORTED BY TAXPAYER PER HOTEL OCCUPANCY TAX COLLECTION REPORT REMITTED TO CITY OF GALVESTON	EXEMPTION CERTIFICATES PROVIDED TO CITY AUDITOR OF GALVESTON FOR PROOF OF ALLOWABLE DEDUCTIONS BEFORE FEBRUARY 22, 2013	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON BEFORE FEBRUARY 22, 2013	ADDITIONAL INFORMATION RECEIVED ON FEBRUARY 22, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL INFORMATION RECEIVED ON AUGUST 19, 2013 IN WHICH CITY AUDITOR CAN USE TO LEGALLY REDUCE HOTEL OCCUPANCY TAX	ADDITIONAL TAXABLE RECEIPTS DUE TO CITY OF GALVESTON	CITY OF GALVESTON MUNICIPAL HOTEL OCCUPANCY TAX RATE	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON
DATE OF TAXPAYER (HOTEL) COLLECTIONS									
Column 9:	This Column indicates the Additional Hotel Occupancy Tax Due to the City of Galveston from the Taxpayer (Hotel). (Column 7 x Column 8). These Amounts are								
	Forwarded to Exam 1 (Column 2) and Carried Back to Exam 3 (Column 2).								

PADMANABH, INC.

CALCULATION OF LATE PENALTIES DUE PURSUANT TO ARTICLE III SECTION 33-91 OF THE CITY OF GALVESTON CODE

EXAM 3

(1)	(2)	(2) x 5%	(4)	(2) x 5%	(3) + (4) + (5)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX WITHIN (30) THIRTY DAYS FROM THE DATE THE TAX WAS DUE	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX WITHIN (60) SIXTY DAYS FROM THE DATE THE TAX WAS DUE	TOTAL LATE PENALTIES DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE
November 2008	\$ 6,778.31	\$ 338.92	\$ 338.92	\$ 338.92	\$ 1,016.75
December 2008	9,386.54	469.33	469.33	469.33	1,407.98
January 2009	3,098.09	154.90	154.90	154.90	464.71
February 2009	3,900.15	195.01	195.01	195.01	585.02
March 2009	2,920.14	146.01	146.01	146.01	438.02
April 2009	1,958.31	97.92	97.92	97.92	293.75
May 2009	1,430.37	71.52	71.52	71.52	214.56
June 2009	1,751.58	87.58	87.58	87.58	262.74
July 2009	585.99	29.30	29.30	29.30	87.90
August 2009	4,738.68	236.93	236.93	236.93	710.80
September 2009	463.14	23.16	23.16	23.16	69.47
October 2009	605.52	30.28	30.28	30.28	90.83
November 2009	863.01	43.15	43.15	43.15	129.45
December 2009	503.28	25.16	25.16	25.16	75.49
January 2010	387.00	19.35	19.35	19.35	58.05
February 2010	820.89	41.04	41.04	41.04	123.13
March 2010	471.92	23.60	23.60	23.60	70.79
April 2010	299.97	15.00	15.00	15.00	45.00
May 2010	266.04	13.30	13.30	13.30	39.91
June 2010	931.95	46.60	46.60	46.60	139.79
July 2010	130.59	6.53	6.53	6.53	19.59
August 2010	166.05	8.30	8.30	8.30	24.91
September 2010	88.56	4.43	4.43	4.43	13.28
October 2010	98.64	4.93	4.93	4.93	14.80
November 2010	540.90	27.05	27.05	27.05	81.14
December 2010	803.79	40.19	40.19	40.19	120.57

PADMANABH, INC.

CALCULATION OF LATE PENALTIES DUE PURSUANT TO ARTICLE III SECTION 33-91 OF THE CITY OF GALVESTON CODE

EXAM 3

(1)	(2)	(2) x 5%	(3)	(2) x 5%	(4)	(2) x 5%	(3) + (4) + (5)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX WITHIN (30) THIRTY DAYS FROM THE DATE THE TAX WAS DUE	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX WITHIN (60) SIXTY DAYS FROM THE DATE THE TAX WAS DUE	TOTAL LATE PENALTIES DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE		
January 2011	57.33	2.87	2.87	2.87	8.60		
February 2011	951.84	47.59	47.59	47.59	142.78		
March 2011	0.00	0.00	0.00	0.00	0.00		
April 2011	0.00	0.00	0.00	0.00	0.00		
May 2011	0.00	0.00	0.00	0.00	0.00		
June 2011	0.00	0.00	0.00	0.00	0.00		
July 2011	0.00	0.00	0.00	0.00	0.00		
August 2011	0.00	0.00	0.00	0.00	0.00		
September 2011	0.00	0.00	0.00	0.00	0.00		
October 2011	0.00	0.00	0.00	0.00	0.00		
November 2011	0.00	0.00	0.00	0.00	0.00		
December 2011	46.98	2.35	2.35	2.35	7.05		
January 2012	97.11	4.86	4.86	4.86	14.57		
February 2012	487.98	24.40	24.40	24.40	73.20		
March 2012	392.13	19.61	19.61	19.61	58.82		
April 2012	397.17	19.86	19.86	19.86	59.58		
May 2012	621.72	31.09	31.09	31.09	93.26		
June 2012	942.30	47.12	47.12	47.12	141.35		
July 2012	0.00	0.00	0.00	0.00	0.00		
August 2012	146.34	7.32	7.32	7.32	21.95		
September 2012	0.00	0.00	0.00	0.00	0.00		
October 2012	86.49	4.32	4.32	4.32	12.97		
TOTALS	\$48,216.79	\$2,410.84	\$2,410.84	\$2,410.84	\$7,232.52	\$	7,232.52

PADMANABH, INC.

CALCULATION OF LATE PENALTIES DUE PURSUANT TO ARTICLE III SECTION 33-91 OF THE CITY OF GALVESTON CODE

EXAM 3

(1)	(2)	(2) x 5%	(3)	(2) x 5%	(2) x 5%	(3) + (4) + (5)
DATE OF TAXPAYER (HOTEL) COLLECTIONS						
	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX WITHIN (30) THIRTY DAYS FROM THE DATE THE TAX WAS DUE	5% LATE PENALTY OF THE ADDITIONAL TAX DUE FOR FAILURE TO PAY THE TAX WITHIN (60) SIXTY DAYS FROM THE DATE THE TAX WAS DUE	TOTAL LATE PENALTIES DUE FOR FAILURE TO PAY THE TAX BY THE DUE DATE	
Column 1:	This Column indicates the Month and Year of Taxpayer Collections of Hotel Occupancy Tax.					
Column 2:	This Column indicates The Additional Hotel Occupancy Tax Due to the City of Galveston Calculated in Exam 2. These Amounts are Carried Back from Exam 2.					
Column 3:	This Column indicates the 5% Penalty of the Additional Tax Due for Failure to Pay the Tax by the Due Date. (Column 2 x 5%).					
Column 4:	This Column indicates the 5% Penalty of the Additional Tax Due for Failure to Pay the Tax Within (30) Thirty Days from the Date the Tax was Due. (Column 3 x 5%).					
Column 5:	This Column indicates the 5% Penalty of the Additional Tax Due for Failure to Pay the Tax Within (60) Sixty Days from the Date the Tax was Due. (Column 4 x 5%).					
Column 6:	This Column indicates the Total Amount of Penalties Due for Failure to Pay Tax by Due Date and Carried Forward to Exam 1. (Column 3 + Column 4 + Column 5).					

PADMANABH, INC.
CALCULATION OF LATE PENALTIES DUE PURSUANT TO ARTICLE III SECTION 33-91 OF THE CITY OF GALVESTON CODE
EXAM 4

(1)	(2)	(3)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	TOTAL 10% INTEREST PER ANNUM ON DELINQUENT HOTEL OCCUPANCY TAX DUE TO THE CITY OF GALVESTON
November 2008	\$ 6,778.31	\$ 3,161.94
December 2008	9,386.54	4,300.44
January 2009	3,098.09	1,393.58
February 2009	3,900.15	1,721.88
March 2009	2,920.14	1,264.89
April 2009	1,958.31	831.95
May 2009	1,430.37	595.75
June 2009	1,751.58	714.94
July 2009	585.99	234.30
August 2009	4,738.68	1,855.24
September 2009	463.14	177.47
October 2009	605.52	226.98
November 2009	863.01	316.31
December 2009	503.28	180.27
January 2010	387.00	135.40
February 2010	820.89	280.36
March 2010	471.92	157.24
April 2010	299.97	97.45
May 2010	266.04	84.21
June 2010	931.95	287.24
July 2010	130.59	39.16
August 2010	166.05	48.41
September 2010	88.56	25.08
October 2010	98.64	27.12

PADMANABH, INC.

CALCULATION OF LATE PENALTIES DUE PURSUANT TO ARTICLE III SECTION 33-91 OF THE CITY OF GALVESTON CODE

EXAM 4

(1)	(2)	(3)
DATE OF TAXPAYER (HOTEL) COLLECTIONS	ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	TOTAL 10% INTEREST PER ANNUM ON DELINQUENT HOTEL OCCUPANCY TAX DUE TO THE CITY OF GALVESTON
November 2010	540.90	144.18
December 2010	803.79	207.56
January 2011	57.33	14.33
February 2011	951.84	229.94
March 2011	0.00	-
April 2011	0.00	-
May 2011	0.00	-
June 2011	0.00	-
July 2011	0.00	-
August 2011	0.00	-
September 2011	0.00	-
October 2011	0.00	-
November 2011	0.00	-
December 2011	46.98	7.83
January 2012	97.11	15.37
February 2012	487.98	73.17
March 2012	392.13	55.53
April 2012	397.17	52.93
May 2012	621.72	77.68
June 2012	942.30	109.89
July 2012	0.00	-
August 2012	146.34	14.63
September 2012	0.00	-
October 2012	86.49	7.20

PADMANABH, INC.
CALCULATION OF LATE PENALTIES DUE PURSUANT TO ARTICLE III SECTION 33-91 OF THE CITY OF GALVESTON CODE
EXAM 4

	(1)	(2)	(3)
DATE OF TAXPAYER (HOTEL) COLLECTIONS		ADDITIONAL HOTEL OCCUPANCY TAX DUE TO CITY OF GALVESTON	TOTAL 10% INTEREST PER ANNUM ON DELIQUENT HOTEL OCCUPANCY TAX DUE TO THE CITY OF GALVESTON
TOTALS		\$48,216.79	\$ 19,167.86
Column 1:	This Column indicates the Month and Year of Taxpayer Collections of Hotel Occupancy Tax.		
Column 2:	This Column indicates Additional Hotel Occupancy Tax Due to the City of Galveston Calculated in Exam 2. These Amounts are Carried Back from Exam 2		
Column 3:	This Column indicates the total interest due on unpaid Hotel Occupancy Tax. The City of Galveston code states that Delinquent Tax shall draw interest at the rate of ten (10) percent per annum beginning sixty (60) days from the date the tax was due. The interest is calculated thru the date of this report.		