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The City of Port Lavaca, TX

HOTEL OCCUPANCY TAX REVIEW – FINAL REPORT



October 24th, 2022

Susan Lang
Finance Director
City of Port Lavaca
202 N. Virginia St.
Port Lavaca, TX 77979

The City of Port Lavaca commissioned Avenu Insights & Analytics to perform on-site/remote reviews for two (2) hotels. This report is our Final Report with respect to the Hotel Occupancy Tax Compliance Review.

A detailed summary of any relevant property information, key findings, assessments and liability, if any, is included for the completed reviews. As part of our due diligence in conducting the reviews and to support and validate the finding(s), this report identifies the individuals who represented each property on behalf of the audits. Also enclosed if available and applicable, are the documents and records furnished by the respective property for review.

The two (2) properties reviewed and completed resulted in total findings of **\$4,072.01**.

Enclosed with this report, you will find an electronic copy of this report as well as the Commendation/Deficiency Letters (with back-up). The letters will need to be reviewed by the City, printed on letterhead, signed, and mailed.

This report is organized as follows:

SECTION I)	SNAPSHOT OF FINDINGS BY HOTEL
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SECTION I) SNAPSHOT OF FINDINGS BY HOTEL

	ESTABLISHMENT	FINDING	ADDITIONAL TAX LIABILITY	REASON
1	Best Western Port Lavaca Inn	Deficiency	\$3,422.26	Under-Reported Taxable Revenue
2	La Quinta Inn & Suites	Deficiency	\$649.75	Under-Reported Gross Revenue, Unreported Pet Fees, Under-Stated Exempt Revenue, Improper Exemptions w/ Extrapolation
	Total		\$4,072.01	



SECTION II) HOTEL REVIEW UPDATE

1) BEST WESTERN PORT LAVACA INN

Review date: Electronic Audit

Review period: April 1, 2018 through March 31, 2022 (48 months)

Review findings

- Examiner noted a variation in Taxable Revenue reported to the City versus actual Taxable Revenue. It was determined that Taxable Revenue was under-reported.

Deficiencies identified

- Under-reported Taxable Revenue in the amount of \$48,889.37.

Deficiency amount: \$3,422.26

Characteristics

Number of rooms:	50
Average daily rate:	\$76
Occupancy rate:	UTO
Taxable rents:	\$5,727,135.83

Data collected and hotel-supplied property records reviewed:

- Monthly Reports
- Exemption Reports
- Guest Folios
- Exemption Certificates



EXPLANATION OF DEFICIENCY FOR THE BEST WESTERN PORT LAVACA INN:

DATE	NET GROSS REVENUE	VARIANCE	EXEMPT REVENUE-HOTEL REPORT	VARIANCE	INVALID EXEMPTIONS
04/30/18	134,705.55		5,674.00		
05/31/18	130,120.36		20,392.00		
06/30/18	179,827.11	(20,076.51)	42,208.53	25,421.56	
07/31/18	164,384.41		28,397.00		
08/31/18	128,568.82		23,327.00		
09/30/18	79,292.01	8,252.03	3,435.00	(142.00)	
10/31/18	111,034.74		21,409.00		
11/30/18	74,099.17		20,877.00		
12/31/18	76,827.78	(57,351.00)	836.00	(18,349.33)	
	<u>1,078,859.95</u>	<u>(69,175.48)</u>	<u>166,555.53</u>	<u>6,930.23</u>	<u>0.00</u>
01/31/19	82,555.92		10,093.00		
02/28/19	69,016.25		6,718.00		
03/31/19	144,237.17	1,057.58	9,921.00	(1,771.52)	
04/30/19	168,603.33		14,344.20		
05/31/19	117,526.96		3,658.34		
06/30/19	117,082.61	6,545.58	1,160.00	6,603.60	
07/31/19	122,333.38		1,664.00		
08/31/19	138,060.35		149.00		
09/30/19	108,048.57	2,142.96	0.00	719.40	
10/31/19	116,080.43		99.00		
11/30/19	91,103.32		10,872.00		
12/31/19	98,846.15	6,244.10	10,290.00	(1,922.37)	
	<u>1,373,494.44</u>	<u>15,990.22</u>	<u>68,968.54</u>	<u>3,629.11</u>	<u>0.00</u>
01/31/20	66,867.94		3,840.00		
02/29/20	106,186.41		27,145.00		
03/31/20	106,484.18	1,322.37	24,098.00	15,967.32	
04/30/20	64,167.22		14,204.00		
05/31/20	134,802.64		28,702.00		
06/30/20	158,042.84	(64,038.78)	28,292.00	15,072.82	
07/31/20	158,838.52		12,614.00		
08/31/20	157,409.73		28,292.00		
09/30/20	130,039.68	4,770.27	10,013.00	(3,063.60)	0.00
10/31/20	162,952.77		11,641.00		
11/30/20	136,327.76		31,300.00		
12/31/20	133,966.67	5,829.46	28,407.00	2,857.55	
	<u>1,516,086.36</u>	<u>(52,116.68)</u>	<u>248,548.00</u>	<u>30,834.09</u>	<u>0.00</u>
01/31/21	144,882.10		42,062.00		



02/28/21	102,064.83		31,211.00		
03/31/21	150,411.65	(153.56)	39,820.00	8,802.91	
04/30/21	136,653.20		36,360.00		
05/31/21	125,964.77		19,298.00		0.00
06/30/21	102,381.56	1,151.53	8,406.00	2,107.39	
07/31/21	123,559.05		1,350.00		
08/31/21	111,553.27		2,340.00		
09/30/21	136,045.11	4,477.64	10,710.00	(2,428.33)	
10/31/21	93,063.72		11,593.00		
11/30/21	73,363.19		9,682.00		
12/31/21	88,378.23	969.40	0.00	(3,328.60)	
	1,388,320.68	6,445.01	212,832.00	5,153.37	0.00
01/31/22	90,254.52		3,759.00		0.00
02/28/22	151,435.22		37,130.10		
03/31/22	128,684.66	1,708.08	32,722.10	1,712.68	
	370,374.40	1,708.08	73,611.20	1,712.68	0.00
OVERALL TOTAL:	5,727,135.83	(97,148.85)	770,515.27	48,259.48	0.00

(97,148.85)	UNDER-REPORTED GROSS REVENUE
48,259.48	UNDER-STATED EXEMPT REVENUE
(48,889.37)	UNDER-REPORTED TAXABLE REVENUE
7%	
3,422.26	TAX DUE



2) LA QUINTA INN & SUITES BY WYNDHAM

Review date: Electronic Audit

Review period: April 1, 2018 through March 31, 2022 (48 months)

Review findings

- Examiner noted a variation in Gross Revenue reported to the City versus actual Gross Revenue. It was determined that Gross Revenue was under-reported.
- Examiner found the property has not been collecting or remitting taxes to the City for Pet Fees
- Examiner noted a variation in Exempt Revenue reported to the City versus actual Exempt Revenue. It was determined that Exempt Revenue was under-stated.
- Examiner noted improper exemptions for educational organizations.

NOTE: Property agreed to the selection of 4 test months for review of exemptions. Examiner calculated an error rate based on the review of these 4 test months and then calculated an average error rate. This average error rate was applied to the total amount of exemptions reported during the 48-month audit period.

Deficiencies identified

- Under-reported Gross Revenue in the amount of \$2,611.17.
- Failure to collect and remit taxes on Pet Fees totaling 9,227.14.
- Credit for under-stated Exempt Revenue totaling \$7,755.47.
- Improper exemptions with extrapolated total of \$5,199.32.

Deficiency amount: \$182.78 + \$645.90 + (\$542.88) + \$363.95 = \$649.75

Characteristics

Number of rooms:	57
Average daily rate:	\$118
Occupancy rate:	79%
Gross Rents:	\$7,702,713.59



Data collected and hotel-supplied property records reviewed:

- Monthly Reports
- Exemption Reports
- Guest Folios
- Exemption Certificates

EXPLANATION OF DEFICIENCY FOR LA QUINTA INN & SUITES BY WYNDHAM:

DATE	TOTAL ROOM REVENUE	VARIANCE	PET FEES	EXEMPT REVENUE-HOTEL REPORT	VARIANCE	INVALID EXEMPTIONS
04/30/18	166,453.40	0.00	0.00	22,586.00	0.00	
05/31/18	175,583.20	(225.00)	9.99	10,042.65	0.00	
06/30/18	195,686.53	0.00	0.00	11,653.13	0.00	
07/31/18	188,346.08	0.00	0.00	7,429.77	0.00	
08/31/18	178,034.44	0.00	0.00	10,699.77	0.00	
09/30/18	133,684.51	1,725.00	0.00	7,010.10	0.00	
10/31/18	173,717.04	0.00	0.00	7,807.77	0.00	
11/30/18	156,807.98	(6,311.27)	0.00	6,133.27	6,133.27	
12/31/18	141,220.23	0.00	0.00	8,905.69	0.00	
	1,509,533.41	(4,811.27)	9.99	92,268.15	6,133.27	0.00
01/31/19	164,619.99	0.00	0.00	8,919.00	0.00	
02/28/19	140,649.83	0.00	0.00	9,635.00	0.00	
03/31/19	195,837.59	0.00	0.00	8,259.00	0.00	0.00
04/30/19	203,950.30	0.00	0.00	10,901.00	0.00	
05/31/19	182,027.66	0.00	0.00	11,097.00	0.00	
06/30/19	181,728.39	0.00	0.00	6,133.20	0.00	
07/31/19	186,800.69	0.00	0.00	4,381.20	0.00	
08/31/19	168,871.86	375.00	0.00	6,044.00	0.00	
09/30/19	171,016.05	75.10	0.00	6,948.00	0.00	
10/31/19	188,802.79	0.00	0.00	17,663.40	0.00	
11/30/19	151,437.42	45.00	0.00	6,923.70	0.00	
12/31/19	130,439.20	65.00	0.00	1,622.20	1,622.20	
	2,066,181.77	560.10	0.00	98,526.70	1,622.20	0.00
01/31/20	146,822.07	300.00	0.00	806.40	0.00	
02/29/20	166,182.75	85.00	0.00	4,449.29	0.00	
03/31/20	134,824.16	0.00	0.00	18,421.31	0.00	
04/30/20	76,207.44	150.00	0.00	99.00	0.00	
05/31/20	120,838.35	260.00	0.00	0.00	0.00	
06/30/20	171,985.43	0.00	0.00	0.00	0.00	
07/31/20	199,685.10	95.00	0.00	99.00	0.00	
08/31/20	192,391.77	0.00	0.00	9,504.00	0.00	



09/30/20	169,733.92	0.00	0.00	7,757.00	0.00	
10/31/20	172,212.85	0.00	40.00	2,277.00	0.00	
11/30/20	156,809.20	0.00	80.00	5,555.00	0.00	0.00
12/31/20	163,729.58	0.00	80.00	2,169.00	0.00	
	<u>1,871,422.62</u>	<u>890.00</u>	<u>200.00</u>	<u>51,137.00</u>	<u>0.00</u>	<u>0.00</u>
01/31/21	188,868.00	0.00	0.00	2,772.00	0.00	
02/28/21	106,054.84	0.00	300.00	13,416.65	0.00	
03/31/21	197,080.45	0.00	780.00	11,349.00	0.00	
04/30/21	195,594.10	0.00	800.00	7,770.00	0.00	
05/31/21	152,187.40	0.00	920.00	3,069.00	0.00	
06/30/21	146,943.61	150.00	1,000.00	9,384.97	0.00	
07/31/21	174,543.01	0.00	1,460.00	7,117.06	0.00	251.82
08/31/21	153,192.68	0.00	497.64	4,195.00	0.00	
09/30/21	154,119.38	0.00	700.00	8,399.00	0.00	
10/31/21	129,010.97	525.00	720.00	0.00	0.00	
11/30/21	134,994.01	0.00	540.00	4,842.14	0.00	
12/31/21	65,817.91	75.00	199.51	0.00	0.00	
	<u>1,798,406.36</u>	<u>750.00</u>	<u>7,917.15</u>	<u>72,314.82</u>	<u>0.00</u>	<u>251.82</u>
01/31/22	141,180.19	0.00	380.00	232.20	0.00	
02/28/22	174,137.62	0.00	220.00	11,098.00	0.00	
03/31/22	141,851.62	0.00	500.00	23,252.14	0.00	552.25
	<u>457,169.43</u>	<u>0.00</u>	<u>1,100.00</u>	<u>34,582.34</u>	<u>0.00</u>	<u>552.25</u>
OVERALL TOTAL:	<u>7,702,713.59</u>	<u>(2,611.17)</u>	<u>9,227.14</u>	<u>348,829.01</u>	<u>7,755.47</u>	<u>5,199.32</u>
						PER EXTRAPOLATION

(2,611.17)	UNDER-REPORTED GROSS REVENUE
(9,227.14)	UNREPORTED PET FEES
7,755.47	UNDER-STATED EXEMPT REVENUE
(5,199.32)	INVALID EXEMPTIONS (PER EXTRAPOLATION)
(9,282.16)	TOTAL ADDITIONAL TAXABLE REVENUE
7%	
649.75	TAX DUE



SECTION III) AUDIT PARTICIPANTS AND REPRESENTATIVES

BEST WESTERN PORT LAVACA INN

Hotel: Jack Thimmaraju, Partner
936-446-7505
Avenu: Adrian Cedillo, Audit Supervisor

LA QUINTA INN & SUITES

Hotel: William Wang, Owner
775-813-1688
Avenu: Adrian Cedillo, Audit Supervisor



SECTION IV) CONTACTS

Adrian Cedillo, Audit Supervisor
281-677-2963 x51216 or Adrian.cedillo@avenuinsights.com

Greg Koontz, Client Executive
817-771-4066 or Greg.Koontz@avenuinsights.com



SECTION V) FIELD AUDIT NOTES AND BACK-UP DOCUMENTATION, PER PROPERTY

- THIS INFORMATION WILL BE PROVIDED VIA THE ONLINE SHARED FILE (ONEDRIVE).