



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF HOTEL OCCUPANCY TAX - RED ROOF INN ABERDEEN

Report Number:
2025-A-13E

Report Date:
7/31/2025

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 Red Roof Inn Aberdeen 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, CPA

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is taxes were usually reported correctly by the hotel operator and fees for late payments are identified and invoiced by the Treasurer's Office. 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	Generally Effective
Tax payments are complete and timely	Generally Effective

ISSUES AND CORRECTIVE ACTIONS

2025-A-13E.01 Hotel Revenue Incorrectly Reported

We tested a sample of 7 months to confirm that the reported revenue agreed to supporting records. For one month in the sample there was a variance of more than 5%. The hotel implemented a new management system in June 2024. It appears that, in that month, the revenue reported to the County only included data from the new system, not the old, resulting in a revenue under-reporting of approximately \$50,700. Exemptions for the month were misstated for the same reason. Additionally, though the cause is unknown, exemptions for March 2024 were overstated.

We further noted that the May 2025 occupancy tax payment, and late fees for two months in the period, had not been made as of 7/17/2025. Given these exceptions, we have calculated an unpaid balance of approximately \$11,500. Our specific calculations have been shared with the Treasurer's Office and the Hotel Operator.

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.

HOTEL OPERATOR'S RESPONSE

We are taking the following actions: We have implemented a two-step verification system to ensure accuracy before reporting revenue and taxes. We expect to correct the matter by 8/20/2025.

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. We have reviewed the issues reported in a prior audit of this hotel and considered them in our planning. The prior issue, noted in report 2021-A-13C, was closed prior to starting this audit. 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 reports• Agree 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 revenue• Recalculate 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. Kamlesh Oza, Hotel Manager	Chrystal Brooks CPA, CIA, CGAP, CISA, CGFM, CRMA <i>County Auditor</i>
Mr. Suchit Patel, Hotel Operator	Brad DeLauder CPA, CIA <i>Senior Auditor</i>
Mr. Robert Sandlass, County Treasurer	

¹ 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.