



**Water Parks Financial Review Audit  
No. A2022-05**

Issued by the  
Internal Audit Office  
August 16, 2022

**City of El Paso  
Internal Audit Office  
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***EXECUTIVE SUMMARY***

The Internal Audit Office has concluded the Water Parks Financial Review Audit. During the 2021 Summer Season, the four El Paso Water Parks officially opened their doors to the public and completed their first year of operation. The four El Paso Water Parks are operated and managed by Destination El Paso. Based on the results of the audit, two findings were identified. Both findings are considered “Regular Findings”.

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

1. *Solicitation No. 2020-680R – Civic, Convention Center & Tourism Services* outlines the Contract Terms and Conditions for managing and operating the four El Paso Water Parks. A review of Solicitation No. 2020-680R identified that:
  - Solicitation No. 2020-680R should be amended to reflect the change of the Point of Sale (POS) Software used at the El Paso Water Parks. The Solicitation requires the use of the “*PerfectMind*” POS Software. Prior to opening the Water Parks, both City Management and Destination El Paso agreed to change the POS Software from “*PerfectMind*” to “*CenterEdge*” due to:
    - “*PerfectMind*” requiring higher installation costs than “*CenterEdge*.”
    - “*PerfectMind*” would not be ready for use by the opening day of the 2021 Summer Season.
  - Solicitation No. 2020-680R should be amended to address how El Paso Water Park Rates for admissions, rentals, party packages, and food are to be calculated and adjusted. The Solicitation does not provide a methodology to adjust the rates.
    - Prior to opening the 2022 Summer Season, the El Paso Water Park Rates were adjusted. All the Admission Rates, except Group Tickets and Season Passes, were increased by \$1.00 to \$3.00.
2. Destination El Paso should implement a process requiring the Water Park Managers to document the reason why a sales discount is granted. A review of the discounts granted at the Camp Cohen Water Park identified the following:
  - No documentation or notes were found to justify why the discounts were given.
  - Discounted transactions were properly approved by the Water Park Managers on the CenterEdge POS Software.

For a detailed explanation of the finding, please refer to the body of this report.

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***BACKGROUND***

On December 15, 2020, the City of El Paso awarded a contract to “ASM Global” to manage and operate the four El Paso Water Parks under Solicitation No. 2020-680R – *Civic, Convention Center & Tourism Services*. ASM Global operates as Destination El Paso in the City of El Paso. Destination El Paso is responsible for three City divisions: Visit El Paso, El Paso Live, and the El Paso Water Parks.

The El Paso Water Parks were funded with 2012 Quality of Life Bonds and were inaugurated for the 2021 Summer Season.

- The “*Camp Cohen*” Water Park opened to the public on May 29, 2021. Camp Cohen is located on 9700 Gateway N. Blvd., El Paso, Texas 79924.
- The “*Oasis*” Water Park opened to the public on June 6, 2021. Oasis is located on 13501 Jason Crandall Drive, El Paso, Texas 79938.
- The “*Lost Kingdom*” Water Park opened to the public on June 20, 2021. Lost Kingdom is located on 6001 Hughey Drive, El Paso, Texas 79925.
- The “*Chapoteo*” Water Park opened to the public on June 30, 2021. Chapoteo is located on 1225 Giles Road, El Paso, Texas, 79915.

On December 14, 2021, Destination El Paso reported the results of the first year of operations for the El Paso Water Parks to City Council and the public. According to the Destination El Paso Report, the results of the 2021 Summer Season were:

2021 El Paso Water Parks Statistics	
Employees hired	300
Attendance	98,158
Season Passes Sold	3,172
2021 Total Revenues Generated	\$1,618,379
2021 Total Expenses Incurred	(\$2,953,799)
2021 Total Deficit	(\$1,335,420)

Destination El Paso collects the revenues and pays for the day-to-day operational expenses for the four El Paso Water Parks, except Utilities. The Utilities (water, electricity, & gas) are paid by the City of El Paso. The reported expenses totaling \$2,953,799 did not include the Utility Costs to operate the El Paso Water Parks.

For the 2022 Summer Season, Destination El Paso projected \$2,338,000 in Revenues and \$5,732,546 in Expenses. Destination El Paso planned to hire 500 employees in 2022.

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***AUDIT OBJECTIVES***

The objective of this audit was to perform an assessment of the El Paso Water Parks' operations and financial activities. The audit addressed the following areas:

- Obtained an understanding of the Contract Services Agreement between the City of El Paso and Destination El Paso (ASM Global) to operate and manage the four El Paso Water Parks.
- Obtained an understanding of the El Paso Water Park's Fees and Expenses.
- Confirmed the Revenues and Expenses reported to the City of El Paso for the El Paso Water Parks.
- Determined if El Paso Water Park Fees are properly and consistently applied.
- Determined if the El Paso Water Parks have appropriate internal controls over revenue collections and other assets.
- Determined if the El Paso Water Parks are managed and operated as agreed on the Contract Services Agreement.
- Identified areas where inefficiencies need to be strengthened or improved.

***AUDIT SCOPE***

This was a limited scope audit. The audit focused on the operations and the financial transactions for the El Paso Water Park's – 2021 Summer Season.

***AUDIT METHODOLOGY***

In order to achieve the audit objectives, we:

- Interviewed management and staff from the City of El Paso, Destination El Paso, and the El Paso Water Parks.
- Obtained a copy of Solicitation No. 2020-680R to review the contract terms for the operation and management of the four El Paso Water Parks.
- Reviewed the Destination El Paso's internal Policies and Procedures for the El Paso Water Parks.
- Selected a sample of fees charged at the El Paso Water Parks to ensure they were consistent with the rates listed on the El Paso Water Park's Website.
- Selected a sample of daily sales to determine if the monies collected at the El Paso Water Parks were complete, well-supported, and properly reconciled.
- Reviewed if discounts, voids, and returns were well-supported and properly approved by a supervisor.
- Selected a sample of invoices for the El Paso Water Parks to determine if expenditures were appropriate, well-supported, approved, and properly paid.
- Verified if revenues and expenses for the El Paso Water Parks were accurately reported to the City of El Paso.
- Conducted a walk-through at the Lost Kingdom and Chapoteo Water Parks to review the security of the facilities and the safeguarding of City assets.

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We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. 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.

***REGULAR FINDING & RECOMMENDATION***

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**

**Solicitation No. 2020-680R**

City of El Paso Strategic Plan:

- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

Solicitation No. 2020-680R – Civic, Convention Center & Tourism Services:

- Section 1.1 Background Information: *In addition, in 2021, services will also include the management and operation of four (4) purpose-built, full-service, state-of-the-art, uniquely themed water parks, located across the city. The City of El Paso has developed a software system offeror must use, PerfectMind.*
- Section 3.1 – Scope of Works and Minimum Requirements for the four Regional Water Parks: *All aspects of operation and management including, but not limited to: staffing, food services, special event planning, rentals, marketing, sales, customer service, maintenance, housekeeping, public safety, and security. The City of El Paso has developed a software system, the offeror must use PerfectMind.*

Solicitation No. 2020-680R – Civic, Convention Center & Tourism Services outlines the Contract Terms and Conditions for managing and operating the four El Paso Water Parks. A review of Solicitation No. 2020-680R identified the following:

- Solicitation No. 2020-680R has not been amended to reflect the change of the Point of Sale (POS) Software used at the El Paso Water Parks. The Solicitation requires the use of the “*PerfectMind*” POS Software. Prior to opening the Water Parks, both City Management and Destination El Paso agreed to change the POS Software from “*PerfectMind*” to “*CenterEdge*” due to:
  - “*PerfectMind*” requiring higher installation costs than “*CenterEdge*.”
  - “*PerfectMind*” would not be ready for use by the opening day of the 2021 Summer Season.
- Solicitation No. 2020-680R does not address how El Paso Water Park Rates for admissions, rentals, party packages, and food are to be calculated and adjusted. The Solicitation does not provide a methodology to adjust the rates.
  - Prior to opening the 2022 Summer Season, the El Paso Water Park Rates were adjusted. All the Admission Rates, except Group Tickets and Season Passes, were increased by \$1.00 to \$3.00. For example, the General Admission Rate increased from \$12.00 to \$15.00 per person.
  - The Deputy City Manager of Quality of Life (at that point in time) approved the rate increases.

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**Recommendation**

The Contract Terms for Solicitation No. 2020-680R should be amended to:

- Designate “*CenterEdge*,” as the official Point of Sale Software used at the El Paso Water Parks.
- Document a methodology for calculating and adjusting El Paso Water Park Rates for admissions, rentals, party packages, and food.

**Management’s Response**

**Change in Point of Sale (POS) Software:**

ASM Global (ASM) and the City of El Paso (the City) had discussions for the need and subsequent decision to change the POS Software prescribed in Solicitation No. 2020-680R Management Agreement. ASM held discussions with the Deputy City Manager of Quality of Life and both understood the reasoning for the use of “*CenterEdge*” Software a subsidiary of Pathfinder Software LLC versus “*PerfectMind*” for the Water Parks POS Software. The decision and deviation was not documented. ASM will work with the City to establish documentation through a “Memorandum of Understanding” or “Letter of Agreement” detailing the deviation from Solicitation No. 2020-680R and the reasoning for establishing the use of “*CenterEdge*” as El Paso Waterpark's POS Software. We plan to address the deviation as soon as possible with the City and receive guidance on the action required.

**Adjustment and Calculation of Water Park Rates:**

ASM Global (ASM) is working to begin to incorporate an official methodology, for calculations, of any future adjustments, for rates for admissions, rentals, food & beverage etc. for the El Paso Water Parks. Currently, there is not enough history on the Water Parks for a good analysis. A Water Park Consultant was used for information gathering during inception of operations. All current and previous pricing was reviewed and approved by the Deputy City Manager.

**Responsible Party**

Jose Garcia, President & CEO, Destination El Paso

**Implementation Date**

Prior to the Memorial Day 2023 Opening Weekend

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**Finding 2**

**Discount Transactions**

City of El Paso Strategic Plan:

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

Best business practices state:

*Discounted transactions are a reduction of revenues. Proper documentation is key to justify the completion of a transaction. Documentation provides a record of each event or activity, and therefore ensures the accuracy and completeness of a transaction. Documentation provides evidence of what has happened, as well as provides information for researching discrepancies.*

The El Paso Water Park Managers give sales discounts for:

- Food and beverage purchases (ex: Water Park employees get a 50% discount),
- To attract new customers (ex: during soft-openings),
- To address customer service issues.

A review of the discounts granted at the Camp Cohen Water Park during the month of July 2021 identified the following:

- Destination El Paso does not have a process in place requiring the Water Park Managers to document the reason why a sales discount was granted.
  - Although the discounts reviewed were properly approved by a Water Park Manager on the CenterEdge Point of Sale (POS) Software, we found no documentation or notes to justify why the discounts were given.
  - The current practice is for Water Park Managers to verbally direct a cashier to process a discount or Managers themselves apply the discount on the CenterEdge POS Software.

Below is a breakdown of the type of discounts granted at the Camp Cohen Water Park during the month of July 2021:

#	Type of Discount	Total Discounts Granted (\$)	# of Discounted Transactions
1	Private Event	\$5,000.00	4
2	Food and Beverage	\$1,552.04	474
3	Cabana Rental	\$1,238.38	13
4	Birthday Party	\$390.72	2
5	2021 Season Pass	\$304.97	6
6	General Admission	\$200.56	6
7	Under 48" Admission	\$117.14	2
8	Military Admission	\$60.00	1
9	Twilight Admission	\$52.95	2
<b>Totals:</b>		<b>\$8,916.76</b>	<b>510</b>



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**Recommendation**

Destination El Paso's Management should implement a process requiring the Water Park Managers to document the reason why a sales discount was given.

**Management's Response**

It was noted, in FY2021, there was no written documentation or documentation via the Point of Sale of the reason why a sales discount was given by Park Managers. Beginning in the FY2022 Season, any manager-initiated discount is being documented by written approval and the reason for the discount on an internal receipt and kept as record for the discount.

**Responsible Party**

Pavlova Sheffield, Director of Water Park Operations

**Implementation Date**

In-Season/Completed

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***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 Water Parks Financial Review 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 whether Destination El Paso met the objectives of this audit. Based on our audit work, we have determined that:

1. Destination El Paso met the objectives of the audit in the following areas:
  - Adhering to the terms and conditions outlined on Solicitation No. 2020-680R – *Civic, Convention Center & Tourism Services* for managing and operating the El Paso Water Parks.
  - Properly and consistently charging El Paso Water Park Fees.
  - Accurately reporting the El Paso Water Park Revenues and Expenses they incurred to the City of El Paso.
  - Implementing appropriate internal controls over the revenue collections and other City assets.
2. Destination El Paso and City of El Paso did not meet the objectives of the audit in the following areas:
  - Amending the contract terms of Solicitation No. 2020-680R to:
    - Designate “*CenterEdge*” as the Point of Sale Software used at the El Paso Water Parks.
    - Document a methodology for calculating and adjusting El Paso Water Park Rates for admissions, rentals, party packages, and food.
  - Implementing a process for requiring the Water Park Managers to document the reason why a sales discount was given.

We wish to thank the Destination El Paso Management and El Paso Water Park staff for their assistance and numerous courtesies extended during the completion of this audit.

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*Signature on File*

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