



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF HOTEL OCCUPANCY TAX - SPENCER-SILVER MANSION BED & BREAKFAST

**Report Number:**  
2022-A-15D

**Report Date:**  
05/19/2022

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 Spencer-Silver Mansion Bed & Breakfast for the period of 01/01/2021 through 12/31/2021. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2022.

The objective of this audit is to confirm that Hotel Occupancy Tax reported and paid to Harford County was complete. The scope of this review is limited to Spencer-Silver Mansion Bed & Breakfast's process for recording revenue and reporting revenue to Harford County. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank Ms. Nemeth for her cooperation during the audit. Although none was required, she has been provided an opportunity to respond to this report; accordingly, none was provided.

Sincerely,

Chrystal Brooks  
County Auditor

### CONCLUSIONS

Our opinion, based on the evidence obtained, is taxes were reported and paid completely and accurately. 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	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 to 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.

<b>Process / Control Objective</b>	<b>Scope of Review</b>
<b>Revenue Reporting</b>	
Monthly and Daily Reports occupancy reports agree to the revenue reported	<ul style="list-style-type: none"> <li>• Reviewed a sample of monthly payments to confirm the total revenue reported was supported by the daily occupancy reports</li> <li>• Agreed 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, confirmed revenue reported was supported by manual records and bank statements</li> </ul>
<b>Tax Payments</b>	
Tax payments are sent to the County on time and completely.	<ul style="list-style-type: none"> <li>• Recalculated a sample of payments based on reported revenue</li> <li>• Recalculated late fees, if applicable</li> </ul>

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.

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.

Report Distribution:	Audit Team:	
Ms. Carol Nemeth, Owner Mr. Robert Sandlass, County Treasurer	Chrystal Brooks CPA, CIA, CGAP, CISA, CGFM, CRMA <i>County Auditor</i>	Brad DeLauder CPA, CIA <i>Senior Auditor</i>

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<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.