



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### **AUDIT OF HOTEL OCCUPANCY TAX REVENUE - HOMEWOOD SUITES**

#### **Report Highlights**

#### **Why We Did This Audit**

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2021.

#### **What We Found**

We noted the taxes paid were complete and supported.

**Report Number:** 2021-A-13A

**Date Issued:** 04/02/2021

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Hotel Occupancy Tax paid by Homewood Suites by Hilton. The results of that audit and our findings are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found the amounts paid by Homewood Suites by Hilton were supported by the hotel's financial and other records. We noted two instances of over-reported revenue, but Hilton has indicated such differences, and the related over-payments, may occur due to their accounting system and the variance amounts are considered immaterial.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

cc: Mr. James Fitzsimmons, Manager, Homewood Suites  
Mr. Mitchell Morton, Senior Manager, Hilton  
Mr. Robbie Sandlass, Harford County Treasurer



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### REVIEW RESULTS

We have audited Harford County Hotel Occupancy Tax paid by Homewood Suites by Hilton for the period of 01/01/2019 through 12/31/2020. Our opinion, based on the evidence obtained, is taxes were reported and paid completely. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

<b>Risk</b>	<b>Expected Control</b>	<b>Conclusion</b>
Hotels do not fully report their revenues to the County	• Monthly and Daily Reports agree to the revenue reported	Satisfactory
	• Housekeeping and other records support the number of reported occupancies	Satisfactory
Payments are made late or in the wrong amount	• Monthly tax reporting forms are submitted timely.	Satisfactory
	• Non-transient stays are excluded and reviewed for propriety.	Satisfactory

Although none was required, Management has been provided an opportunity to respond to this report; the response provided is below.

### MANAGEMENT RESPONSE

Management agrees with the findings.

### 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 objective of this audit is 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 of this review is limited to Harford County's management of the Hotel Occupancy Tax program in accordance with § 123, Article VII of the County Code. As needed, the supporting documentation maintained by Hotel Operators will be included within the scope of this review. The scope was limited to Homewood Suites by Hilton's revenue, tax collections and payments during the audit period.

The audit focused on activity during the period of 01/01/2019 through 12/31/2020. Our audit procedures included interviewing personnel, observation and testing. Specifically, we reviewed a sample of monthly payments to confirm the total revenue reported was supported by the daily occupancy reports and agreed to the taxes that were remitted to the County. We also reviewed a sample of dates to confirm the daily occupancy reports were supported by Housekeeping and other records.

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.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

**Audit Team:**

Chrystal Brooks  
CPA, CIA, CGAP, CISA, CGFM, CRMA  
*County Auditor*

Sarah Self, CIA, CGAP  
*Staff Auditor*