



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF HOTEL OCCUPANCY TAX - BEST BUDGET INN

**Report Number:**  
2025-A-13B

**Report Date:**  
8/4/2025

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 Best Budget Inn for the period of 7/1/2023 through 5/31/2025. 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 generally reported and paid completely and accurately, with limited errors. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment <sup>i</sup>
Hotel revenue is fully reported to the County	Effective
Tax payments are complete and timely	Generally Effective

## **ISSUES AND CORRECTIVE ACTIONS**

### **2025-A-13B.01 Hotel Tax Exemptions Reported Incorrectly**

During two months of the review period, the hotel reported exemptions for stays that were booked by local social services providers. Those stays were exempt from State sales tax, but not local hotel occupancy tax. Additionally, one month's taxes were calculated incorrectly even though the revenue reported was correct.

We have calculated the amount of unpaid taxes for the audit period and found that the hotel operator owes approximately \$200. Our detailed calculations have been provided to the hotel operator and the County Treasurer's office.

We recommend the Treasurer's Office take steps to notify the hotel operator and collect the unpaid balance.

**Management Response:** Administration agrees with the findings and will contact the hotel operator to obtain the unpaid balance.

Expected Completion Date: 8/31/2025

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## **HOTEL OPERATOR'S RESPONSE**

We agree with the auditor's findings that stays that were booked by local social service providers are not exempt for Harford County Occupancy Tax. We will no longer subtract those revenues from taxable revenues when calculating Occupancy Tax starting with the report for July 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 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
<b>Revenue Reporting</b>	
Monthly and Daily Reports occupancy reports agree to the revenue reported	<ul style="list-style-type: none"> <li>Review a sample of monthly payments to confirm the total revenue reported was supported by the daily occupancy reports</li> <li>Agree reported amounts to the taxes that were remitted to the County</li> </ul>
Non-financial records support the revenue reported	<ul style="list-style-type: none"> <li>For a sample of months, confirm the daily occupancy logs were totaled correctly</li> <li>Confirm bank statements support the amount of revenue reported</li> </ul>
<b>Tax Payments</b>	
Tax payments are sent to the County on time and completely.	<ul style="list-style-type: none"> <li>Recalculate a sample of payments based on reported revenue</li> <li>Recalculate late fees, if applicable</li> </ul>

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. Dipak Patel, Hotel Operator		Chrystal Brooks	Brad DeLauder
Mr. Michael Hatem, Hotel's Accountant		CPA, CIA, CGAP, CISA, CGFM, CRMA	CPA, CIA
Mr. Robert Sandlass, County Treasurer		County Auditor	Senior Auditor

<sup>i</sup> 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.