

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**



DEPARTMENT: Internal Audit

AGENDA DATE: 6/24/25

PUBLIC HEARING DATE:

CONTACT PERSON NAME: Edmundo Calderon - Internal Audit

PHONE NUMBER: 915-212-1365

2nd CONTACT PERSON NAME: Elizabeth De La O

PHONE NUMBER: 915-212-1371

DISTRICT(S) AFFECTED: All Districts

STRATEGIC GOAL:

Goal 6: Set the Standard for Sound Governance and Fiscal Management

SUBGOAL:

SUBJECT:

Discussion and Action to accept the results of the Accounts Receivable - Hotel Occupancy Tax Review P2025-01.

BACKGROUND / DISCUSSION:

The timeframe for this review was Fiscal Years 2024 and 2025. The analysis determined whether the Office of Comptroller is properly collecting the Hotel Occupancy Tax (HOT) Revenues. The analysis determined whether HOT Receivables are properly monitored, invoiced in a timely manner, and if delinquent accounts are collected in accordance with City Procedures.

The results indicated that the Office of Comptroller is properly invoicing, collecting, and monitoring HOT Revenues owed to the City. The results also documented statistical data regarding HOT balances.

COMMUNITY AND STAKEHOLDER OUTREACH:

Not applicable

PRIOR COUNCIL ACTION:

Not applicable

AMOUNT AND SOURCE OF FUNDING:

Not applicable

REPORTING OF CONTRIBUTION OR DONATION TO CITY COUNCIL:

Not applicable

| NAME | AMOUNT (\$) |
|------|-------------|
| | |

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:

Edmundo S. Calderon 6-9-2025

(If Department Head Summary Form is initiated by Purchasing, client department should sign also)



Accounts Receivable – Hotel Occupancy Tax Review No. P2025-01

Issued by the
Internal Audit Department
March 6, 2025



Internal Audit Department

MAYOR

Renard U. Johnson

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Chris Canales

CITY MANAGER

Dionne Mack

DATE: March 6, 2025

TO: Margarita Marin – City Comptroller, Office of the Comptroller

FROM: Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

SUBJECT: Accounts Receivable – Hotel Occupancy Tax Review P2025-01

The Internal Audit Department has completed a review of the Office of the Comptroller's processes for monitoring and collecting Hotel Occupancy Tax Revenues owed to the City. This engagement was accepted based on the engagement's potential to support the evaluation and improvement of the organization's governance, risk management, and control processes (IIA 9.4). The work performed does not constitute an engagement conducted in accordance with *Generally Accepted Government Auditing Standards* (GAS 1.16). The observations and conclusions that are reported in this Memorandum do not require Management Responses.

Background:

On August 18, 2015, the City of El Paso contracted with *Avenu Insights & Analytics, LLC*. (Avenu) to conduct audits of El Paso area hotels for Hotel Occupancy Tax (HOT) compliance. Every year, the Internal Audit Department selects 20 hotels to audit and coordinates the HOT Audits between Avenu and the hotels selected. A total of eight rounds of hotel audits have been completed. The eight rounds have audited 168 hotels, identifying a net total of \$1,860,582.55 in additional HOT Revenues for the City. Below is a summary of each round of audits and the HOT identified:

| Audit Round # | HOT Audit Report Date | # of Hotels Audited | Additional HOT Identified * |
|----------------|-----------------------|---------------------|-----------------------------|
| 1 | April 18, 2016 | 20 | \$ 264,354.11 |
| 2 | June 28, 2017 | 30 | \$ 148,520.10 |
| 3 | March 26, 2018 | 20 | \$ 89,076.04 |
| 4 | April 16, 2019 | 20 | \$ 45,007.27 |
| 5 | May 29, 2020 | 19 | \$ (21,279.83) |
| 6 | September 2, 2021 | 20 | \$ 69,174.46 |
| 7 | December 23, 2022 | 20 | \$ 243,179.98 |
| 8 | August 8, 2024 | 19 | \$ 1,022,550.42 |
| Totals: | | 168 | \$ 1,860,582.55 |

* Data as of February 5, 2025

| HOT Audit Findings | # of Hotels | Additional HOT Identified * |
|-----------------------------|-------------|-----------------------------|
| Hotels w/ Audit Findings | 95 | \$ 1,898,918.73 |
| Hotels w/ no Audit Findings | 70 | \$ - |
| Hotels issued a Tax Refund | 3 | \$ (38,336.18) |
| Totals: | 168 | \$ 1,860,582.55 |

* Data as of February 5, 2025

Edmundo S. Calderón, CIA, CGAP, CRMA – Chief Internal Auditor

Internal Audit Department | 218 N. Campbell | El Paso, TX 79901

O: (915) 212-0069 | D: (915) 212-1365 | Email: calderones@elpasotexas.gov





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Objectives:

The objective of this review is to ensure that the Office of the Comptroller is properly collecting the Hotel Occupancy Tax (HOT) Revenues owed to the City and adhering to the *City of El Paso Accounts Receivable Policy*. To determine this, our review will consist of the following:

- Review if HOT Receivables are properly monitored and invoiced in a timely manner.
- Determine if delinquent accounts are collected in accordance with City procedures.
- Review if the HOT Receivable Balances provided to and reported to management are accurate.
- Identify discrepancies and document any areas where inefficiencies can be strengthened.

Scope and Methodology:

Our scope for Fiscal Years 2024 and 2025 will include:

- Obtain an understanding of the *Office of the Comptroller – Hotel Occupancy Tax Collection Procedure Policy dated 2024* and the *City of El Paso Accounts Receivable Policy dated November 2024*.
- Interview staff from the Office of the Comptroller to review the monitoring, invoicing, and collection process of Hotel Occupancy Tax Receivables.
- Obtain a copy the Office of the Comptroller's *Hotel Occupancy Tax and Audit Deficiency Report* to identify which hotels have not paid their HOT Audit Balances.
- Select a sample of Hotel Occupancy Tax Payments paid to the City to review accuracy and confirm payment collection.
- Analyze Hotel Occupancy Tax Receivable Balances.
- Document areas where inefficiencies exist with internal controls.

Results:

Based on our review, we identified one Observation concerning the outstanding payments of Hotel Occupancy Tax owed to the City of El Paso. The following is a description of the Observation.

OBSERVATION 1

Hotel Occupancy Tax Audit Balances

City of El Paso Strategic Plan:

- *Goal 6.6 Ensure continued financial stability and accountability through sound financial management, budgeting, and reporting.*

City of El Paso Accounts Receivable Policy dated November 2024 – “Structure of Accounts Receivable System” states:

- *Section 5.4 – Collection of revenue owed to the City is a core responsibility of each business unit and shall use its best efforts to collect any outstanding accounts receivable invoice.*

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DELIVERING EXCEPTIONAL SERVICES



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OBSERVATION 1 (cont.)

A review of the eight rounds of Hotel Occupancy Tax (HOT) Audits completed during the period of April 18, 2016 to August 8, 2024 was conducted. The 168 HOT Audits completed identified 95 hotels owing \$1,898,918.73 in additional HOT. Below is the current status of hotels who have paid or are past due on their HOT:

| Payment Status as of February 5, 2025 | # of Hotels | % of Hotels | HOT Paid or Owed by Hotels | % of HOT |
|---------------------------------------|-------------|----------------|----------------------------|----------------|
| Paid Hotels | 85 | 89.47% | \$ 927,574.91 | 48.85% |
| Past Due Hotels | 10 | 10.53% | \$ 971,343.82 | 51.15% |
| Totals: | 95 | 100.00% | \$ 1,898,918.73 | 100.00% |

As of February 5, 2025, a total of ten hotels have past due HOT owed. These hotels are accumulating penalties and daily interest fees. Below is a breakdown of the past due hotels:

| Audit Round # | # of Hotels per Audit Round | Payment Due Date per Deficiency Letter Sent to Hotel | Days Late | HOT Owed by Hotel(s) | Plus: Penalties & Interest | Total Owed to City as of 2/5/2025 |
|---------------|-----------------------------|--|-----------|----------------------|----------------------------|-----------------------------------|
| 2 | 1 | September 25, 2017 | 2,690 | \$ 97,133.36 | \$ 51,706.89 | \$ 148,840.25 |
| 7 | 2 | May 31, 2023 | 616 | \$ 16,223.76 | \$ 3,105.19 | \$ 19,328.95 |
| 8 | 7 | September 30, 2024 | 128 | \$857,986.70 | \$ 95,374.55 | \$ 953,361.25 |
| Total: | 10 | | | \$971,343.82 | \$150,186.63 | \$1,121,530.45 |

The following actions were taken by the Office of the Comptroller to collect the past due HOT balances:

- Nine out of ten (90%) past due hotels have been referred to Outside Legal Counsel to collect the past due balances.
- One out of ten (10%) past due hotels (from Round #8) is currently working with Office of the Comptroller to pay their past due balance.

RECOMMENDATION

The Office of Comptroller should continue monitoring and collecting the outstanding Hotel Occupancy Tax owed to the City. As of February 5, 2025, a total of \$1,121,530.45, including late penalties and interest, is owed to the City.

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Conclusion:

Based on our review of the Hotel Occupancy Taxes (HOT) owed to the City, we determined that the Office of the Comptroller is:

- Properly collecting and monitoring the HOT Revenues owed to the City.
- Properly invoicing HOT Receivables in a timely manner.
- Collecting HOT delinquent accounts according to the *Office of the Comptroller – Hotel Occupancy Tax Collection Procedure Policy* and the *City of El Paso Accounts Receivable Policy*.
- Accurately reporting HOT Receivable Balances to management.
- We did not identify any internal control weaknesses.

We would like to commend the Office of the Comptroller for their efforts in collecting Hotel Occupancy Tax Revenues.

If you have any questions please feel free to contact me at extension 21365.

cc: Financial Oversight Audit Committee
Dionne Mack, City Manager
Robert Cortinas, Deputy City Manager/Chief Financial Officer

Edmundo S. Calderón, CIA, CGAP, CRMA – Chief Internal Auditor

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**Accounts Receivable – Hotel Occupancy
Tax Review No. P2025-01**

Management Responses



Office of the Comptroller

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CITY MANAGER

Dionne Mack

DATE: April 9, 2025

TO: Edmundo Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

FROM: Margarita Marin, CGFM, Deputy CFO-Comptroller

SUBJECT: Management Response to Accounts Receivable – Hotel Occupancy Tax Review
P2025-01

Management Response:

Management agrees with the recommendation. The Office of the Comptroller will continue to actively monitor and pursue the collection of outstanding Hotel Occupancy Tax (HOT) balances, including applicable penalties and interest. We currently utilize an outside collection agency for delinquent accounts and refer hotels for legal action when necessary. Our efforts also include coordination with external legal counsel to pursue litigation against non-compliant entities. We remain committed to strengthening our collection strategies and ensuring timely recovery of owed revenue to the City.

Sincerely,

Margarita Marin, CGFM

Deputy Chief Financial Officer – Comptroller

Cc: Financial Oversight Audit Committee

Dionne Mack, City Manager

Robert Cortinas, Deputy City Manager – Chief Financial Officer