

**Fort Worth**



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**Hotel Occupancy Tax Revenue  
Audit**

August 26, 2016



**City of Fort Worth  
Department of Internal Audit**  
1000 Throckmorton Street  
Fort Worth, Texas 76102

**Audit Staff**

Patrice Randle, City Auditor

Terry Holderman, Assistant City Auditor

Kanizur Mazumdar, Internal Auditor

Carla Williams, Auditor



**The Hotel Occupancy Tax Revenue Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2016 Annual Audit Plan.**

### **Audit Objectives**

The objectives of this audit were to determine whether:

- hotels are remitting hotel occupancy tax reports and payments as required, and
- hotel occupancy tax exemptions claimed complied with applicable City regulations and state law.

### **Audit Scope**

Our audit included a review of four hotels from October 1, 2012 through September 30, 2015.

### **Opportunities for Improvement**

Continue efforts to implement prior audit recommendations made in reference to the City's hotel occupancy tax process

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## **Executive Summary**

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The Department of Internal Audit conducted an audit of the following four (4) hotels.

- Courtyard Fort Worth University Drive
- Hilton Garden Inn Fort Worth Alliance Airport
- Holiday Inn Express
- Hyatt Place Fort Worth Historic Stockyards

We concluded that three of the four audited hotels under-reported taxable hotel occupancy tax revenue during the three-year period ended September 30, 2015. The remaining hotel over-reported taxable hotel occupancy revenue.

Hotel occupancy tax under-reporting/under-payments resulted from hotels not having exemption forms to support exemptions claimed, unsigned or undated exemption forms to support claimed exemptions, exemptions claimed for providing services to agencies that are not recognized as being exempt by the City of Fort Worth (CFW), and/or lack of documentation to support permanent residency exemptions (i.e., guest stays for at least 30 consecutive days). As a result, a total of \$104.76, excluding penalties, was identified as underpaid to the City of Fort Worth.

Upon completion of each individual hotel audit, the Department of Internal Audit notified the Financial Management Services Department of amounts owed to the City. The Financial Management Services Department then billed each hotel based on our audit results.

# Table of Contents

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Background..... 1

Objectives ..... 2

Scope..... 2

Methodology..... 2

Audit Results..... 3

Acknowledgements.....4

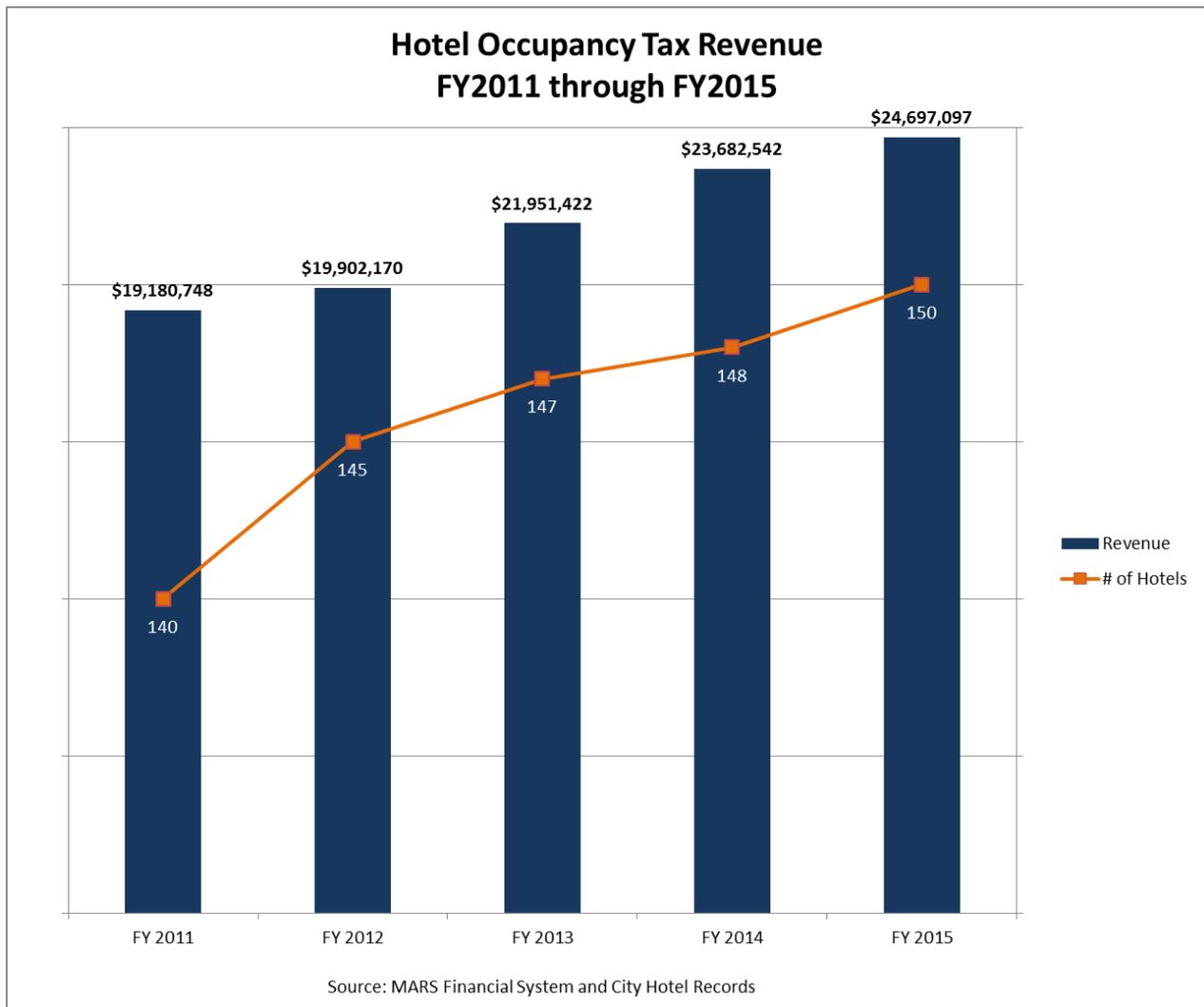


## Background

For each hotel located within the boundaries of Fort Worth, the City of Fort Worth levies a nine percent (9%) hotel occupancy tax on room rental or other hotel space where the cost of occupancy is at a rate of \$2 or more per day. A delinquency occurs if hotel occupancy tax is not remitted or if the report is not filed or postmarked by the 25<sup>th</sup> of each month. Delinquent hotels are assessed a late penalty of 15%. On November 6, 2012, the City adopted an ordinance to assess interest, accruing at a rate of 10%. The effective date of the interest assessment was January 1, 2013.

The City of Fort Worth requires that hotel occupancy taxes be remitted on a monthly basis. Prior to January 2013, hotel occupancy tax remittances were required each quarter and had been historically remitted to the City via mail. However, as of January 2013, the City began allowing hotels to submit information on-line via the City's website. When reporting via the City's website, Fort Worth hotels have the convenience of remitting hotel occupancy tax payments via Automated Clearing House (ACH).

The following graph shows hotel occupancy tax revenue for fiscal years 2011 through 2015.





## Objectives

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The objectives of this audit were to determine whether:

- hotels are remitting hotel occupancy tax reports and payments as required, and
- hotel occupancy tax exemptions claimed complied with applicable City regulations and state law.

## Scope

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Our audit included a review of four (4) Fort Worth hotels for the period October 1, 2012 through September 30, 2015.

## Methodology

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To achieve the audit objectives, the Department of Internal Audit performed the following:

- reviewed the Fort Worth City Code to obtain hotel occupancy tax reporting requirements;
- reviewed the State Comptroller's website to obtain verification of federal agencies qualifying for hotel occupancy tax exemptions and for verifying the permanent residency requirement;
- reviewed City financial records for verification of bank deposits and proper recording;
- reviewed hotel records for verification of gross taxable receipts and tax exemptions; and
- re-performed hotel occupancy tax calculations to attest accuracy.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review<sup>1</sup>. Those standards require that we plan and perform the audit to obtain sufficient, appropriate 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.

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<sup>1</sup> Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned in 2017 for the three-year period ending December 31, 2016.



## Audit Results

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The Department of Internal Audit conducted an audit of the following four hotels within the City of Fort Worth (CFW). Based on our audit results, we concluded that three hotels under-reported hotel occupancy taxes due to the City. The remaining hotel over-reported hotel occupancy taxes. Based on our audit results, we concluded that the CFW was underpaid approximately \$105 in hotel occupancy taxes.

Hotel/Motel Name	Address	Amount Due
Courtyard Fort Worth University Drive	3150 Riverfront Drive - Fort Worth, TX 76107	\$ 914.13
Hilton Garden Inn Fort Worth Alliance Airport	2600 Westport Parkway - Fort Worth, TX 76177	\$ 479.07
Holiday Inn Express	1111 W. Lancaster Avenue - Fort Worth, TX 76102	\$ (1,360.93)
Hyatt Place Fort Worth Historic Stockyards	132 E. Exchange Avenue - Fort Worth, TX 76164	\$ 72.49
<b>TOTAL TAXES DUE TO THE CITY (excluding penalties and interest)</b>		<b>\$ 104.76</b>

The under-reporting and related underpayments resulted from hotels claiming exemptions without having supporting exemption forms, claiming exemptions although supporting exemption forms were unsigned or not dated, claiming exemptions for agencies that are not recognized as being exempt by the CFW, and/or claiming permanent residency exemptions without adequate documentation to support that hotel guests stayed 30 or more consecutive days. The over-reporting and related overpayment by one hotel resulted when the hotel inadvertently added amounts to its taxable room revenue that should not have been included.



## Acknowledgements

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The Department of Internal Audit would like to thank the City of Fort Worth's Financial Management Services Department, the Courtyard Fort Worth University Drive, Hilton Garden Inn Fort Worth Alliance Airport, Holiday Inn Express, and the Hyatt Place Fort Worth Historic Stockyards for their cooperation and assistance during this audit.