



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF HOTEL OCCUPANCY TAX - AMERICA'S BEST VALUE INN

Report Number:
2025-A-13A

Report Date:
02/12/2025

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 paid by America's Best Value Inn for the period of 1/1/2023 through 12/31/2024. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2025.

The objective of this audit is to determine if the County has collected the correct amount of revenue for the Hotel Occupancy Tax based upon supporting information from taxpayers. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit; they have been provided an opportunity to respond to this report; the response(s) provided follows the Issues and Corrective Actions.

Sincerely,

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is taxes were reported accurately, but not reported or paid timely. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
Hotel revenue is fully reported to the County	Effective
Tax payments are complete and timely	Not Effective

ISSUES AND CORRECTIVE ACTIONS

2025-A-13A.01 Late and Unpaid Occupancy Taxes

County Code Section 123-67A(3) requires hotel operators to "remit to the Treasurer no later than the 25th day of each month the hotel occupancy tax collected" in the preceding month. For the 24-month review period, America's Best Value Inn (and its prior iterations - Hilltop Motel and Motel 6) remitted taxes late 11 times and the July, August, and December 2024 taxes are currently unpaid.

Per County Code Section 123-67C "A hotel owner or operator that fails to collect, remit or file a return for the hotel occupancy tax levied by this article within the time prescribed shall be assessed the amount of tax due, interest at the rate of 0.5% for each month or fraction of a month past due and a penalty of 10% of the tax due." Generally, the hotel paid the required late fees either with the payment or after being sent reminders by the Treasurer.

We have calculated the unpaid taxes, interest, and penalties due as of January 30, 2025. The total due is \$9,331.04. Interest will continue to accrue until the tax is paid. These calculations have been provided to the hotel operator and the County Treasurer.

We recommend Treasury take necessary steps to collect the balance due.

Management Response: We agree with the County Auditor's findings.

Expected Completion Date: 2/28/2025

HOTEL OPERATOR'S RESPONSE

We agree with the auditor's findings. The outstanding balance with interest and penalties was paid to the County on February 10, 2025.

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 to are required to register with the County Treasurer and remit the collected occupancy tax monthly.

The hotel audited, America's Best Value Inn, changed brands twice during the audit period, under the same operator. It was audited as Motel 6 Edgewood two years ago. We considered the results of that audit when developing our audit procedures. 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
Revenue Reporting	
Monthly and Daily Occupancy Reports agree to the revenue reported	<ul style="list-style-type: none">Review a sample of monthly payments to confirm the total revenue reported was supported by the daily occupancy reportsAgree reported amounts to the taxes that were remitted to the County
Non-financial records support the revenue reported	<ul style="list-style-type: none">For a sample of dates, confirm the daily occupancy reports were supported by Housekeeping and other records
Tax Payments	
Tax payments are sent to the County on time and completely.	<ul style="list-style-type: none">Recalculate a sample of payments based on reported revenueRecalculate late fees, if applicable

Areas for improvement are described in the Issues and Corrective Actions section of this report.

The hotel operator's 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 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:		Audit Team:	
Mr. Chirag Patel, America’s Best Value Inn, Operator		Chrystal Brooks	Brad DeLauder
Mr. Robert Sandlass, County Treasurer		CPA, CIA, CGAP, CISA, CGFM, CRMA	CPA, CIA
		County Auditor	Senior Auditor

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.