



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF HOTEL OCCUPANCY TAX

Report Number:

2024-A-17

Report Date:

8/7/2024

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of hotel occupancy tax for the period of 7/1/2022 through 5/31/2024. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2024.

The objective of the audit was to determine if the County has collected, allocated and distributed the correct amount of revenue for the Hotel Occupancy Tax based upon supporting information from taxpayers. The scope was limited to taxes remitted to Harford County and Harford County's management of the Hotel Occupancy Tax program in accordance with § 123, Article VII of the County Code. The results of the audit are detailed in this report.

We would like to thank the members of management for their cooperation during the audit. Although none was required, they have been provided an opportunity to respond to this report; accordingly, no response was provided.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is that the controls are adequate to ensure taxes are collected timely and correctly. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
Tax payments are complete and timely	Effective
Hotel taxes are used to fund tourism programming	Effective

BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Harford County adopted a Hotel Occupancy Tax, via Bill 14-035, for the purpose of expanding its tourism and tourism related activities. The legislation requires hotel operators within the County to collect a 6% tax from all occupants. All hotels within the County are required to register with the County Treasurer and remit the collected occupancy tax monthly.

The audit approach focused on testing the key controls that address management's objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Tax Receivable	
Tax payments are received by the County on time and completely by all qualifying lodging operators	<ul style="list-style-type: none">• Confirm all hotels in the County have been identified and properly registered• Recalculate monthly tax payments for a sample of hotels to confirm payments are remitted accurately, timely, and supported• Recalculate late fees, if applicable
Tax Revenue Distribution and Allocation	
Hotel taxes are properly distributed to municipalities	<ul style="list-style-type: none">• For a sample of payments, recalculate the amount due to the municipalities to confirm accuracy.
Hotel taxes are properly allocated to fund tourism programming	<ul style="list-style-type: none">• Confirm revenue was allocated to the correct revenue category

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings

and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Report Distribution:

Mr. Robert Sandlass, County Treasurer

Audit Team:

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CPA, CIA, CGAP, CISA, CGFM, CRMA

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ⁱ Definitions

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

Generally Effective: The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Not Effective: The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.