



AGENDA FOR THE FINANCIAL OVERSIGHT AND AUDIT COMMITTEE

May 08, 2025
COUNCIL CHAMBERS, CITY HALL, 300 N. CAMPBELL - FIRST FLOOR
10:00 AM

Notice is hereby given that a meeting of the Financial Oversight and Audit Committee (FOAC) will be conducted on the above date and time.

Members of the public may view the meeting via the following means:

Via the City's website. <http://www.elpasotexas.gov/videos>

Via television on City15,

YouTube: <https://www.youtube.com/user/cityofelpasotx/videos>

In compliance with the requirement that the City provide two-way communication for members of the public, members of the public may communicate with the Financial Oversight and Audit Committee during public comment, and regarding agenda items by calling the following number:

1-915-213-4096 or Toll Free Number: 1-833-664-9267

At the prompt please enter the corresponding Conference ID: 863-261-605#

If you wish to sign up to speak please contact Elizabeth De La O at DelaoEX@elpasotexas.gov no later than one day prior to the meeting date. Please provide your name, phone number, email address and the agenda item(s) you wish to speak on.

A quorum of the Financial Oversight and Audit Committee must be present and participate in the meeting.

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA

1. Approval of Minutes for the Financial Oversight and Audit Committee meeting of April 10, 2025. [Internal Audit, Edmundo Calderon, (915) 212-1365] [BC-585](#)
2. Discussion and Action on the approval of the City of El Paso Budget Policies to include an amendment to Section 10 - Reserves, to establish fund balance guidelines for the General Fund. [City Manager's Office, Robert Cortinas, (915) 212-1067] [BC-617](#)
3. Discussion and Action on the results of the Parks and Recreation Department - Park Usage Permit Audit A2025-01. [Internal Audit, Edmundo Calderon, (915) 212-1365] [BC-584](#)
4. Discussion and Action on the results of the Accounts Receivable - Hotel Occupancy Tax Review P2025-01 [Internal Audit, Edmundo Calderon, (915) 212-1365] [BC-607](#)

ADJOURN

CLOSED MEETING

The Financial Oversight and Audit Committee of the City of El Paso may retire into CLOSED MEETING pursuant to Section 3.5A of the El Paso City Charter and the Texas Government Code, Chapter 551, Subchapter D, to discuss any of the following: (The items listed below are matters of the sort routinely discussed in Closed Meeting, but the Financial Oversight and Audit Committee of the City of El Paso may move to Closed Meeting any of the items on this agenda, consistent with the terms of the Open Meetings Act.) The Financial Oversight and Audit Committee will return to open session to take any final action and may also, at any time during the meeting, bring forward any of the following items for public discussion, as appropriate.

Section 551.071 CONSULTATION WITH ATTORNEY

Section 551.072 DELIBERATION REGARDING REAL PROPERTY

Section 551.073 DELIBERATION REGARDING PROSPECTIVE GIFTS

Section 551.074 PERSONNEL MATTERS

Section 551.076 DELIBERATION REGARDING SECURITY DEVICES OR SECURITY AUDITS

Section 551.087 DELIBERATION REGARDING ECONOMIC DEVELOPMENT NEGOTIATIONS

Section 551.089 DELIBERATION REGARDING SECURITY DEVICES OR SECURITY AUDITS;
CLOSED MEETING

NOTICE TO THE PUBLIC

This is a meeting of the Financial Oversight and Audit Committee of the El Paso City Council. The committee ordinarily consists of 4 Council members for purposes of establishing a quorum and the voting membership on the committee. However, any other member of the City Council may, on an ad hoc basis, join the meeting and participate in the discussions.

Sign language interpreters will be provided for this meeting upon request. Requests must be made to Elizabeth De La O at DelaoEX@elpasotexas.gov a minimum of 48 hours prior to the date and time of this hearing.

If you need Spanish Translation Services, please email DelaoEX@elpasotexas.gov at least 48 hours in advance of the meeting.

Posted this 1st day of May, 2025 at 02:27PM at City Hall, 300 N. Campbell Street by Martha L. Vargas.



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-585, Version: 1

**CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM**

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Approval of Minutes for the Financial Oversight and Audit Committee meeting of April 10, 2025. [Internal Audit, Edmundo Calderon, (915) 212-1365]



FINANCIAL OVERSIGHT AND AUDIT COMMITTEE MINUTES

April 10, 2025

COUNCIL CHAMBERS, CITY HALL

2:00 PM

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The Financial and Oversight and Audit Committee members of the City of El Paso met at the above place and date. Meeting was called to order at 2:03 p.m. Committee Chair Dr. Josh Acevedo was present and presiding and the following Committee Members answered roll call: Dr. Josh Acevedo, Alejandra Chávez, Deanna Maldonado-Rocha, Ivan Niño, Edmundo S. Calderon – Chief Internal Auditor, and Dionne Mack – City Manager.

..... PLEDGE OF ALLEGIANCE

..... AGENDA

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1. Motion made by Committee member Niño, seconded by Committee member Maldonado-Rocha, and unanimously carried to **APPROVE** the Minutes for the Financial Oversight and Audit Committee meeting of March 13, 2025.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha, and Niño

NAYS: None

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2. **Discussion and Action on Texas Department of Transportation State Infrastructure Bank loan options for local match requirements for federally funded transportation projects funded through the Metropolitan Planning Organization.**

Mr. Joaquin Rodriguez – Capital Improvements Department (CID) Grant Funded Programs Director, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Deanna Maldonado-Rocha, Committee Member.
- Mr. Ivan Niño, Committee Member.
- Ms. Dionne Mack, City Manager.

Motion made by Committee Member Maldonado-Rocha, seconded by Committee Member Chávez, and unanimously carried to **APPROVE** the use of Texas Department of Transportation State Infrastructure Bank loan options for local match requirements for federally funded transportation projects funded through the Metropolitan planning Organization and send to City Council, for action.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha, and Niño
NAYS: None

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3. Discussion and Presentation on the City of El Paso's FY 2026 – 2030 Debt Service.

Mr. Robert Cortinas, Chief Financial Officer/Deputy City Manager, and Ms. Maria Urbina, Hilltop Securities, delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Mr. Ivan Niño, Committee Member.

NO ACTION was taken on this item.

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4. Discussion on Types of Engagements.

Mr. Edmundo S. Calderon – Chief Internal Auditor delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.

NO ACTION was taken on this item.

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5. Discussion and Action on the FY 2024-2025 Annual Audit Plan Replacement Audits.

Mr. Edmundo S. Calderon – Chief Internal Auditor delivered a PowerPoint presentation.

The following members of the FOAC commented:

- Dr. Josh Acevedo, Committee Chair.
- Ms. Alejandra Chávez, Committee Member.
- Ms. Deanna Maldonado-Rocha, Committee Member.
- Mr. Ivan Niño, Committee Member.
- Ms. Dionne Mack, City Manager.

The following City staff member commented:

- Ms. Margarita Marin – Comptroller/Deputy Chief Financial Officer.

Motion made by Committee Chair Acevedo, seconded by Committee Member Maldonado-Rocha, and unanimously carried to **SELECT** the Code Compliance Audit as the replacement audit with audit scope and objectives to be provided at the next FOAC meeting, scheduled for May 8, 2025.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha, and Niño
NAYS: None

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ADJOURN

Motion made by Committee Member Niño seconded by Committee Member Chávez and unanimously carried to **ADJOURN** the meeting at 3:53 p.m.

AYES: Committee Members Acevedo, Chávez, Maldonado-Rocha, and Niño
NAYS: None

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APPROVED AS TO CONTENT:

Dr. Josh Acevedo – Committee Chair,
Financial Oversight and Audit Committee

Edmundo S. Calderon – Chief Internal Auditor,
Internal Audit Department



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-617, Version: 1

**CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM**

AGENDA LANGUAGE:

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Discussion and Action on the approval of the City of El Paso Budget Policies to include an amendment to Section 10 - Reserves, to establish fund balance guidelines for the General Fund. [City Manager's Office, Robert Cortinas, (915) 212-1067]

BACKUP COMING SOON



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-584, Version: 1

**CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM**

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Discussion and Action on the results of the Parks and Recreation Department - Park Usage Permit Audit
A2025-01. [Internal Audit, Edmundo Calderon, (915) 212-1365]



Internal Audit Department Parks and Recreation Department – Park Usage Permit Audit A2025-01

Objectives

The objectives of this audit were to determine if the Parks and Recreation Department:

- Has an established process for issuing Park Usage Permits.
- Has established criteria for the need of a Park Usage Permit.
- Has Policies and Procedures for the issuance of Park Usage Permits.
- Is charging Permit Fees accurately.
- Is following up/enforcing Park Usage Permits.

Scope

The scope of September 1, 2023 to August 31, 2024 included:

- Reviewing departmental Policies and Procedures.
- Obtaining an understanding of the Open Park Space Permitting process.
- Conducting interviews with Parks personnel.
- Selecting a sample of issued Open Park Space Permits.

Finding 1

- Event organizers are not obtaining an Open Park Space Permit for “spontaneous” events.
- Events that do not follow the Permitting Process are not monitored.
- There are no Parks procedures to identify “spontaneous” events.
- There are no dedicated resources to allow for the identification and monitoring of “spontaneous” events.

Recommendation

- The Parks and Recreation Department staff should conduct community outreach to inform the public of the Permitting Process.
- The Department should also work with other City Departments to help monitor park areas for potential events.

Finding 2

The current application requires 30 day advance notice. Nine applications were reviewed:

- Five Permit Applications were received less than 30 days before the event date.
- Four Permit Applications were received more than 30 days before the event date.

Recommendation

The Parks and Recreation Department should create a policy to enforce the 30-day Permit Application requirement.

Conclusion

Parks Department **met** the audit objectives as follows:

- Has documented Policies for the issuance of Park Usage Permits.
- Properly reviews and issues Park Usage Permits to the public.
- Properly charges and collects fees for the issuance of Park Usage Permits.

Parks Department **did not meet** the audit objectives as follows:

- “Spontaneous” events are not identified and monitored by staff.
- Permit Applications are accepted less than 30 days before an event.
- There is no policy for the enforcement of “spontaneous” events.

Management Response

Finding 1

“Parks will be adding a Social Media plan to inform and communicate with the community about process, guidelines and ordinances when applying for a permit on open space areas. Parks Department will emphasize all communication channels with EPPD and Code Enforcement when spontaneous events are reported.”

Management Response

Finding 2

“Parks and Recreation will update the Administrative Guidelines to incorporate the 30-day permit application requirement for the use of open spaces and sports areas within City parks. This update is scheduled for completion by October 2025.

1. Permit Issuance Process; As part of this update, we will develop a detailed Permit Issuance Process in accordance with Municipal Code 13.24. This process will establish clear, standardized procedures for the issuance of temporary permits for open spaces, facilities, and identifiable areas within City parks.”

Management Response (Cont.)

Finding 2 (Cont.)

“2. Permit Application Requirements: The updated guidelines will include the following permit application requirements:

- 30-day advance application for open spaces and sports fields.
- For facilities such as recreation centers and aquatics areas, a minimum of two weeks' advance application will be required.”

Requested Action

To accept the results of the Parks and Recreation Department – Park Usage Permit Audit and forward the Audit Report to City Council for action.



**Parks and Recreation Department –
Park Usage Permit Audit
No. A2025-01**

Draft

Issued by the
Internal Audit Department
March 18, 2025

**City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01**

EXECUTIVE SUMMARY

The Internal Audit Department has concluded the Parks and Recreation Department – Park Usage Permit Audit. Based on the results of the audit, two findings were identified. The findings are considered significant in nature due to internal control breakdowns.

Listed below is a summary of the findings identified in this report:

1. There is no procedure in place for Parks and Recreation to identify and monitor events occurring at City of El Paso Parks when event organizers do not obtain Open Park Space Permits.
2. Parks and Recreation is accepting Open Park Space Permit Applications less than 30 days before the event date as required by the department.
 - Five (5) out of nine (9) Permit Applications (55.56%) were received less than 30 days before the event date.
 - Four (4) out of nine (9) Permit Applications (44.44%) were received more than 30 days before the event date.

For a detailed explanation of the findings, please refer to the body of the Audit Report.

City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01

BACKGROUND

The City of El Paso Parks and Recreation Department's mission is to provide indoor and outdoor leisure services to the El Paso community to develop skills, socialize, experience nature and live a healthier lifestyle. The Parks and Recreation Department has earned accreditations through the Commission for Accreditation of Park and Recreation Agencies (CAPRA) and the National Recreation and Park Association (NPRA). The Parks and Recreation Department has been accredited since 2018 and places in the 1 percent of agencies nationwide.

The Parks and Recreation Department offers the use of any area within a park for private events. All City park green areas are available for rent, but certain parks have designated rental areas. Park Usage Permits are offered and they ensure the use of any space for a designated time. Permit Applications are required for all events, permit and park usage fees are required. Applications must be turned in 30 days in advance for review by Parks staff. Parks can be reserved for special events and also require a site plan for the event. Food booths, security guards, and vendors are subject to additional fees.

Open Park Space Permits are required when an event is 50 or more people and/or if the event will require portable restrooms, amplification (loudspeaker, public address system, etc.) or amusement devices such as jumping balloons. During Fiscal Year 2024, the Parks and Recreation Department issued 218 Open Park Space Permits. These permits were issued at 83 unique park areas across the City of El Paso for fees totaling \$20,238.

AUDIT OBJECTIVES

The audit objectives of the Parks and Recreation Department – Park Usage Permit Audit are to determine if the Parks and Recreation Department:

- Has an established process for the issuance of Park Usage Permits,
- Has established criteria for the need of a Park Usage Permit,
- Has documented Policies and Procedures for the issuance of Park Usage Permits,
- Is charging the correct Permit Fees as determined by Schedule C or other fee schedule,
- Follows up on/enforces the use of Park Usage Permits.

AUDIT SCOPE AND METHODOLOGY

Our audit scope for September 1, 2023 to August 31, 2024 will include:

- Review Parks and Recreation Policies and Procedures.
- Obtain an understanding of the Parks and Recreation Open Park Space Permitting process.
- Conduct interviews with Parks and Recreation management and staff.
- Select a sample of Open Park Space Permit issued by Parks and Recreation to ensure that:
 - Applications were properly received and reviewed.
 - The proper fees were charged according to Schedule C.
 - The proper fees were collected.
 - Permits are being followed-up on and/or enforced once they are issued.

City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the Global Internal Audit 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.

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DRAFT

**City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01**

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

Permit Awareness

City of El Paso Strategic Plan:

- *Goal 6.3 Implement programs to reduce organizational risk*
- *Goal 6.5 Deliver services timely and effectively with focus on continual improvement*
- *Goal 6.11 Provide efficient and effective services to taxpayers*

Parks and Recreation Website Frequently Asked Questions (FAQ)

- *Shelters, Pavilions, Open Reserves & Parks*
 1. *Where can I get information to rent a shelter, pavilion, open reserves, or park?*
 - *An area within a park may be reserved for personal use for private events by obtaining a permit through the Parks and Recreation Department. A permit and park usage fee is required. This permit ensures the exclusive use of a particular space for a designated time. Families and organizations may reserve Park space for private use. Permit Application is required for all events; an application must be turned in 30 days in advance for review.*
- *Parties & Rentals*
 9. *I want to have a party at a park. Do I need to get a permit and is there a fee?*
 - *Yes, a \$54 park usage permit is required for park use if your event is 50 or more people or if any of the following items will be introduced onto the park grounds...Portable restrooms...amplification...amusement devices...*

A spontaneous event is one that happens naturally and unexpectedly, without prior planning or external influence, arising from a natural impulse or tendency.

Event organizers do not obtain an Open Park Space Permit prior to “spontaneous” events at City Parks. Events that do not follow the Permitting Process are not monitored by the Parks and Recreation Department staff. The Parks and Recreation Department has no procedure to identify “spontaneous” events. Parks and Recreation has no dedicated resources to allow for the identification and monitoring of spontaneous events.

Recommendation

The Parks and Recreation Department staff should conduct more community outreach to inform the general public of the Permitting Process. Parks and Recreation should also work with other City Departments to help monitor park areas City-wide for potential events.

City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01

Management's Response

Parks will be adding a Social Media plan to inform and communicate with the community about process, guidelines and ordinances when applying for a permit on open space areas.

Parks Department will emphasize all communication channels with EPPD and Code Enforcement when spontaneous events are reported.

Responsible Party

Parks and Recreation Department

Implementation Date

October 2025

DRAFT

**City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01**

Finding 2

Permit Issuance

City of El Paso Strategic Plan:

- *Goal 6.3 Implement programs to reduce organizational risk*
- *Goal 6.5 Deliver services timely and effectively with focus on continual improvement*
- *Goal 6.11 Provide efficient and effective services to taxpayers*

Parks and Recreation Website Frequently Asked Questions (FAQ)

- *Shelters, Pavilions, Open Reserves & Parks*
 1. *Where can I get information to rent a shelter, pavilion, open reserves, or park?*
 - *An area within a park may be reserved for personal use for private events by obtaining a permit through the Parks and Recreation Department. A permit and park usage fee is required. This permit ensures the exclusive use of a particular space for a designated time. Families and organizations may reserve Park space for private use. Permit Application is required for all events; an application must be turned in 30 days in advance for review.*
- *Parties & Rentals*
 3. *What do I need to reserve a shelter, pavilion, open reserve, or park?*
 - *...If you are making a reservation within 30 days of your event, the balance must be paid in full...Reservations will not be accepted in under two weeks...*

A sample of nine (9) Open Park Space permits issued from September 1, 2023 to August 31, 2024 were selected for review. The permits selected were from events at Lincoln Park that totaled \$6,300.

- Five (5) out of nine (9) Permit Applications (55.56%) selected were received less than 30 days before the requested event date.
- Four (4) out of nine (9) Permit Applications (44.44%) selected were received more than 30 days before the requested event date.

Recommendation

The Parks and Recreation Department should create a policy to enforce the 30-day Permit Application requirement.

City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01

Management's Response

Parks and Recreation will update the Administrative Guidelines to incorporate the 30-day permit application requirement for the use of open spaces and sports areas within City parks. This update is scheduled for completion by October 2025.

1. Permit Issuance Process; As part of this update, we will develop a detailed Permit Issuance Process in accordance with Municipal Code 13.24. This process will establish clear, standardized procedures for the issuance of temporary permits for open spaces, facilities, and identifiable areas within City parks.
2. Permit Application Requirements: The updated guidelines will include the following permit application requirements:
 - 30-day advance application for open spaces and sports fields.
 - For facilities such as recreation centers and aquatics areas, a minimum of two weeks' advance application will be required.

Responsible Party

Park and Recreation Department

Implementation Date

October 2025

**City of El Paso
Internal Audit Department
Parks and Recreation Department – Park Usage Permit Audit A2025-01**

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Parks and Recreation Department – Park Usage Permit Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with Generally Accepted Government Auditing Standards, we are required to conclude on whether the Parks and Recreation Department met the objectives of this audit. Based on our audit work, we have determined that:

1. Parks and Recreation met the audit objectives in the following areas:
 - Has documented Policies and Procedures for the issuance of Park Usage Permits.
 - Properly reviews and issues Park Usage Permits to the general public.
 - Properly charges and collects fees for the issuance of Park Usage Permits in accordance with Schedule C.
2. Parks and Recreation did not meet the audit objectives in the following areas:
 - Spontaneous events are not able to be identified and monitored by Parks and Recreation staff.
 - Parks and Recreation is accepting Permit Applications less than 30 days before the event date.
 - There is no policy for the enforcement of spontaneous events.

We wish to thank Parks and Recreation Department management and staff for their assistance and courtesies extended during the completion of this audit.

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

Sergio Carrillo, Jr., CGAP, MBA
Auditor III

Miguel Montiel, CIA, CGAP
Audit Manager

Distribution:

Financial Oversight and Audit Committee
Dionne Mack, City Manager
Richard Bristol, Deputy City Manager
Pablo Caballero, Director – Parks and Recreation



El Paso, TX

300 N. Campbell
El Paso, TX

Legislation Text

File #: BC-607, Version: 1

**CITY OF EL PASO, TEXAS
LEGISTAR AGENDA ITEM SUMMARY FORM**

AGENDA LANGUAGE:

This is the language that will be posted to the agenda. Please use ARIAL 11 Font.

Discussion and Action on the results of the Accounts Receivable - Hotel Occupancy Tax Review P2025-01
[Internal Audit, Edmundo Calderon, (915) 212-1365]



Internal Audit Department Accounts Receivable – Hotel Occupancy Tax Review P2025-01

Objectives

- Review if Hotel Occupancy Tax (HOT) Receivables are monitored and properly invoiced.
- Determine if delinquent accounts are collected.
- Review if HOT Receivable Balances reported to management are accurate.

Scope

Our scope for Fiscal Years 2024 and 2025 included:

- A review of the monitoring, invoicing, and collection process of HOT Receivables.
- Identifying hotels with unpaid HOT Balances.
- Reviewing HOT Payments for accuracy.
- Analyzing HOT Receivable Balances.

Observation 1

- Since April 18, 2016, the Hotel Audits have identified \$1,898,918.73 in additional HOT.
- As of February 5, 2025, ten hotels owe \$1,121,530.45 in past due HOT, to include penalties and interest.
 - Nine hotels have been referred to Outside Legal Counsel.
 - One hotel is currently working with the Office of the Comptroller.

Recommendation

The Office of Comptroller should continue collecting the outstanding Hotel Occupancy Tax owed, totaling \$1,121,530.45.

Conclusion

Based on our review, we determined that the Office of the Comptroller is:

- Properly collecting and monitoring HOT Revenues.
- Properly invoicing HOT Receivables.
- Collecting HOT delinquent accounts according to City Policies.
- Accurately reporting HOT Receivable Balances to management.

Management Response

Observation 1

“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.”

Requested Action

Accept the results of the Accounts Receivable – Hotel Occupancy Tax Review and forward the Audit Report to City Council for action.



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

CITY COUNCIL

District 1

Alejandra Chávez

District 2

Dr. Josh Acevedo

District 3

Deanna M. Rocha

District 4

Cynthia Boyar Trejo

District 5

Ivan Niño

District 6

Art Fierro

District 7

Lily Limón

District 8

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



Internal Audit Department

MAYOR

Renard U. Johnson

CITY COUNCIL

District 1

Alejandra Chávez

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Chris Canales

CITY MANAGER

Dionne Mack

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.*

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



Internal Audit Department

MAYOR

Renard U. Johnson

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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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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