

**Summary Report
Hotel/Motel Occupancy Tax Examinations
January 2013 to February 2015
Finance Division**

March 10, 2015



Internal Audit Service Center



A C WHARTON, JR. - Mayor
GEORGE M. LITTLE - Chief Administrative Officer
EXECUTIVE DIVISION
Internal Audit Service Center
LEON PATTMAN, CIA, CISA, CRMA, CMFO
City Auditor

TENNESSEE

March 10, 2015

Mr. Brian Collins, Director
Finance Division
City of Memphis
125 N. Main, Suite 368
Memphis, Tennessee 38103

Dear Director Collins:

During the period January 2013 to February 2015, we completed 143 Hotel/Motel Occupancy Tax (HOT) examinations for hotel/motel operators located within the City's jurisdiction. This is the summary report containing the results of the HOT examinations, which were conducted in two phases.

The first phase was conducted as a joint venture, with collaboration from the Shelby County Internal Audit Department. The results of the first phase were reported in the Joint Hotel/Motel Occupancy Tax Examination report issued on May 20, 2013. The report included the results of 18 hotels/motels, along with findings and recommendations relative to the City's occupancy tax collection process. The remaining 125 hotels/motels were examined during the second and final phase. We sent to each hotel/motel operator a report detailing their examination results.

Objective, Scope and Methodology

The objective of the HOT examinations was to verify that occupancy taxes were collected, reported and remitted in compliance with the City's Occupancy Tax Ordinance. To accomplish the objective, we notified the hotels/motels of the pending site visits, reviewed and analyzed relevant documents pertaining to the occupancy tax returns, and performed select procedures to verify compliance. The scope and audit period for each operator was limited to the HOT returns for the 3-year period from the date of the examination notification. For some operators, we encountered audit limitations on the audit period due to hotel/motel ownership changes.

Background

City Ordinance, Title 5, Chapter 5-20 authorizes the City to levy a one and seven-tenths percent (1.7%) privilege tax for the privilege of occupying a hotel/motel room, unless the occupancy is for

any period of more than 30 continuous days. The tax should be collected by the hotel/motel operators and remitted to the City Treasurer by the 20th day of each month, for the preceding month. Taxes not remitted on or before the due date are considered delinquent and the operator is liable for interest at a rate of 10% per annum and penalty of one percent for each month or fraction thereof. Additionally, each occurrence of willful failure or refusal to collect and remit the tax is subject to a \$50 fine.

Hotel/motel operators are required to maintain all records necessary for determining the amount of taxes due for a period of three years, which was the stated examination period.

Conclusion

Seventy percent of the hotels/motels examined (101) were compliant with the City’s Occupancy Tax Ordinance. However, the City is due \$333,831.12 from noncompliant hotels/motels.

Summary of Results

The following table provides a summary of the HOT examination results. Table 1 provides the number of hotels/motels examined each year, along with the outstanding occupancy tax due as a result of the examinations. Collection activity and occupancy tax balances are also depicted. As of February 3, 2015, the City Treasurer had collected 50% of the outstanding occupancy tax. A detailed listing of the HOT examination results is included on pages 5 through 10. See Tables 2, 3 and 4.

Table 1 — Summary of HOT Examination Results by Calendar Year

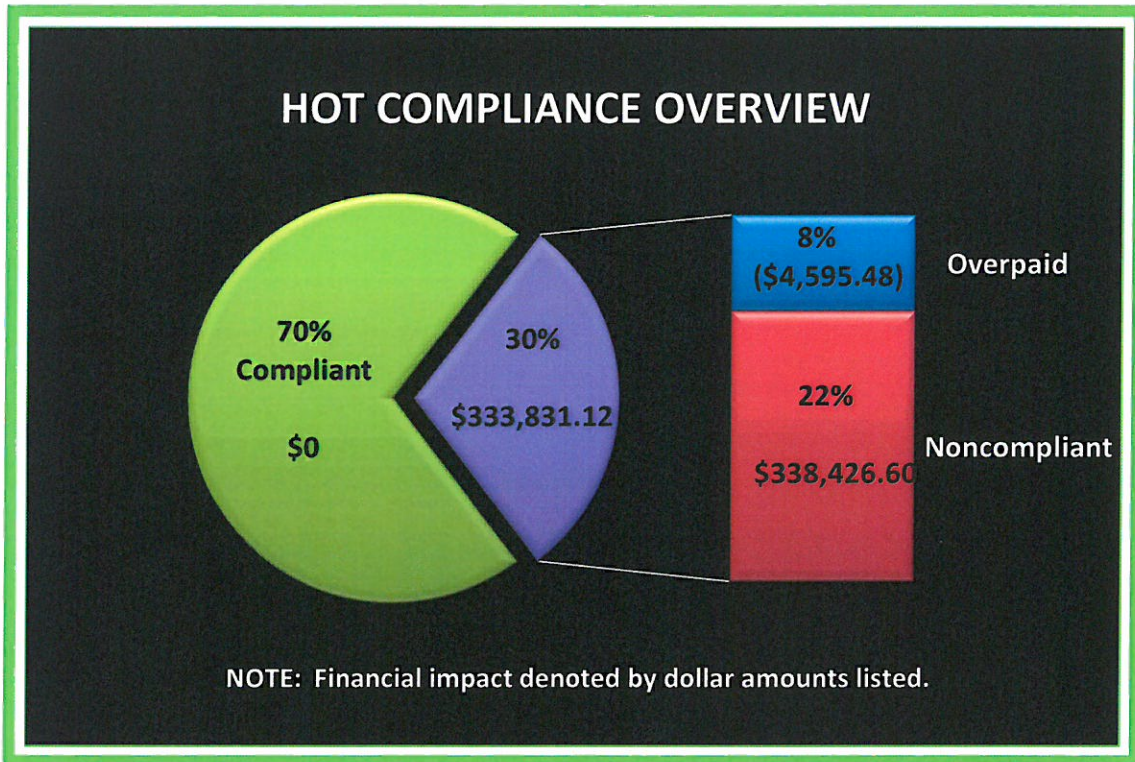
Calendar Year	# Hotels Examined	Noncompliant Occupancy Tax Due	*Amount Collected By Treasurer	*Balance Due To City
2013	56	282,466.09	150,387.94	132,078.15
2014	85	29,671.64	16,092.09	13,579.55
2015	2	21,693.39	1,957.48	19,735.91
TOTAL	143	\$333,831.12	\$168,437.51	\$165,393.61

**Data obtained from City Treasurer’s Office*

The next diagram provides an overview of compliance and the resulting financial impact, which occurred from 30% of the HOT examinations. Thirty-one hotels/motels did not comply with the City’s Occupancy Tax Ordinance due to factors such as nonpayment, HOT return errors, lack of awareness to collect and remit the occupancy tax, and lack of adequate documentation to support continuous stay exemptions. The dollar impact for the 31 noncompliant hotels was \$338,426.60.

Eleven hotels/motels remitted additional taxes (overpayments) from revenue for services such as wireless, pet and cleaning fees, and HOT return errors totaling \$4,595.48. Therefore, net positive impact for the HOT examination was \$333,831.12.

Diagram — Compliant/Noncompliant Impact



We did not perform HOT examinations for seven hotel/motel operators because they did not cooperate with our examination request. The hotel/motel operators were referred to the City Attorney's office to pursue all legal remedies to ensure the operator's compliance with the City's Occupancy Tax ordinance.

Recommendation

The City Treasurer should contact our office to request a HOT examination for hotel/motel operators that represent a high risk such as excessive delinquencies, inconsistent payment history, and negative trends associated with continuous stay exemptions. Hotel/motel operators that become delinquent after 60 days should be referred to the City Attorney's office for collection.

Government Auditing Standards

We conducted the HOT examinations in accordance with generally accepted government auditing standards. 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. Our audit may not necessarily disclose all weaknesses related to HOT processes.

We appreciate the cooperation of hotel/motel operators and their staff, along with the management and staff of the City Treasurer's office, the Shelby County Clerk's Office and the Shelby County Internal Audit Division during this engagement. If we can be of further assistance, please advise.

Sincerely,


Debbie Banks, CFE, CICA, CMFO
Project Manager

APPROVED:


Leon Pattman, CIA, CISA, CRMA, CMFO
City Auditor

c: A C Wharton, Jr., Mayor
Edmond Ford, Jr., Council Audit Committee Chairman
George Little, Chief Administrative Officer
Herman Morris, City Attorney
Marie Kirk Owens, City Treasurer
Tommy Cates, Chief Auditor, Shelby County

Table 2 – Calendar Year 2013 HOT Examinations

	HOTEL/MOTEL NAME	ADDRESS	TOTAL DUE TO/(FROM) THE CITY	TOTAL COLLECTED
1	Airways Inn	2375 Airways	-	-
2	Bellevue Inn	1250 S. Bellevue	-	-
3	Best Value Inn	3875 American Way	2,243.06	2,243.06
4	Budget Inn	4030 Lamar	-	-
5	Budget Motel	2883 Filmore	-	-
6	Clarion Hotel	6101 Shelby Oaks	5,762.77	-
7	Clarion Plaza Hotel	1471 Brooks	18,655.09	18,655.09
8	Colonial Inn & Suites	1952 E. Shelby Drive	11,516.27	11,516.27
9	Comfort Suites	2575 Thousand Oaks	-	-
10	Courtyard Marriott	3076 Kirby Parkway	(205.39)	-
11	Deluxe Inn	3733 Jackson	-	-
12	Discovery Inn	3497 S. Third	-	-
13	Downtown EconoLodge	5 North Third Street	76,130.13	5,100.00
14	Economy Inn	2344 Ketchum	-	-
15	Fogelman Executive Center	330 Innovative Drive	-	-
16	Gen X Inn	1177 Madison	17,345.03	17,345.03
17	Hampton Inn	5320 Poplar	-	-
18	Holiday Inn - U of M	3700 Central Avenue	-	-
19	Holiday Inn Express	1180 Union	-	-
20	Holiday Inn Select	160 Union	-	-
21	Homestead Studio Suites	2541 Corporate Avenue	-	-
22	Hyatt Place	7905 Giacosa Place	-	-
23	Intown Suites	3533 Hickory Hill	-	-
24	Intown Suites	3593 Ridgeway	-	-
25	Lamar Motel	2930 Shults	-	-
26	LaQuinta	6069 Macon	-	-
27	LaQuinta	2979 Millbranch	16,401.55	1,366.80
28	Liberty Inn	3075 Lamar	-	-
29	Marriott Downtown	250 Main	(1,330.75)	-
30	Memphis Airport Hotel	2240 Democrat	33,587.82	-
31	Memphis Country Club	600 Goodwyn	-	-
32	Memphis Inn	6050 Macon	-	-

Table 2 – Calendar Year 2013 HOT Examinations

	HOTEL/MOTEL NAME	ADDRESS	TOTAL DUE TO/(FROM) THE CITY	TOTAL COLLECTED
33	Microtel Inn	2423 Germantown Pkwy	-	-
34	Peabody Hotel	149 Union Avenue	-	-
35	Pleasure Inn	665 Lester	-	-
36	Quality Inn	42 S. Camilla	9,452.30	755.90
37	Quality Suites	8166 Varnavas	1,474.01	1,474.01
38	Regal Inn	4063 S. Third	-	-
39	Rest Inn	2991 S. Third	-	-
40	River Inn Harbortown	50 Harbor Towne Square	76,687.10	76,687.10
41	Rose Motel	4168 Thomas	-	-
42	Royal Inn	4030 Horn Lake	-	-
43	Scottish Inn	4000 Lamar	-	-
44	Sleep Inn Hotel	2855 Old Austin Peay	-	-
45	Southeast Motel	3466 Lamar	-	-
46	Star Motel	2181 Elvis Presley	-	-
47	Staybridge Suites	1070 Ridgelake Blvd	-	-
48	Summer Motel	3025 Summer	-	-
49	Sun Inn	1543 Elvis Presley	-	-
50	Super 7 Inn	1117 E. Brooks	-	-
51	Super 8	1543 Elvis Presley	-	-
52	Uptown Square Apts	252 N. Lauderdale	-	-
53	Value Place Northeast	5787 Shelby Oaks	(497.58)	-
54	Value Place Southeast	7060 Riverdale	-	-
55	Vista Inn & Suites	235 Union Avenue	15,244.68	15,244.68
56	Westin	170 Lt. George W. Lee Ave.	-	-
		TOTAL	282,466.09	150,387.94

Table 3 – Calendar Year 2014 HOT Examinations

	HOTEL/MOTEL NAME	ADDRESS	TOTAL DUE TO/(FROM) THE CITY	TOTAL COLLECTED
1	Airport Inn	1441 E. Brooks	-	-
2	American Inn	3265 Elvis Presley	-	-
3	America's Best Value Inn	1360 Springbrook	1,571.84	1,571.85
4	Best Value Inn	3875 American Way	311.99	311.99
5	Best Western Executive Inn	3105 Millbranch	(306.10)	-
6	Best Western Galleria Inn	8635 HWY 64	-	-
7	Best Western Suites	6045 Macon	-	-
8	Best Western Travelers Inn	5024 US HWY 78	-	-
9	Budget Host	2745 Airways	-	-
10	Budgetel Inn & Suites	6068 Macon	-	-
11	Campaige Place Memphis	2715 Cherry Road	4,996.97	4,996.97
12	Comfort Inn	1335 Mcree	(126.59)	-
13	Comfort Inn & Suites	4225 American Way	179.64	179.64
14	Comfort Inn Downtown	100 N. Front	-	-
15	Comfort Inn/Motel 6	1581 Brooks	-	-
16	Comfort Suites	2427 N. Germantown Pkwy	-	-
17	Country Hearth Inn & Suites	3005 Millbranch	10,332.88	3,000.00
18	Courtyard Marriott	1780 Nonconnah	-	-
19	Courtyard Marriott Park	6015 Park	(254.53)	-
20	Crown Inn	4046 Lamar	953.77	953.77
21	Days Inn American Way	3685 American Way	-	-
22	Days Inn Macon	6055 Macon Cove	-	-
23	Days Inn/Motel 6	2889 Old Austin Peay	-	-
24	Deluxe Inn & Suites	3456 Lamar	-	-
25	Double Tree Hotel	185 Union	-	-
26	Econolodge	1541 Sycamore View	259.07	259.07
27	Elvis Presley Blvd Inn	2300 Elvis Presley Blvd	2,598.99	2,598.99
28	Elvis Presley Heartbreak Hotel	3677 Elvis Presley	-	-
29	Embassy Suites	1022 Shady Grove	-	-
30	Extended Stay America #12	6085 Apple Tree	-	-
31	Extended Stay America #450	5885 Shelby Oaks	-	-
32	Extended Stay America #5003	6520 Mt. Moriah	-	-

Table 3 – Calendar Year 2014 HOT Examinations

	HOTEL/MOTEL NAME	ADDRESS	TOTAL DUE TO/(FROM) THE CITY	TOTAL COLLECTED
33	Extended Stay America #5023	6325 Quail Hollow	(163.17)	-
34	Extended Stay America #9825	2520 Horizon Lake	-	-
35	Fairfield Inn	6010 Macon	-	-
36	Fairfield Inn	4760 Showcase Blvd.	-	-
37	Garden Inn / Econolodge	3419 American Way	-	-
38	Garden Plaza Hotel	5069 Sanderlin	-	-
39	Hampton Inn	3579 Hacks Cross	-	-
40	Hampton Inn & Suites	962 S. Shady Grove	-	-
41	Hampton Inn Walnut Grove	33 Humphreys Center	-	-
42	Holiday Inn & Suites	8700 Wolfchase	-	-
43	Holiday Inn Crowne Plaza	300 N. Second	-	-
44	Homestead Studio Suites	6500 Poplar	(306.94)	-
45	Homewood Suites	5811 Poplar	-	-
46	Homewood Suites Southwind	3583 Hacks Cross	-	-
47	Hotel Memphis	2625 Thousand Oaks Blvd	-	-
48	Inn at Thousand Oaks	2700 S. Perkins Rd	2,824.27	-
49	Key Motel	661 Lester	-	-
50	Knights Inn	2949 Airways	-	-
51	Lamplighter Motor Inn	667 S. Bellevue	-	-
52	LaQuinta Inn & Suites	2839 New Brunswick	(224.47)	-
53	LaQuinta Inn & Suites-175	1236 Primacy Pkwy	216.53	216.53
54	Madison Hotel	79 Madison	-	-
55	Memphis Fairfield Inn	8489 HWY 64	(159.22)	-
56	Memphis Hampton Inn & Suites	175 Peabody Place	-	-
57	Memphis Hilton	939 Ridgelake Blvd	586.11	586.13
58	Memphis Inn	4879 American Way	3,403.78	-
59	Memphis Marriott East	5795 Poplar	-	-
60	Memphis Springhill Suites	2800 New Brunswick	-	-
61	Motel 6	1585 Sycamore View	2,580.40	-
62	Motel 6 #1499	210 S. Pauline	-	-
63	Motel 6 #459/ Roadway Inn	1321 Sycamore View	-	-

Table 3 – Calendar Year 2014 HOT Examinations

	HOTEL/MOTEL NAME	ADDRESS	TOTAL DUE TO/(FROM) THE CITY	TOTAL COLLECTED
64	Red Roof Inn	6055 Shelby Oaks	-	-
65	Regency Inn	3230 HWY 61 S.	-	-
66	Relax Inn	5248 S. Third	-	-
67	Residence Inn	110 Monroe	-	-
68	Residence Inn Poplar Pike	6141 Poplar Pike	-	-
69	Ricky Motel	650 Lester	-	-
70	Rodeway Inn	5119 American Way	-	-
71	Rodeway/ Hampton Inn	1199 Linden	520.81	520.81
72	Scottish Inn & Suites	3524 Elvis Presley	-	-
73	Skyway Inn	1553 Elvis Presley	-	-
74	Starlite Inn	2996 S. Third	-	-
75	Studio 6	4300 American Way	471.98	471.98
76	Studio Plus 37	8110 Cordova Center Dr	-	-
77	Super 8 Motel	340 Illinois	-	-
78	Super 8 Motel	6015 Macon	192.08	192.07
79	Talbot Heirs	99 S. Second	-	-
80	Value Place	1218 Winchester	-	-
81	Value Place	3913 Lamar Ave	-	-
82	Villa Inn	3283 S. Third	-	-
83	Wayside Inn	1462 Elvis Presley	-	-
84	Welcome Inn	5225 Summer	232.29	232.29
85	Wingate Inn	2270 N. Germantown Pkwy	(1,020.74)	-
		TOTAL	29,671.64	16,092.09

Table 4 – Calendar Year 2015 HOT Examinations

	HOTEL/MOTEL NAME	ADDRESS	TOTAL DUE TO/(FROM) THE CITY	TOTAL COLLECTED
1	Comfort Inn & Suites/Holiday Inn	4225 American Way	19,735.91	-
2	Quality Inn & Suites	1556 Sycamore View	1,957.48	1,957.48
		TOTAL	21,693.39	1,957.48