



# **Radisson Hotel Hotel Occupancy Tax Audit Report**

Issued by the  
Internal Audit Office  
December 22, 2011

**City of El Paso  
Internal Audit Office  
Radisson Hotel Revenue Audit**

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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded its audit of the Radisson Hotel’s collection and remittance of Municipal Hotel Occupancy Taxes to the City of El Paso. Based on the results of the audit, one (1) finding was identified.

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

1. The Radisson Hotel allowed occupancy tax exemptions without the proper Hotel Occupancy Exemption Certificates on file. We identified following amounts due to the City of El Paso:

Amount of Tax Exemptions that were not allowed	\$5,261.46
Penalty amount due	\$526.15
Interest amount due	\$315.85
<b>Net amount due the City of El Paso</b>	<b>\$6,103.46</b>

For a detailed explanation of the finding please refer to the body of this Audit Report.

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***BACKGROUND***

The City of El Paso currently imposes a 7% Municipal Hotel Tax on the cost of hotel accommodations. Hotels collect the Hotel Occupancy Tax from its guests and then remit the tax to the City on a quarterly basis. The Radisson Hotel remitted Hotel Occupancy Taxes in the amount of \$346,600.05 to the City of El Paso in calendar year 2010.

The Radisson Hotel is one of several full service hotels within the Airport property that provides lodging accommodations, restaurant and lounge services, and meeting rooms, including swimming pools indoor and outdoor. The hotel located at 1770 Airway Blvd has been operated by EPA Hotel, Inc., dba Radisson Hotel since April 1991. It operates under a sublease agreement with Azar – Coleman Properties effective July 1, 1990.

***AUDIT OBJECTIVES***

The objectives of this audit were to determine if the Radisson Hotel has collected and remitted Municipal Hotel Occupancy Taxes to the City of El Paso in accordance with applicable State and Municipal Code.

***AUDIT SCOPE***

This is a limited scope audit and included Municipal Hotel Occupancy Tax Transactions from January 1, 2010 through December 31, 2010. The Radisson's fiscal year is based on a calendar year from January 1<sup>st</sup> through December 31<sup>st</sup>.

***AUDIT METHODOLOGY***

To achieve our audit objectives we:

- Reviewed all applicable state and local hotel occupancy tax regulations.
- Interviewed City employees to obtain an understanding of the City's process for monitoring and collecting hotel occupancy taxes.
- Assessed the completed Internal Control Questionnaire from the Radisson Hotel Controller.
- Obtained, reviewed, and compared the following reports:
  - Quarterly Hotel Occupancy Receipts report submitted to the State.
  - Quarterly Hotel Occupancy Receipts report submitted to the City.
  - Monthly Revenue Reports submitted to the Airport.
- Extrapolated the finding information from the Hotel Occupancy Tax Audit Report issued on June 1, 2011 by the Texas Comptroller of Public Accounts to determine amounts due to the City of El Paso for tax free sales unsupported by properly completed resale or exemption certificates.

We conducted this performance audit 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.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

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***FINDINGS***

The following finding relates to the collection and remittance of Municipal Hotel Occupancy Taxes to the City of El Paso by the Radisson Hotel for the Fiscal Year 2010 only.

**Finding 1**

**Ineligible Municipal Hotel Occupancy Tax Exemptions**

In accordance with Texas Tax Code Chapters 351 and 156; Texas Administrative Code – Rule 3.161; and El Paso Municipal Code – Chapter 3.12; tax exempt stays at a Texas hotel require properly completed Hotel Tax Exemption Certificates be presented or on file at the hotel and proper identification. The Hotel Occupancy Tax for the City of El Paso is 7% of the room rate.

Based on our review the Radisson Hotel allowed Occupancy Tax Exemptions without the proper Hotel Occupancy Exemption Certificates on file at the hotel, which resulted with the following summary of amounts due to the City of El Paso:

Amount of Tax Exemptions that were not allowed	\$5,261.46
Penalty amount due	\$526.15
Interest amount due	\$315.85
<b>Net amount due the City of El Paso</b>	<b>\$6,103.46</b>

The Texas Comptroller of Public Accounts recently conducted a Hotel Occupancy Tax Audit of the Radisson Hotel. In the audit report issued on June 1, 2011, the Texas Comptroller of Public Accounts reviewed the period from December 7, 2007 through December 31, 2010. In the report they explained their methodologies and extrapolation procedures regarding the findings. We used the same methodologies and extrapolation procedures. We adjusted for the different tax rates and exemptions that exist between the City and the State. Our review period was for FY 2010 only.

From a sample identified by the Texas Comptroller of Public Accounts, 27 Hotel Occupancy Tax Exemption transactions in fiscal year 2010 did not have the Hotel Occupancy Exemption Certificate on file with the Radisson Hotel.

These taxable adjustments totaled \$2,538.00.

The taxable adjustment of \$2,538.00 was divided by the Sample Base of \$33,954.00 to obtain the adjustment percentage of 7.47%.

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The adjustment percentage of 7.47% was multiplied by the population base of \$1,006,208.03 to obtain the total taxable adjustment of \$75,163.74 for fiscal year 2010.

The taxable adjustment of \$75,163.74 was multiplied by the City of El Paso's Hotel Occupancy Tax Rate of 7.00% for a total of \$5,261.46 in Hotel Occupancy Tax due.

The City of El Paso also assessed \$526.15 in penalties and \$315.85 in interest through November 1, 2011 for a total of \$6,103.46 due from the Radisson Hotel.

The cutoff date we used for calculating interest fees was November 1, 2011. The City of El Paso Financial Services Department is responsible for calculating additional interest if the remittance is made after November 1, 2011.

**Recommendation**

The Radisson Hotel should remit \$6,103.46 due to the City of El Paso for ineligible Tax Exemptions, penalties, and interest.

The Radisson Hotel should ensure the following before granting a Tax Exemption for the local hotel occupancy tax:

- Organizations or individuals are exempt from local hotel occupancy taxes.
- Hotel Occupancy Tax Exemption Certificates are properly completed and kept on file.

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***INHERENT LIMITATIONS***

Because of the inherent limitations of Radisson Hotel’s procedures and controls as they relate to Municipal Hotel Occupancy Tax exemptions, subjective interpretation of State of Texas Tax Code and City Ordinances, errors or irregularities may occur and not be detected. Also, projections of compliance with Municipal Hotel Occupancy Tax Exemptions to future periods are subject to the risk that the hotel’s procedures may become non-compliant due to changes in conditions or that the degree of compliance with Tax Exemption requirement may deteriorate.

***CONCLUSION***

We have concluded work on the audit objectives of the Radisson Hotel – Hotel Occupancy Tax Audit. In accordance with Generally Accepted Government Auditing Standards, we are required to conclude on whether the Radisson Hotel – Hotel Occupancy Tax Audit met the objectives of this audit. The following is our conclusion.

We have determined that the following Hotel Occupancy Taxes, penalties, and interest charges are owed to the City of El Paso. Overall, the Radisson Hotel owes the City of El Paso \$6,103.46.

The implementation of the recommendations provided in this Audit Report should assist the Radisson Hotel to achieve full compliance in the collection and remittance of Local Hotel Occupancy Taxes in the future.

We wish to thank the Radisson Hotel management and staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File  
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Chief Internal Auditor

Signature on File  
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Senior Auditor

**Distribution:**

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