



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2025-007

***FINAL REPORT – Review of Compliance with the
Hotel/Motel Tax (Galleria Agreement)***

November 03, 2025

Latona Thomas, CPA, CIA, Director

Adeola Soyoye, CIA, CISA, Internal Audit Division Manager

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COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA, CIA

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Director

November 03, 2025

MEMORANDUM

TO: Dr. Jackie McMorris, County Manager

FROM: Latona Thomas, CPA, CIA, Director 

SUBJECT: **FINAL REPORT** – Review of Compliance with the Hotel/Motel Tax (Galleria Agreement)

Attached for your review and comments is the subject final audit report. The overall objective of the review was to ensure that the Cobb-Marietta Coliseum and Exhibit Hall Authority (Authority) and Cobb County Government (County) is in compliance with the terms and conditions of the management agreement.

Impact on the Governance of Cobb County

The proposed seven (7) recommendations along with the corrective actions, when implemented, will strengthen the compliance with the terms and conditions of the management agreement. County leadership and stakeholders can be assured that the management agreement is being carried out as stated.

Executive Summary

We concluded that controls existed at the countywide level over the compliance with the terms and conditions of the management agreement by Cobb-Marietta Coliseum and Exhibit Hall Authority and Cobb County Government. The agreement was executed by authorized parties; the budget-to-actual and forecasting methodology is adequate; quarterly and year-end reporting were submitted timely; and the revenue utilization is consistent with the agreement, state law, and Board of Commissioners (BOC) approval. However, at the transactional level, improvements are needed for ensuring adequate recognition, completeness, accuracy, and recovery of tax revenues. Transactional management or performance reports need to be prepared on a periodic basis to monitor the monthly Hotel/Motel tax revenues for completeness, accuracy, trends, and/or alignment with expectations. Outstanding tax revenues need to be addressed for two (2) businesses; additional independent validations of monthly Hotel/Motel Occupancy Excise Tax Report forms are needed; and procedures for tracking, updating, and deactivating Hotel/Motel businesses need to be revised.

Recommendations

We made seven (7) recommendations to increase the effectiveness of monitoring controls over the contract administration and contract management process. The seven (7) recommendations are documented in the 'Results of Review' section of the report, on Pages 5 – 11.

Responses

Community Development provided responses to our draft report and concurred with the seven (7) recommendations. The complete responses to the draft report are included in Appendix III. The Business License Division Manager is the position responsible for implementation. Although no specific completion dates were included, we expect these corrective actions to be implemented immediately. We will perform a follow-up on corrective action in one year from the date of this report. A copy of this report will be distributed to those affected by the report's recommendations, as reflected below. Please contact me at (770) 528-2559 or Adeola Soyoye at (770) 528-2558 if you have questions.

CC: Jessica Guinn, Agency Director, Community Development
Bill Volckmann, Chief Financial Officer, Finance Department
Curtis (Buddy) Tesar, Assistant Financial Comptroller, Finance Department
Jerome Abbott, Business Manager, Community Development
Ellisia Webb, Business License Division Manager, Community Development
Cobb County Audit Committee
Internal Audit Department File

Background

Per the Official Code of Georgia Annotated (O.C.G.A) 48-13-51. (a)(1)(A)(i) and (ii) *“The governing authority of each municipality in this state may levy and collect an excise tax upon the furnishing for value to the public of any room or rooms, lodgings, or accommodations facilitated or furnished by an innkeeper. (ii) Within the territorial limits of the special district located within the county, each county in this state may levy and collect an excise tax upon the furnishing for value to the public of any room or rooms, lodgings, or accommodations facilitated or furnished by an innkeeper.”*

Hotel/Motel Tax Fund

In FY2002 a Special Revenue Fund¹ (SRF) was set up to account for monies received from the collection of Hotel/Motel (H/M) taxes. In previous years, the Hotel/Motel Tax revenue was recognized in the Business License Division of the Community Development Agency.

Sources of Revenue

The Hotel/Motel Tax fund source of revenue comes from an excise tax collected based on the occupancy of hotel/motel guest rooms, lodging facilities, boarding houses, bed and breakfast establishments, and campgrounds. The tax is levied at the rate of 8% of the lodging charges that are collected within unincorporated Cobb.

Hotel/Motel taxes collected within the incorporated cities, and approved special services and improvement districts are excluded from the County's process. The cities all have their own separate agreements which dictate if they pay the Galleria and, if so, what percent. The County also does not collect hotel/motel taxes on any businesses within an incorporated city.

As of the beginning of our audit scope period, October 1, 2023, there were ninety (90) hotels/motels located in unincorporated Cobb. The count was reduced to eighty-five (85) by September 30, 2024, because five (5) hotels/motels fell within the boundaries of the newly created City of Mableton².

¹ Source: FY2025/26 Biennial Budget - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenue sources” establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Restricted or committed specific revenue sources should comprise a substantial portion of the fund’s resources.

² The Georgia General Assembly House Bill (HB) 839 set the boundaries of the new city. It was incorporated in November 2022.

Uses of Revenue

Per excerpt of O.C.G.A 48-13-51 (a)(5.1), “A county or municipality levying a tax pursuant to this paragraph shall expend (in each fiscal year during which the tax is collected under this paragraph) an amount equal to at least 62 ½ percent of the total taxes collected at the rate of 8 percent for the purpose of:

- (A) *Promoting tourism, conventions, and trade shows;*
- (B) *Funding, supporting, acquiring, constructing, renovating, improving, and equipping buildings, structures, and facilities, including, but not limited to, a coliseum, exhibit hall, conference center, performing arts center, or any combination thereof, for convention, trade show, athletic, musical, theatrical, cultural, civic, and performing arts purposes and other events and activities for similar and related purposes, acquiring the necessary property therefor, both real and personal, and funding all expenses incident thereto, and supporting, maintaining, and promoting such facilities owned, operated, or leased by or to the local coliseum and exhibit hall authority or a downtown development authority; or*
- (C) *For some combination of such purposes; provided, however, that at least 50 percent of the total taxes collected at the rate of 8 percent shall be expended for the purposes specified in subparagraph (B) of this paragraph”.*

In connection with this law, the County pledged 62.5% of the total taxes collected as a revenue source for the debt service requirements of the Cobb-Marietta Coliseum and Exhibit Hall Authority (Authority). The Cobb-Marietta Coliseum and Exhibit Authority is a corporate and political body created and existing under the laws of the state of Georgia. The fiscal year end for the Authority is September 30. The Authority was established for the general purpose of developing and promoting cultural growth, public welfare, education, and recreation. The Authority operates and maintains a multi-use exhibit hall and convention facility, a performing arts center, and a specialty mall in Cobb County. A majority of the Authority’s board members are appointed, either directly or indirectly, by the Cobb County Board of Commissioners. The Authority is prohibited from issuing bonded debt without the approval of the Board of Commissioners.

The remaining 37.5% of these funds are first dedicated to the annual debt service requirements of the Cobb Energy Performing Arts Center. Any remaining funds at the end of the year, is transferred to the General Fund to be used, as required by law, to support tourism. To operationalize this, the County signed an agreement with Cobb-Marietta Coliseum and Exhibit Hall Authority, the latest and amended version dated as of September 1, 2023.

Hotel/Motel Process Flow

The Business License Division collects Hotel/Motel taxes on a monthly basis and records the revenue into the County’s financial system. The Finance Department then wire transfers 100% of hotel/motel tax cash receipts to the Authority. Once the Authority receives the wire-transfer, they retain 62.5% of the receipts and wire transfer 37.5% back to Cobb County. The 62.5% of total receipts retained by the Authority is a requirement in O.C.G.A. 48-13-51 (a) (5.1).

Once the wire transfer is received from the Authority, the Finance Department uses accounting entries to record both the amount retained by the Authority and the amount subsequently returned to the County. See Figure 1 below for an illustrative view of the County’s Hotel/Motel Process Flow.

County Hotel Motel Tax Revenue Process Flow

Figure 1 – Source: Interviews with Finance Department and Community Development Agency staff.

Five Year Revenue Trend Analysis

Below is a five (5) year trend analysis of Hotel/Motel Tax revenue for the period of FY2020 – FY2024, of which the average annual revenue is \$16,742,604. Revenues for FY2020 and FY2021 of \$10,884,430.34 was low as a result of Coronavirus Disease (COVID 19) pandemic restrictions which led to low patronage of hotel rooms.

5-Year Trend Analysis Hotel/Motel Tax Revenues

Description	FY2020	FY2021	FY2022	FY2023	FY2024	5-Year Average Annual Revenues
Revenues	<u>\$10,884,430</u>	<u>\$12,243,051</u>	<u>\$19,305,793</u>	<u>\$20,589,809</u>	<u>\$20,689,936</u>	<u>\$16,742,604</u>

Table 1 – Source: Cobb County Advantage Financial System, as of 11/12/2024.

Reporting Requirements and Compliance

Each local government imposing the tax is required to include, in its annual audited financial statements, a determination as to whether the local government has complied with the applicable expenditure requirements (O.C.G.A. 48-13-50(a)(8)(B)).

The scope of this review included covered transactions processed during the period October 1, 2023 through September 30, 2024. Detailed information on our objectives, scope, and methodology is presented in Appendix I.

The remainder of this page was intentionally left blank for formatting purposes.

Results of Review

The overall objective of the review was to ensure that the Cobb-Marietta Coliseum and Exhibit Hall Authority (Authority) and Cobb County Government (County) is in compliance with the terms and conditions of the management agreement. We performed our preliminary survey of interviewing relevant staff involved in the Hotel/Motel tax process of the Community Development and Finance departments. We researched applicable laws, reviewed the terms of the Authority agreement, analyzed revenues and expenditures for the period, October 2023 – September 2024, and examined various reports. We ascertained the existence, adequacy and effectiveness of the Hotel/Motel tax process.

We concluded that controls existed at the countywide level over the compliance with the terms and conditions of the management agreement by Cobb-Marietta Coliseum and Exhibit Hall Authority and Cobb County Government. The agreement was executed by authorized parties; the budget-to-actual and forecasting methodology is adequate; quarterly and year-end reporting were submitted timely; and the revenue utilization is consistent with the agreement, state law, and Board of Commissioners (BOC) approval. However, at the transactional level, improvements are needed for ensuring adequate recognition, completeness, accuracy, and recovery of tax revenues. Transactional management or performance reports need to be prepared on a periodic basis to monitor the monthly Hotel/Motel tax revenues for completeness, accuracy, trends, and/or alignment with expectations. Outstanding tax revenues need to be addressed for two (2) businesses; additional independent validations of monthly Hotel/Motel Occupancy Excise Tax Report forms are needed; and additional procedures for tracking, updating, and deactivating Hotel/Motel businesses need to be revised.

As such, monitoring activities over Hotel/Motel Tax revenue need to be enhanced. The accompanying pages include the details of our observations and recommendations.

Monitoring Activities Over Hotel/Motel Revenue Transactions Require Enhancement

The Hotel/Motel tax revenue process requires improvement specifically around the monitoring activities over the tax revenue transactions. Transactional management or performance reports are needed to monitor the monthly Hotel/Motel tax revenues; additional validation activities are needed; and outstanding tax revenues need to be addressed to recover from two (2) hotels. The Division also needs to revise documented procedures to maintain the Hotel/Motel business listing.

Transactional Management or Performance Reports are Needed

There is currently no transactional management or performance reports to monitor the monthly Hotel/Motel tax revenues, identify trends, and collaborate with the Finance Department to ascertain whether the revenues received are in line with the budgeted and/or forecasted expectations.

There were adequate management and performance reports at the countywide level being prepared and monitored by the Finance department. A monthly reconciliation of the Hotel/Motel revenue balances between Accela³ and the Advantage Financial System⁴ is performed to identify, investigate, resolve, and/or correct differences. However, the reconciliation and results are not shared or used to monitor the completeness of the monthly receipts. Transactional management/performance reports should be used as a monitoring tool to track the completeness of revenues received based on expectations and/or budget. Periodic management/performance reports should also be communicated with senior management and leadership to ensure they can make informed decisions.

An ineffective internal control structure that lacks periodic management/performance reports increases the risk that negative or adverse revenue collections will not be timely detected. In addition, the lack of a clear understanding of management's objectives, expectations, and goals and clear delineation of responsibilities also increases the risk of loss of revenue. Unexpected results at the transaction level may not be promptly communicated to Finance department for inclusion in the Countywide forecasting.

Recommendation

The Community Development Business Manager or designee should:

Recommendation 1: Collaborate with the Business License Auditors to develop and implement a report template to assist in monitoring the collection, accounting, recording, and reporting of monthly Hotel/Motel tax revenues. The objective of the report should include, but not be limited to the validation of the completeness of monthly submissions, the identification of untimely monthly report and revenue receipts, budget-to-actual analyses, the identification of significant variances in revenue trends, and a summary of additional action, if needed.

Community Development's Response: Concur with Alternate Solution

Business License Division auditors post excise tax payments in Accela and maintain a corresponding spreadsheet, which is submitted monthly to Finance. Monthly tax collections are also reported to the Business License Division and the Business Manager. The spreadsheet will continue to be maintained and reviewed periodically by the Business Manager to ensure accuracy, completeness, and accountability.

*Budgeting based on excise tax revenue is not practicable, as the amounts collected cannot be reliably projected in advance. Excise tax collections fluctuate monthly depending on hotel occupancy, seasonal variations, and other factors.

*Additional Validation Activities are needed: The explanations for the two assumed discrepancies are available for review.

³ Accela is a unified cloud-based platform used by the County for permitting, licensing and code enforcement.

⁴ Cobb County Financial System

Additional Validation Activities are Needed

Tax Revenue Receipts

Discrepancies were noted in tax revenue receipts from 2 businesses. In the month of July 2024, the Hotel/Motel Occupancy Excise Tax Report form of one hotel reflected a tax amount of \$2,222.54, but there was no evidence of the receipt in Accela, Advantage Financial, nor the monthly Hotel/Motel reconciliation report. In another instance, the tax revenue received as captured on the Hotel/Motel Occupancy Excise Tax Report form was \$430.51 less than the amount recorded in the Advantage Financial System. The Excise Tax form reported \$19,186.74, but \$19,617.25 was recorded in the Financial System. As of date of this report, we were unable to obtain the final resolution of both discrepancies.

Tax revenue receipts should be reconciled to supporting documents with discrepancies resolved prior to input and approval in the County's Financial system/records. The reconciliation process should also include a subsequent validation by an independent reviewer. Incomplete or inaccurate transactions increases the risk of loss of revenue, incorrect reporting of revenue in the County's financial records, and noncompliance with state law.

Excise Tax Report Forms

There was no evidence that the independent validation of Hotel/Motel Occupancy Excise Tax Report forms are included in the periodic audits conducted by the Business License Division. It is our understanding that periodic, random audits of annual business license renewals are conducted; however, the Hotel/Motel Occupancy Excise Tax Report forms are not included in this process. Conducting validation activities is a critical component of an effective internal control environment to ensure that the County receives the revenue due and ensures compliance with O.C.G.A 48-13-51. The lack of adequate validation of the correctness of what is reported in the Hotel/Motel Occupancy Excise Tax Report forms increases the risk of loss of revenue, incorrect reporting of revenue in the County's financial records, and noncompliance with state law and County code.

Recommendation

The Business License Division Manager or designee should:

Recommendation 2: Ensure that the Hotel/Motel Occupancy Excise Tax Report forms are reviewed against the tax revenue received and recorded into the Advantage Financial system by a person other than the preparer. Evidence of this review should be documented and maintained for record retention purposes.

Community Development's Response: Concur with Alternate Solution

To properly audit each auditor's work and CR entries, the addition of a third auditor would be necessary.

In the meantime, until we get a new auditor the existing auditors will review each other's entries. Auditor 1 will post tax payment and Auditor 2 will enter CRs.

Recommendation 3: Ensure that the independent validation of Hotel/Motel Occupancy Excise Tax Report forms are included in the periodic, random audits conducted by the Business License Division. Evidence of such, to include a summary of results, should be retained for record retention purposes.

Community Development's Response: Concur with Alternate Solution

To properly audit each auditor's work and CR entries, the addition of a third auditor would be necessary.

In the meantime, until we get a new auditor, the existing auditors will conduct random audits on excise taxes submissions. Results will be documented.

Outstanding Tax Revenues Need to be Addressed

Two (2) hotels were identified that had not made the required monthly Hotel/Motel Occupancy Excise Tax payments in excess of one year, and no report was readily available to capture the extent of the delinquency. Based on initial interviews with the Business License Division staff, they asserted that no outstanding Hotel/Motel taxes existed, but subsequent fieldwork identified correspondence that 2 hotels' delinquency began as far back as March 2023. While both hotels had different owner names, the location addresses were next to each other, and the Chief of Operations was the same individual that submitted the forms for both hotels. For one hotel (Hotel A), no Hotel/Motel Occupancy Excise Tax form nor payments had been received since March 2023. For the second hotel (Hotel B), some of the monthly Hotel/Motel Occupancy Excise Tax forms were received but no payments had been received since June 2023. Per County code and the Hotel/Motel Occupancy Excise Tax form, "This report is due between the first and twentieth day of the month following the period for which the return is being filed". An occupational tax certificate (business license) was issued for 2025 for Hotel B, along with a change of ownership and address, but included the same Chief of Operations. Although a change of address was requested and approved, google maps identified no change in the location and structure.

As an example, and for contextual purposes only, we performed additional procedures to estimate the potential minimum loss of revenue from the non-collected taxes, penalties, and interest for the 2 hotels for the fiscal year FY2024⁵. In both instances, we estimated the average monthly gross rental revenue based on the most recent Hotel/Motel Occupancy Excise Tax forms available⁶. We then annualized the gross revenue/taxes due and estimated the penalty⁷ and interest⁸ amounts due for FY2024.

⁵ The County's fiscal year (FY2024) is October 1, 2023 through September 30, 2024.

⁶ For Hotel A, the most recent Hotel/Motel Occupancy Excise Tax form was February 2023. For Hotel B, the most recent Hotel/Motel Occupancy Excise Tax form was March, 2024.

⁷ 10% of Annualized Gross rental due. [Source: Cobb County Code of Ordinances (Article III, Hotel/Motel Occupancy Tax)]

⁸ 1% of Penalty due. [Source: : Cobb County Code of Ordinances (Article III, Hotel/Motel Occupancy Tax)]

Based on our computations, the estimated minimum loss of taxes, penalties, and interest for 10/1/23 - 9/30/24 for Hotels A and B were approximately \$162,000 and, \$74,000, respectively for a total of \$236,000. We communicated this information to the Business License Division, and additional efforts have been initiated to address the situation. As of the date of this report, the status remains pending.

In addition, to the existing monthly reconciliations, a new tool or reporting functionality is needed to track and monitor outstanding hotel/motel taxes, penalties, and fees in an efficient manner. The tool or reporting functionality should also include an aging component and associated documented procedures to aid in the timely identification and implementation of corrective action.

The lack of adequate monitoring and tracking controls to timely address outstanding hotel/motel excise taxes increases the risk of revenue loss, as well as noncompliance with state laws and County ordinance. Allowing hotels/motel to continue operating without paying the required excise taxes, penalties, and fees creates an inequity for the other hotels/motels that are paying their taxes as required on timely basis.

Recommendation

The Business License Division Manager or designee should:

Recommendation 4: Follow up with the owners of these 2 businesses to recover all outstanding taxes including the penalties and interests.

Community Development's Response: Concur

The owner of the two hotels in question, was issued two citations for failure to remit the required monthly hotel excise taxes. At his arraignment on September 25, 2025, he pled guilty to both charges and was fined \$270.00 per citation, for a total of \$540.00.

To date, the owner has not brought either hotel current on the monthly excise taxes, and penalties and interest continue to accrue. Additional citations will continue to be issued until all outstanding taxes, penalties, and interest are paid in full.

Recommendation 5: Implement and/or expand existing procedures to include a monitoring tool or reporting functionality to timely identify outstanding hotel/motel excise taxes. The identification should include an aging report with specific corrective action to be taken at periodic intervals. The results should be communicated to specific levels of management and leadership as needed.

Community Development's Response: Concur

Any hotel or motel delinquent in paying monthly excise taxes by three months will automatically receive a citation. Early issuance of citations is intended to deter prolonged nonpayment and help keep accounts current

Procedures:

1. **Monthly Notice:** A delinquency notice, including taxes, penalties, and interest, will be mailed at the start of each month.

2. **Monthly Reporting:** The manager will receive a list of delinquent hotels, including those issued citations, to track compliance.

3. **Citation Issuance:** If payment is not received within three months, a citation will be automatically issued.]

The audit team is adding this process/procedure to the hotel/motel tax collection SOP.

Revised Procedures to Maintain Hotel/Motel Business List is Needed

There were no documented procedures for updating the Hotel/Motel list on a periodic basis. As of our fieldwork, five (5) businesses that had moved from unincorporated Cobb County into the City of Mableton were still being maintained on the County's active list. One (1) of these businesses had not been deactivated in Accela nor removed from the monthly spreadsheet and the County was still receiving Hotel/Motel tax revenues. The revenue amount collected between the December 13, 2023 transfer date and September 30, 2024 was \$323.20.

There were also no documented procedures for deactivating businesses that periodically close down, change ownership, and/or change addresses. Business License Division staff asserted that they were in the process of putting this in place, and a copy of this was shared with us prior to the end of fieldwork. But the manual did not include procedures for updating the hotel/motel listing being maintained when a new hotel/motel is opened, or an old one exits the business.

Documented procedures help to ensure the consistency of updating the County's Hotel/Motel listing. It provides a means of training staff, ensure the timely updates to the County listing, oversight and monitoring activities, and reduce inefficiencies. They also ensure that employees understand what is expected of them and details how the Division should operate. Ineffective documented procedures could result in errors, unapproved procedures, inconsistent actions, loss of revenues, and may not support training efforts.

Recommendations

The Business License Division Manager or designee should:

Recommendation 6: Ensure that documented processes are developed for updating the County's Hotel/Motel list, as well as for deactivating Hotels/Motels and include changes in ownership or address.

Community Development's Response: Concur

Hotel and motel businesses are maintained in the Accela database, with a corresponding list also recorded in a spreadsheet. Change of ownership applications are entered into Accela, and supporting documents are stored in OnBase.

The process for deactivating hotels and motels follows the same procedures as inactivating any other occupation tax certificate or Business License record. An "Out of Business" form currently exists for all businesses; the Division will also accept written notice of business closure.

The process/procedure to inactivate a license/occupation tax record currently exists. A hotel/motel is, as all other records, a license/occupation tax record. The inactivation of a hotel/motel will specifically be added to the hotel/motel excise tax procedures.

Recommendation 7: Ensure that the identified business account is transferred to the City of Mableton, along with the relevant taxes from the effective transfer date.

Community Development's Response: Concur

All occupation tax records for businesses located in the City of Mableton were transferred to the City, effective December 13, 2023, in accordance with the memorandum to the county dated November 11, 2023, from the City of Mableton's attorney. The City adopted an ordinance to collect hotel motel tax on July 26, 2023, with an effective date of September 1, 2023.

Detailed Objectives, Scope, and Methodology

We conducted the audit in conformance with the Institute of Internal Auditors Global Internal Audit Standards⁹. Our overall objective of this audit was to ensure that Cobb-Marietta Coliseum and Exhibit Hall Authority and Cobb County Government (County) is in compliance with the terms and conditions of the management agreement. Our procedures covered transactions processed during the period October 1, 2023 through September 30, 2024.

To accomplish the overall objective, we performed the following sub-objectives:

- I. Verified that the operating agreement signed between the County and the Cobb-Marietta Coliseum and Exhibit Hall Authority complied with the requirements of O.C.G.A (48-13-51, 48-13-51 (a)(5.1)) and County Code (Chapter 114, Article III, section 114-56 et seq).
 - a. Verified that the BOC approved the operating agreement to be signed on behalf of the County by the Chairwoman.
 - b. Reviewed the operating agreement for the following:
 - i. Appropriate signatories on behalf of participating parties.
 - ii. The requirement of the agreement is in line with the State law and County code respectively (O.C.G.A (48-13-51, 48-13-51 (a)(5.1)) and County Code (Chapter 114, Article III, section 114-56 et seq).
 - c. Confirmed for the FY2023 & FY2024 that the County filed annually with the State Department of Community Affairs the Annual Department of Community Affairs (DCA) Hotel/ Motel Tax Report.
 - d. Confirmed that the Authority delivered to the County a written unaudited accounting report of the Authority's actual expenditures as compared to the budget within the designated timeframes.
- II. Verified that the County receives the complete and accurate Hotel/Motel Tax revenues on monthly basis.
 - a. Obtained the 12 months Hotel/Motel Tax account balances for the fiscal year FY and tested for the accuracy of the monthly amount received using the supporting documents.
 - i. Confirmed that for each month reviewed cash sessions balance in the Accela system agrees with the Cash Drawer Reconciliation Report.
 - b. Verified the Hotel/Motel tax charged on each form was 8% of the taxable rentals (gross rentals, less permanent guest rentals, less exemptions).
 - i. Randomly selected a month within the audit scope period and:
 1. Recalculated the taxable rentals to confirm that 8% tax was assessed and recovered on each form.

⁹ Effective January 9, 2025, the standards were updated and now referred to as the 'Global Internal Audit Standards.

- 2. Agreed amount assessed for each selected form to what was captured in the check issued by the Hotel/Motel paying the tax.
 - 3. Confirmed that the Business license auditor independently recalculates the 8% for correctness.
 - ii. Interviewed the Community Development Business Manager and confirmed that budget to actual reviews are being done monthly for the Hotel/Motel tax revenue received and determine who gets these reports.
 - c. Verified that Hotels/Motels taxes are paid timely:
 - i. For Hotels/Motels who made late payments, verified if penalties and interests had been assessed and collected.
 - ii. Ascertained how Community Development confirms the completeness of the Hotels/Motels' listing operating within unincorporated Cobb County.
- III. Ensured the residual balance of 37.5% of the Hotel/Motel Tax is utilized in line with Board of Commissioners approval.
- a. Obtained the 12 months disbursement reports for the 37.5% Hotel/Motel tax revenue received from Cobb-Marietta Coliseum and Exhibit Hall Authority for the FY2024.
 - b. Verified that there were approvals obtained at the appropriate level for these disbursements/expenditures.

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager/Deputy County Manager.

Type and Value of Outcome Measure:

- Increased Oversight and Monitoring Controls - Actual; Recommendations, when implemented, will enhance the accurate reporting, tracking, completeness of tax revenues. (See Pages 5 - 11).
- Increased Revenue from Hotel/Motel Taxes, Penalties, and Interest - Potential; Recommendations, when implemented, will provide assurance that the County is collecting all revenues in a timely manner and delinquency fee revenue is collected for late payments. (See Pages 7 - 9).

Methodology Used to Measure the Reported Benefit:

Based on the five-year revenue trend analysis on Page 2, (FY2020 – FY2024), the average annual Hotel/Motel Tax revenue was \$16,742,604. Additionally, we calculated the potential estimated taxes, penalties, and interest for late payments for 2 hotels during the audit scope period to be approximately \$236,000.

Community Development Response to the Draft Report



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COMMUNITY DEVELOPMENT AGENCY

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Jessica Guinn, AICP
Director

DATE: 10/21/2025

TO: Latona Thomas, CPA, CIA, Internal Audit Director

FROM: Jessica Guinn, Agency Director, Community Development

SUBJECT: Review of Compliance with the Hotel/Motel Tax (Galleria Agreement)

Several recommendations were made and our response to those recommendations are below.

Recommendations

The Community Development Business Manager or designee should:

Recommendation 1: Collaborate with the Business License Auditors to develop and implement a report template to assist in monitoring the collection, accounting, recording, and reporting of monthly Hotel/Motel tax revenues. The objective of the report should include, but not be limited to the validation of the completeness of monthly submissions, the identification of untimely monthly report and revenue receipts, budget-to-actual analyses, the identification of significant variances in revenue trends, and a summary of additional action, if needed.

Response: *[Concur with Alternate Solution]*

[Business License Division auditors post excise tax payments in Accela and maintain a corresponding spreadsheet, which is submitted monthly to Finance. Monthly tax collections are also reported to the Business License Division and the Business Manager. The spreadsheet will continue to be maintained and reviewed periodically by the Business Manager to ensure accuracy, completeness, and accountability.]

**Budgeting based on excise tax revenue is not practicable, as the amounts collected cannot be reliably projected in advance. Excise tax collections fluctuate monthly depending on hotel occupancy, seasonal variations, and other factors.*

**Additional Validation Activities are needed: The explanations for the two assumed discrepancies are available for review.]*

The Business License Division Manager or designee should:

Recommendations 2: Ensure that the Hotel/Motel Occupancy Excise Tax Report forms are reviewed against the tax revenue received and recorded into the Advantage Financial system by a person other than the preparer. Evidence of this review should be documented and maintained for record retention purposes.

Response: *[Concur with Alternate Solution]*

[To properly audit each auditor's work and CR entries, the addition of a third auditor would be necessary.]

In the meantime, until we get a new auditor the existing auditors will review each other's entries. Auditor 1 will post tax payment and Auditor 2 will enter CRs]

Recommendations 3: Ensure that the independent validation of Hotel/Motel Occupancy Excise Tax Report forms are included in the periodic, random audits conducted by the Business License Division. Evidence of such, to include a summary of results, should be retained for record retention purposes.

Response: *[Concur with Alternate Solution]*

[To properly audit each auditor's work and CR entries, the addition of a third auditor would be necessary.]

In the meantime, until we get a new auditor, the existing auditors will conduct random audits on excise taxes submissions. Results will be documented.]

Recommendation 4: Follow up with the owners of these 2 businesses to recover all outstanding taxes, including the penalties and interests.

Response: *[Concur]*

[The owner of the two hotels in question, was issued two citations for failure to remit the required monthly hotel excise taxes. At his arraignment on September 25, 2025, he pled guilty to both charges and was fined \$270.00 per citation, for a total of \$540.00.]

To date, the owner has not brought either hotel current on the monthly excise taxes, and penalties and interest continue to accrue. Additional citations will continue to be issued until all outstanding taxes, penalties, and interest are paid in full.]

Recommendation 5: Implement and/or expand existing procedures to include a monitoring tool or reporting functionality to timely identify outstanding hotel/motel excise taxes. The identification should include an aging report with specific corrective action to be taken at periodic intervals. The results should be communicated to specific levels of management and leadership as needed.

Response: *[Concur]*

[Any hotel or motel delinquent in paying monthly excise taxes by three months will automatically receive a citation. Early issuance of citations is intended to deter prolonged nonpayment and help keep accounts current]

Procedures:

1. **Monthly Notice:** *A delinquency notice, including taxes, penalties, and interest, will be mailed at the start of each month.*
2. **Monthly Reporting:** *The manager will receive a list of delinquent hotels, including those issued citations, to track compliance.*
3. **Citation Issuance:** *If payment is not received within three months, a citation will be automatically issued.]*

The audit team is adding this process/procedure to the hotel/motel tax collection SOP.]

Recommendation 6: Ensure that documented processes are developed for updating the County's Hotel/Motel list, as well as for deactivating Hotels/Motels and include changes in ownership or address.

Response: *[Concur]*

[Hotel and motel businesses are maintained in the Accela database, with a corresponding list also recorded in a spreadsheet. Change of ownership applications are entered into Accela, and supporting documents are stored in OnBase.]

The process for deactivating hotels and motels follows the same procedures as inactivating any other occupation tax certificate or Business License record. An "Out of Business" form currently exists for all businesses; the Division will also accept written notice of business closure.]

The process/procedure to inactivate a license/occupation tax record currently exists. A hotel/motel is, as all other records, a license/occupation tax record. The inactivation of a hotel/motel will specifically be added to the hotel/motel excise tax procedures.]

Recommendation 7: Ensure that the identified business account is transferred to the City of Mableton, along with the relevant taxes from the effective transfer date.

Response: [Concur]

[All occupation tax records for businesses located in the City of Mableton were transferred to the City, effective December 13, 2023, in accordance with the memorandum to the county dated November 11, 2023, from the City of Mableton's attorney. The City adopted an ordinance to collect hotel motel tax on July 26, 2023, with an effective date of September 1, 2023]