

Memorandum



CITY OF DALLAS

DATE: April 21, 2026

TO: Honorable Members of the Finance Committee: Chad West (Chair), Kathy Stewart (Vice Chair), Zarin Gracey, Maxie Johnson, Jesse Moreno, Jaime Resendez, Gay Donnell Willis

SUBJECT: Internal Audit Reports Released from March 24, 2026, to April 20, 2026

Attached for your review is the Office of the City Auditor audit reports released from March 24, 2026, through April 20, 2026. See following pages for the full reports. **Exhibit 1**, summarizes the number of report recommendations accepted by city management.

Exhibit 1: Summary of Audit Report Recommendations Accepted

Audit Report Title	Report Recommendations		
	Accepted	Total	Percentage
Audit of Communication & Customer Experience /311 Service Level Agreements (April 8, 2026)	6	6	100
Audit of Cultural Programs (April 6, 2026)	5	5	100

The Office of the City Auditor continues to make progress on the fiscal year audit plan. **Twelve** reports have been issued to date, with additional projects currently in planning, fieldwork, and reporting stages. **Exhibit 2** summarizes the status of ongoing audit work. The Office of the City Auditor remains on track to complete the fiscal year audit plan.

Exhibit 2: Fiscal Year Audit Plan Status Update

Fiscal Year Audit Plan Progress	Status	Examples of Audits Currently in Progress
Total Planned Reports	20	<ul style="list-style-type: none"> – Women & Infant Care Cost Benefit Analysis – Permitting Process – Park and Recreation Revenue Management – Convention and Event Services
Reports Issued	12	
Audits in Planning	7	
Audits in Fieldwork	4	
Audits in Reporting	3	
Reports Pending Management Response	2	

April 21, 2026

Internal Audit Reports Released From March 24, 2026 to April 20, 2026

Page 2 of 2

The Office of the City Auditor appreciates the continued support of the Finance Committee and looks forward to continuing to provide independent oversight to assist the Council in its governance responsibilities.

If you have any questions, please contact me at (214) 670-4911 or mamatha.sparks@dallas.gov.

Sincerely,

Mamatha Sparks

Mamatha Sparks
Interim City Auditor

c:

Kimberly Bizer Tolbert, City Manager
Tammy Palomino, City Attorney
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Baron Eliason, Inspector General (I)
Dominique Artis, Chief of Public Safety
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager
Robin Bentley, Assistant City Manager
Jack Ireland, Chief Financial Officer
Ahmad Goree, Chief of Staff
Directors and Assistant Directors

"Service First, Now!"

Connect – Collaborate – Communicate



Audit of Cultural Programs

April 6, 2026

Mamatha Sparks
Interim City Auditor

Mayor

Eric L. Johnson

Mayor Pro Tem

Jesse Moreno

Deputy Mayor Pro Tem

Gay Donnell Willis

Council Members

Adam Bazaldua

Lorie Blair

Paula Blackmon

Laura Cadena

Zarin D. Gracey

Maxie Johnson

Cara Mendelsohn

Jaime Resendez

Paul E. Ridley

William Roth

Kathy Stewart

Chad West

Table of Contents

EXECUTIVE SUMMARY	3
OBJECTIVE AND CONCLUSION	4
RECOMMENDATIONS.....	4
RISK SUMMARY	5
AUDIT RESULTS	6
OBSERVATION A: HOTEL OCCUPANCY TAX USE FOR CULTURAL PROGRAMMING.....	6
OBSERVATION B: EXPENDITURE AND PERFORMANCE MONITORING	9
BACKGROUND.....	13
METHODOLOGY	15
GOVERNMENT AUDITING STANDARDS STATEMENT	15
REPORT CLASSIFICATION	15
MAJOR CONTRIBUTORS	16
APPENDIX A – MUNICIPAL HOTEL OCCUPANCY TAX GUIDANCE	17
APPENDIX B – ACKNOWLEDGEMENT LETTER.....	27

Executive Summary

The Office of Arts and Culture administers three primary cultural contract programs:

- Cultural Organizations Program, which provides operational support to nonprofit arts organizations.
- Community Artist Program, which contracts with individual artists and organizations to provide neighborhood-based cultural services.
- ArtsActivate, which funds project-based cultural initiatives.

These programs operate under the direction of the Cultural Policy and the Cultural Plan, both adopted by City Council on November 28, 2018. The Cultural Policy establishes the City's guiding principles for cultural services, including a mission to ensure access to arts experiences in every neighborhood, a commitment to cultural immersion, and a framework for contracting cultural services through operational, project-based, and neighborhood-focused programs. The Cultural Plan provides a citywide blueprint for investment and identifies six long-term priorities—equity, diversity, space, support for artists, a sustainable arts ecosystem, and communication—supported by 31 strategies and 140 initiatives.

In Fiscal Year 2024, 249 participants received more than \$8 million from the three programs funded from the City's general fund and/or hotel occupancy tax revenue.

The objectives of this audit were to determine whether primary cultural contracts of the Office of Arts and Culture have working internal controls to: (1) prevent and detect ineligible recipient expenditures, and (2) to monitor recipient performance.

The scope of the audit included Fiscal Year 2024 recipients of monetary awards from the Cultural Organizations Program, Community Artist Program, and ArtsActivate Program.

Objective and Conclusion

1. Does the Cultural Program Division of the Office of Arts and Culture have internal controls to monitor recipient performance and expenditures, including use of hotel occupancy tax and general fund revenue?

Generally, no. The Cultural Programs Division of the Office of Arts and Culture has defined ineligible expenditures for each contract but does not have internal controls to prevent and detect ineligible expenditures.

While the Cultural Support Programs Division requires recipients to submit performance reports into Zengine (program management web-based application), internal controls to review expenditures are limited, informal, and inconsistently applied. There is no assurance that cultural services were completed as reported, achieved intended program outcomes, or complied with eligibility and funding requirements. (See [Observation A](#) and [Observation B](#).)

Recommendations

Management should:

- Develop and implement a formalized process to evaluate and document whether proposed cultural programming expenditures meet hotel occupancy tax eligibility requirements prior to expenditure.
- Establish standardized documentation practices to substantiate hotel occupancy tax reimbursements for arts programs that directly promote tourism and the hotel and convention industry in accordance with Texas Tax Code §351.101.
- Develop and implement formal written procedures and work instructions for monitoring cultural programming contracts, including verification of expenditures and performance results.
- Require submission and retention of supporting financial documentation (e.g., invoices, receipts, payroll records) to substantiate reported expenditures under cultural programming contracts.
- Perform and document budget-to-actual comparisons and require written explanations for significant budget or performance variances.

Risk Summary

Risk classification is based on criteria outlined in the *Standards for Internal Control In The Federal Government*—Compliance, Operational, Financial and citizen focused criteria of Public Image. Each program is evaluated against these criteria, and the resulting risk classification reflects the program’s alignment with departmental goals as well as its overall significance to the community.

Classification	No.	Management’s Response
● High	2	Management agreed to 2 out of 2 recommendations.
● Moderate	3	Management agreed to 3 out of 3 recommendations.
● Low	0	

Audit Results

Both City Council Resolution 88-3428 and Administrative Directive 4-09, Internal Control prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Hotel Occupancy Tax Use For Cultural Programming

Risk Rating: ● High

The Office of Arts and Culture has not formalized or documented a standardized process for demonstrating how hotel occupancy tax revenues applied to arts programming meet state law requirements. The Office of Arts and Culture currently relies on professional judgment, experience, and varying interpretations of applicable statutes when distributing hotel occupancy tax revenues to arts programs. While these judgments may reflect subject-matter expertise, they are not supported by a formalized documentation process demonstrating how each expenditure satisfies statutory tourism requirements. The City may have difficulty demonstrating compliance with state law if the use of hotel occupancy tax revenues is reviewed or challenged.

Various available guidance consistently emphasizes that hotel occupancy tax revenues must directly promote tourism and the hotel and convention industry by attracting overnight visitors (*“putting heads in beds”*). Texas Tax Code §351.101 requires that expenditures both: (1) promote tourism and the hotel industry, and (2) fall within an authorized category, such as the encouragement and promotion of the arts. Guidance from the Texas State Comptroller, the Texas Municipal League, Texans for the Arts, and the Texas Hotel and Lodging Association reiterates this requirement and provides examples of how municipalities may document tourism impact.

Examples of acceptable documentation may include:

- Demonstrating that events are tied to conventions or hotel bookings.
- Hosting events within designated cultural districts that attract visitors.
- Collecting attendee surveys, ticketing data, or hotel booking information showing overnight visitors attributable to the event.

See [Appendix A](#) for full details on the guidelines and examples on how to demonstrate impact on tourism.

In Fiscal Year 2024, the Office of Arts and Culture received \$8.9 million in hotel occupancy tax reimbursements. Of that amount, approximately \$4 million funded 28 Cultural Organization Program contract recipients considered likely to attract out-of-town visitors. Documentation demonstrating direct tourism impact or support of the hotel and convention industry by these recipients was not maintained. The remaining \$4.9 million in hotel occupancy tax reimbursement was spent on cultural programs that may not meet the requirements for the hotel occupancy tax.

Since the Office of Arts and Culture has not established a formalized process to determine and document which cultural programming directly enhances and promotes tourism, sufficient documentation is not retained to substantiate eligibility for hotel occupancy tax reimbursement. Evidence such as tracking non-local or overnight attendance, conducting post-event surveys, maintaining ticketing data, documenting hotel room reservations, or otherwise demonstrating how funded arts activities directly enhance and promote tourism would strengthen the City's ability to demonstrate that expenditures meet the statutory tourism requirement. While program intent may align with arts promotion, documented evidence of tourism impact is necessary to demonstrate compliance with statutory criteria.

Criteria

- ◆ Dallas City Code, Section 44-35: Levy; Amount; Disposition of Revenue.
- ◆ Texas Tax Code, Section 351.101. Use of Tax Revenue.
- ◆ Local Hotel Occupancy Tax Overview by Kelly Hancock, Acting Texas Comptroller of Public Accounts.
- ◆ The Hotel Tax “Two-Step” by Bill Longley, Texas Municipal League Counsel.
- ◆ Local Hotel Tax Funding of the Arts by Texas Cities, The Texas Hotel & Lodging Association and Texans for the Arts.
- ◆ *Standards for Internal Control in the Federal Government: Principle 16–Perform Monitoring Activities.*

Recommendation

We recommend the **Director of Office of Arts and Culture:**

A.1: Develop and implement a formalized process to evaluate and document whether proposed cultural programming expenditures meet hotel occupancy tax eligibility requirements prior to expenditure.

A.2: Establish standardized documentation practices to substantiate that hotel occupancy tax reimbursements for arts programs directly promote tourism and the hotel and convention industry in accordance with Texas Tax Code §351.101. Documentation may include evidence of out-of-town attendance, post-event surveys, ticketing data, hotel booking information, or other verifiable measures demonstrating tourism impact.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
A.1	Agree	<p>While there are no formal quantitative guidelines, the Office of Arts and Culture (OAC) has historically relied on guidance issued by the presidents of the Texas Hotel & Lodging Association (THLA), Texans for the Arts (TFA), and legal opinions to ensure compliance with Hotel Occupancy Tax (HOT) eligible funding. However, OAC agrees to implement a more formalized and documented process to consistently demonstrate that HOT expenditures meet statutory requirements.</p> <p>OAC has contacted the cities of San Antonio, Houston, and Austin, as well as the THLA and TFA, to inquire about best practices that satisfy the compliance requirements.</p> <p>This process will be formalized in both internal procedures and program guidelines to ensure consistency across all cultural service programs. In addition, OAC will examine partnerships with VisitDallas and the City's Convention and Event Services Department to explore possible approaches for capturing overnight visitor data that are feasible for arts organizations of varying sizes.</p>	12/31/2026; 06/30/2027
A.2	Agree	OAC has developed a soon-to-be-implemented checklist to ensure documentation substantiates that Hotel Occupancy Tax reimbursements for arts programs directly promote tourism and the hotel and convention industry in accordance with Texas Tax Code §351.101.	12/31/2026; 06/30/2027

Observation B: Expenditure and Performance Monitoring

Risk Rating: ● Moderate

The Office of Arts and Culture’s primary arts programs have not established formalized internal controls to monitor cultural programming contracts to ensure that: (1) contract expenditures are eligible, reasonable, and compliant with contract terms and program guidelines, and (2) funded activities achieve results against contract scopes of work and deliverables. The absence of structured expenditure and performance verification increases the risk that public funds may be used for ineligible purposes, that waste or inefficiencies may not be identified timely, and that the City is unable to demonstrate whether funded programs achieve intended outcomes.

In Fiscal Year 2024, the Office of Arts and Culture spent more than \$8 million on Cultural Organizations Program, ArtsActivate, and Community Artist Program contracts. See **Exhibit 1**.

Exhibit 1: Fiscal Year 2024 Cultural Programming Contract Count and Amounts

Program	Number of Contracts	Actual Expenditure
Cultural Organizations Program	52	\$6,149,342
Community Artist Program	65	512,934
ArtsActivate Program	132	1,379,347
Totals	249	\$8,041,623

Source: Office of Arts and Culture and AMS Advantage.

A review of a sample of 25 Fiscal Year 2024 cultural programming contracts (13 ArtsActivate Program contracts, seven Community Artist Program contracts, and five Cultural Organizations Program contracts) indicated that monitoring activities are limited to confirming the submission of reports in Zengine (program management web-based application). Monitoring activities do not include documented verification of reported financial or deliverable information.

Specifically, the Office of Arts and Culture does not document or perform:

- Reviews of supporting financial documentation (e.g., invoices, receipts, payroll records) to verify reported expenditures.
- Budget-to-actual reconciliations or explanations for significant variances.
- Reviews of expenditures for allowability, reasonableness, or timing within the contract period.
- Site visits or other verification procedures to confirm that funded activities occurred as reported.
- Formal reviews or approvals of reported results against contract scopes of work and deliverables.

- Calculations or enforcement actions related to unspent or ineligible costs.

Although program guidelines for ArtsActivate, Community Artist Program, and Cultural Organizations Program define ineligible costs (such as fundraising, underwriting of capital expenses, travel, or food), structured controls have not been established to verify that these restrictions are enforced in practice.

The Office of Arts and Culture has not developed or implemented formal written procedures or work instructions for monitoring cultural programming contracts. Documented processes have not been established for verifying expenditures, defining and measuring performance expectations, reviewing supporting documentation, or retaining evidence of monitoring activities (e.g., checklists, approval memoranda, signoffs, or verification logs). Monitoring practices are largely informal and not consistently documented. In addition, cultural programming contracts and guidelines do not consistently require performance measures or supporting documentation to substantiate reported costs and outcomes.

Criteria

- ◆ Cultural Policy, Council Resolution No. 18-1683 November 28, 2018.
- ◆ The 2018 Dallas Cultural Plan.
- ◆ ArtsActivate Fiscal Year 2024 Guidelines for Non-Profit Organizations and Individual Artists.
- ◆ Cultural Organizations Program Fiscal Year 2024 Guidelines for Non-Profit Arts and Culture Organizations.
- ◆ Fiscal Year 2024 Community Artist Program Guidelines for Non-Profit Organizations and Individual Artists.
- ◆ National Endowment for the Arts “Project Budget Instructions 11/12/2024.”
- ◆ Code of Federal Regulations Title 2, Subtitle A, Chapter II, Part 200—Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards.
- ◆ *Standards for Internal Control in the Federal Government*: Principle 16—Perform Monitoring Activities.

Recommendations

We recommend the **Director of the Office of Arts and Culture**:

B.1: Develop and implement formal written procedures and work instructions for monitoring cultural programming contracts, including verification of expenditures and performance results. Procedures should include:

- A documented process for reviewing expenditures for eligibility and allowability, addressing unsupported or ineligible costs, and documenting all review and approval activities.
- A risk-based monitoring approach (e.g., desk reviews and selective site visits) for higher-dollar or higher-risk contracts.
- Defined processes for establishing, monitoring, and documenting completion of contract deliverables.

B.2: Require submission and retention of supporting financial documentation (e.g., invoices, receipts, payroll records) to substantiate reported expenditures under cultural programming contracts.

B.3: Perform and document budget-to-actual comparisons and require written explanations for significant budget or performance variances.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
B.1	Agree	<p>While the guidelines of our programs and the nature of our interactions with artists do not currently require the collection and review of all receipts, OAC has consistently followed established procedures to review expenses and ensure that ineligible costs are not paid. Consultation with peer municipalities indicates that the auditor's recommendation exceeds the processes of similar cities whose programs are fully funded by HOT revenue.</p> <p>However, in the spirit of Dallas's leadership and in order to mitigate the potential risks identified, OAC agrees that implementing more structured internal controls to verify expenditures, performance outcomes, and contract compliance would be beneficial. Given current staffing levels and the volume of programs managed, OAC will adopt a risk-based approach that balances</p>	12/31/2026; 6/30/2027

No	Concurrence	Action Plan	Implementation / Follow-Up Date
		effective oversight with available administrative capacity.	
B.2	Agree	OAC will seek to revise program guidelines and contract templates to require recipients to submit and retain receipts for materials and labor invoices outlining cost allocation.	12/31/2026; 6/30/2027
B.3	Agree	As part of the final performance report submission process, OAC will require applicants to identify and justify significant performance and budget variances.	12/31/2026; 6/30/2027

Background

The Office of Arts and Culture (formerly known as Office of Cultural Affairs) was established in 1989 to oversee the City’s cultural services and arts funding programs. According to the 2018 Cultural Policy, early arts funding primarily supported six major institutions, historically referred to as the “Big Six”:

- Dallas Ballet (no longer in existence)
- Dallas Opera
- Dallas Museum of Art (formerly Museum of Fine Arts)
- Dallas Health and Science Museum (now part of the Perot Museum of Nature and Science)
- Dallas Symphony Association
- Dallas Theater Center

In 1977, these six organizations received more than 90 percent of the City’s organizational arts funding. Over time, the City expanded its cultural services model to include smaller nonprofit organizations, neighborhood-based programming, and individual artists.

Today, the Office of Arts and Culture administers several cultural service programs designed to support a sustainable and diverse arts ecosystem for Dallas residents and visitors. These programs operate under the direction of the Cultural Policy 2018 and the Cultural Plan 2018, both adopted by City Council on November 28, 2018.

The Cultural Policy 2018 established organizational support, project support, and neighborhood engagement as the core components of the City’s cultural funding framework. It outlines guiding principles for cultural services, including expanding access to arts experiences in every neighborhood, promoting cultural immersion, and formalizing contracting mechanisms for operational, project-based, and neighborhood-focused programs.

The Cultural Plan 2018 provides a citywide blueprint for cultural investment and identifies six long-term priorities: diversity, cultural space, equity, support for artists, sustainability of the arts ecosystem, and communication, supported by 31 strategies and 140 initiatives. The Cultural Plan further documented community concerns related to uneven distribution of cultural resources and recommended shifting funding toward programming and neighborhood access.

Cultural Services Programs

The Office of Arts and Culture administers three primary cultural service programs funded through general fund and hotel occupancy tax revenue. These programs contract for cultural services in alignment with the Cultural Policy 2018 and Cultural Plan 2018.

Cultural Organizations Program

The Cultural Organizations Program provides operational support to established Dallas-based nonprofit arts and cultural organizations. Funding supports annual public-facing programming, including exhibitions, concerts, performances, and workshops.

Eligibility requirements include:

- Nonprofit status in good standing for at least three years.
- A Dallas-based administrative office.
- Minimum annual operating revenue of \$100,000.
- At least one W-2 employee.

Funding is awarded through a panel-based review process and is capped at 50 percent of total revenue for organizations with revenues under \$1 million and 40 percent for organizations with revenues exceeding \$1 million.

Funding recommendations are made by the Allocations Committee of the Arts and Culture Advisory Commission, then recommended to the full commission. Final scopes of service and funding levels are approved by City Council. Program guidelines are approved annually by City Council prior to funding allocation or contracting.

Community Artist Program

The Community Artist Program is a neighborhood-based initiative that contracts with individual artists and nonprofit organizations, particularly those representing ethnically diverse communities, to provide culturally rooted performances and workshops in community settings.

The program operates under a roster model in which artists are reviewed, scored, and selected by a community panel. Payments are made after services are completed.

Funding recommendations are made by the Allocations Committee of the Arts and Culture Advisory Commission in alignment with the Cultural Policy. Program guidelines are approved annually by City Council prior to funding allocation or contracting.

ArtsActivate

ArtsActivate is a project-based funding program that supports one-time cultural projects. Eligible applicants include nonprofit organizations, individual artists, artist collectives, educational institutions, and social service organizations.

Funding is awarded through three application cycles each fiscal year using a combined staff and panel scoring process. Funding levels range from \$8,000 for individual artists to \$16,000 for larger organizations.

Funding recommendations are made by the Allocations Committee of the Arts and Culture Advisory Commission in alignment with the Cultural Policy. Program guidelines are approved annually by City Council prior to funding allocation or contracting.

Funding Structure

The Office of Arts and Culture’s cultural programs are funded through hotel occupancy tax revenues and the general fund. In Fiscal Year 2024, more than \$8 million was expended on cultural programs subject to this audit, including the Cultural Organizations Program, Community Artist Program, and ArtsActivate.

The Office’s total Fiscal Year 2024 budget was approximately \$23.2 million, including \$5.6 million in personnel services supporting approximately 68 full-time equivalent positions. The Cultural Support Programs Division, which administers the programs included in this audit, had a staff of approximately four to six employees during the audit period.

Methodology

The audit methodology included: (1) interviewing personnel from the Office of Arts and Culture; (2) reviewing procedures, the Texas Tax Code, applicable administrative directives, (3) reviewing a sample of cultural program contracts, and (4) analyzing data from the City’s accounting system. In addition, all five components of *Standards for Internal Control in the Federal Government* were considered.

Government Auditing Standards Statement

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Report Classification

Final Report – For Public Use

This report is a product of the Office of the City Auditor and is issued in accordance with the Texas Public Information Act (Texas Government Code, Chapter 552).

Major Contributors

Dan Genz, CIA, CFE, CISA–Engagement Manager

Anatoli Douditski, MPA, CIA, CFE, ACDA–In-Charge Auditor

Michael Warr, CIA–Auditor

Appendix A – Municipal Hotel Occupancy Tax Guidance

There are three main sources of guidance for Texas Municipal Hotel Occupancy Tax uses as follows:

- Texas Tax Act Chapter 351 Municipal Hotel Occupancy Tax Section 351.10 excerpt
- Texas Two-Step–Guidance from the Texas Municipal League in 2015
- Texans for the Arts and the Texas Hotel and Lodging Association 2019 on the requirements for using these funds to support the arts

Texas Tax Code¹

Title 3. Local Taxation

Subtitle D. Local Hotel Occupancy Taxes

Chapter 351. Municipal Hotel Occupancy Tax

Subchapter B. Use and Allocation of Revenue

Sec. 351.101 Use of Tax Revenue

(a) Revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and that use is limited to the following:

(1) the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention center facilities or visitor information centers, or both;

(2) the furnishing of facilities, personnel, and materials for the registration of convention delegates or registrants;

(3) advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity;

(4) the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms;

(5) historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums:

(A) at or in the immediate vicinity of convention center facilities or visitor information centers; **or**

(B) located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates;

....

(9) signage directing the public to sights and attractions that are visited frequently by hotel guests in the municipality;

....

(b) Revenue derived from the tax authorized by this chapter shall be expended in a manner directly enhancing and promoting tourism and the convention and hotel industry as permitted by

¹ The auditor has provided an excerpt of the original document and formatted it for readability. This excerpt does not represent the full document.

Subsection (a). That revenue may not be used for the general revenue purposes or general governmental operations of a municipality.

(c) The governing body of a municipality by contract may delegate to a person, including another governmental entity or a private organization, the management or supervision of programs and activities funded with revenue from the tax authorized by this chapter. The governing body in writing shall approve in advance the annual budget of the person to which it delegates those functions and shall require the person to make periodic reports to the governing body at least quarterly listing the expenditures made by the person with revenue from the tax authorized by this chapter. The person must maintain revenue provided from the tax authorized by this chapter in a separate account established for that purpose and may not commingle that revenue with any other money. The municipality may not delegate to any person the management or supervision of its convention and visitors programs and activities funded with revenue from the tax authorized by this chapter other than by contract as provided by this subsection. The approval by the governing body of the municipality of the annual budget of the person to whom the governing body delegates those functions creates a fiduciary duty in the person with respect to the revenue provided by the tax authorized by this chapter.

(d) A person with whom a municipality contracts under this section to conduct an activity authorized by this section shall maintain complete and accurate financial records of each expenditure of hotel occupancy tax revenue made by the person and, on request of the governing body of the municipality or other person, shall make the records available for inspection and review to the governing body or other person.

....

In the grand scheme of things, city hotel occupancy taxes account for just a small amount of city revenue. Property taxes and sales taxes are far more important to most cities. Why does it seem, then, that hotel taxes generate so much confusion and controversy?

The answer is this: Hotel taxes, unlike most other taxes, are levied on a specific category of businesses—hotels. As a result, these businesses tend to pay close attention to how cities expend these funds. Spend city sales taxes in a controversial way, and no particular category of business feels singled out enough to raise a fuss. Perceived misuses of hotel taxes, on the other hand, are a different story.

Fortunately, it's very easy for a city official to remember how to legally spend hotel taxes. A city simply needs to remind itself to always follow the "two-part test." The key element of a two-part test is – surprise – that it has two parts! Cities frequently remember to meet one element of the test, but then entirely forget the other part. This article will succinctly describe the two-part test, and then describe some common situations to which we can apply the test.

Part 1: Heads in Beds

The first element of the two-part test is this: Every expenditure of hotel taxes must put "heads in beds." What this means is that every funded project must attract overnight tourists to the city's hotels and motels, thus promoting the city's hotel industry.

For example, how about a weekend-long arts and crafts show? There's a very good chance that out-of-town guests might come to visit such an event, so expenditure of hotel tax money on that event would likely qualify.

On the other hand, how about a quilting bee at a local nursing home? While a worthy cause, the quilting bee is unlikely to attract overnight tourists and, therefore, probably wouldn't qualify to receive hotel tax funds.

Part 2: The Nine Categories

Once a project has cleared the first part of the test, it's time for – you guessed it – the second part of the test. Here it is: Every expenditure of hotel taxes must also fit into one of nine statutorily authorized categories. These are the nine categories: (1) convention and visitor centers; (2) convention registration; (3) advertising the city; (4) promotion of the arts; (5) historical restoration and preservation; (6) sporting events in a county under one million in population; (7) enhancing or upgrading existing sports facilities or sports fields (only in certain cities); (8) tourist transportation systems; and (9) signage directing the public to sights and attractions that

are visited frequently by hotel guests in the city.

Thus, even if an event puts heads in beds, it cannot receive hotel tax money unless it also fits into one of the nine categories. For instance, what about a livestock auction that will attract attendees from surrounding counties? While that event is likely to attract overnight tourists, it doesn't fit neatly into one of the nine categories. Therefore, it's likely not a valid recipient of hotel tax money.

It's not enough to meet one of the two prongs of the two-part test. A city must meet both! The following are some real-life examples that have been the focus of inquiries received by the Texas Municipal League (TML) Legal Department.

Fireworks, Anyone?

The prototype hotel tax controversy is an event like a fireworks show or a parade. Cities frequently ask if they can fund a fireworks show with hotel tax money.

Let's subject a fireworks show to the two-part test. Does a fireworks show put heads in beds? The answer is "probably not," unless it is a truly spectacular event. But let's give it the benefit of the doubt. Suppose the Town of Pyrotechnic, Texas, truly does put on a fireworks extravaganza that attracts tourists from around the state. So far, so good.

But what about the second part of the test – the nine categories? Do fireworks shows fit neatly into any of the nine? Not really. Some may argue that such shows "advertise" the city, but this is likely not what that category means. Advertising the city literally means some sort of print or other media that explicitly promote the city. Otherwise, a city could simply say that any popular event "advertises" the city that holds it. Direct funding of fireworks displays and the like are, usually, not a very good fit.

Signs of the Times?

Another frequent question concerns highway signs promoting the city. May a city fund a billboard touting the city's attractions, restaurants, and hotels? Let's put it to the two-part test. Heads in beds? Well, why not? If a billboard encourages motorists to stop in town, those motorists might stay the night, whereas without the sign they would have driven on to the next city. This is exactly what the statute intends. The nine categories? How about advertising? Prior to 2009, a convincing argument could be made that because a billboard literally advertises the city it refers to, that it would fit within the advertising category. All doubt was erased in 2009, when the Texas Legislature added the ninth category – signage directing the public to



sights and attractions. Travel signs are a perfect fit for hotel occupancy tax expenditures.

Chambers of Commerce?

Cities frequently wonder if they can fund the local chamber of commerce using hotel tax money. Do chambers put heads in beds? Maybe, maybe not. Chambers of commerce are typically charged with promoting economic development, not tourism. Even assuming a chamber does promote tourism though, how about the nine categories? Funding a chamber doesn't, in itself, fall into any of the nine categories.

Fortunately, there is an easy solution. The laws governing hotel tax expenditures permit the city to delegate expenditure of hotel tax money to another entity, typically a chamber or convention and visitor bureau. As long as the chamber spends the money on projects that otherwise meet the two-part test mentioned above, it's fine to delegate some funds to them. There must be a written contract laying out the duties of the chamber, though. Also, the chamber must keep the hotel funds in an account separate from its general operating fund.

Arts Organizations

City arts organizations are a common trouble area. It seems that every arts council in the state knows that promotion of the arts is one of the nine categories on which city hotel taxes may be expended. Cities know this because these

arts groups frequently come asking for the money.

The thing to remember about arts groups is this: Direct funding of the organization's operations does nothing in and of itself to put "heads in beds." Put another way, funding the operating budget of an arts council meets the second part of the test (promotion of the arts) but not necessarily the first.

The solution? The city should encourage the group to seek funding only for its festivals and shows that do, in fact, attract tourists to the city. By limiting the expenditure to such events, the city meets both parts of the test.

Don't Forget to Report

Legislation passed in 2017 that requires cities to annually report hotel occupancy tax information to the comptroller, including information on how the funds are spent. Not later than February 20 of each year, a city that imposes a hotel occupancy tax must submit to the comptroller information that includes the city's hotel occupancy tax rate, the amount of revenue generated by the tax, and the amount and percentage of the revenue spent for each of the following purposes:

- Convention or information centers
- Convention delegates registration
- Advertising to attract tourists
- Arts promotion and improvement
- Historical restoration and preservation projects
- Signage directing the public to sights and attractions

Cities must comply with the annual reporting requirements by either submitting the report to the comptroller on a form prescribed by the comptroller, or alternatively providing the comptroller a direct link to, or a clear statement describing the location of, the information required to be reported that is posted on the city's website.

What Else?

There are numerous other technical details about how to legally expend hotel tax funds. In truth, by simply learning and remembering the two-part test, city officials are 99 percent of the way toward full compliance with hotel tax laws. City officials with questions about the hotel occupancy tax should call the TML Legal Department at 512-231-7400. ★



Local Hotel Tax Funding of the Arts by Texas Cities

Agreed to Guidelines Presented by Texans for the Arts and the Texas Hotel & Lodging Association.

The Texas Hotel & Lodging Association ("THLA") is a nonprofit trade association representing every aspect of the lodging, convention and tourism industry in Texas. Texans for the Arts ("TFA") is the statewide arts advocacy organization that works to protect and increase public funding for the arts and to promote policies that support the arts as both an enriching cultural resource and a powerful engine for economic growth and development in Texas.

The Municipal Hotel Occupancy Tax Statute (the "MHOT Statute"), Texas Tax Code § 351.101, provides that local Hotel Occupancy Tax ("HOT") revenues may be used to fund nine eligible categories of expenditures that have been found to promote tourism and the hotel and convention industries, including expenditures that promote specific art forms. Sections § 351.101, and Subsection (a) (4) that was added by the Legislature in 1977, provide that revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and allows the following types of arts related expenditures:

"the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms."

THLA and TFA have formed a partnership to assist local governments, state legislators, and tourism leaders throughout Texas to better understand and implement the statutory provisions under the MHOT Statute as they relate to arts related expenditures.

In order to comply with the MHOT Statute, THLA and TFA agree that to be eligible for local hotel tax arts funding, recipients must satisfy the following three requirements:

1. The recipient must present, perform, promote, encourage or otherwise make possible, artistic events, cultural performances, programs, exhibitions or lectures involving any of the major art forms listed in Texas Tax Code Section 351.101 (a) (4), or "other arts related to the presentation, performance, execution and exhibition of these major art forms."
2. The hotel occupancy tax funded programs, facilities, and/or events are advertised and open to the general public.
3. The hotel occupancy tax for funded programs, facilities, and/or events shall be expended in a manner directly enhancing and promoting tourism and the convention and hotel industry.

With regard to the requirement within Number 3 to directly enhance and promote tourism and the convention and hotel industry, THLA and TFA agree that the MHOT Statute does not require a recipient to demonstrate a proportionate level of direct impact on tourism and the convention and hotel industry to be eligible for HOT funding. However, the demonstration of some level of direct impact on tourism and the convention and hotel industry is required.

The MHOT statutes do not provide a specific methodology for determining a recipient's direct impact on tourism and the convention and hotel industry. Each community has the flexibility, consistent with state law provisions, to consider a number of factors to show a direct impact on tourism and the hotel and convention industry.

Listed below are examples and strategies of what we believe could constitute a direct impact on tourism and the hotel and convention industry from the use of local hotel tax funds. The lists are not exhaustive. Each community may have other examples or determine other strategies to help achieve a direct impact on tourism and the hotel and convention industry.

Examples demonstrating Direct Impacts by Arts Entities on Tourism and the Hotel/Convention Industry (non-exhaustive list):

***Offering Arts Events as Part of a Tourism/Hotel Event:** The hotel tax funded arts entity may show a direct impact on the hotel and convention industry by providing entertainment or arts related services for conventions, conferences and meetings that are attended in whole or part by convention and/or hotel guests.

*** Use of Hotel Facilities/Services by the Arts:** The hotel tax funded arts entity may show a direct impact on the hotel and convention industry by using local lodging facilities and/or lodging services for galas or other events that are held by the hotel tax funded arts entity or through the use of hotel dining or hotel entertainment facilities by arts patrons either before and/or after hotel tax funded arts events.

*** Creating or Causing Room Night Activity at Area Hotels:** The hotel tax funded arts entity may show a direct impact on the hotel and convention industry through the reservation of hotel rooms for visiting artists and/or showing other hotel activity that is directly attributable to the hotel tax funded arts event or facility.

*** Surveying of Attendees at Arts Related Events:** The hotel tax funded arts entity may show a direct impact on the hotel and convention industry through audience or attendee questionnaires, polling, hotel block booking codes, or other methods that show hotel night or other hotel or convention activity that is directly attributable to the hotel tax funded arts event or facility.

Strategies That Hotel Tax Funded Arts Entities May Use to Achieve a Direct Impact on Tourism and the Hotel and Convention Industry:

*** Enhance the Information Given to Hotel Staff/Guests about Area Arts Offerings:** The hotel tax funded arts entity may work with its area lodging operators and/or the convention and visitors' bureau (CVB), to promote local arts events through hotel concierge services, training of hotel staff, hotel or CVB communications, or other similar measures to inform hotel staff and hotel guests of local arts-related offerings. Such communications can help encourage hotel guests to extend their stay in area hotels and/or to make a return visit to the area and its lodging facilities.

*** Promotion of the Arts through Standard Media and Social Media Marketing:** The hotel tax funded arts entity may promote or market its events outside of the local area through standard media promotions or advertising, websites, mailing lists, local, regional and national listings in publications, electronic calendars, as well as through the use of social media. When appropriate, such communications can include a link that provides information about area hotels and any negotiated rates or room blocks for the hotel tax funded arts event or facility.

*** Increasing Awareness of the Arts Through Creation of an Arts or Cultural District:** To increase awareness of the arts to tourists, a hotel tax funded arts entity may produce its events in conjunction with or within the boundaries of an arts or cultural district or within a Cultural and Fine Arts District that is established by the Texas Commission on the Arts pursuant to Texas Government Code § 444.031.

*** Continued Coverage of Arts Related Offerings in Outside Area Media:** The hotel tax funded arts entity may work to ensure that a performance, exhibition or other event sponsored by the arts entity is reviewed or otherwise noted in a publication that circulates outside of the local community. Such continued coverage can help promote tourism and hotel activity to the area.

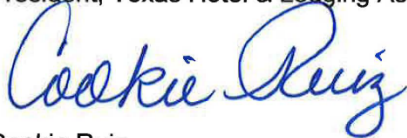
*** Hold the Arts Event in a Venue that is Likely to be Accessed by Both Residents and Tourists:** The hotel tax funded arts entity may hold the arts event in a facility or location that is likely to be accessed by tourists and hotel and convention guests.

THLA and TFA share the goal of growing and advancing tourism and the convention and hotel industry through the collective promotion of the arts and the encouragement of tourists, convention and hotel guests to attend artistic and cultural events. To this end, THLA and TFA are in the process of creating joint programs and model documents that can be used throughout the State to better market local artistic and cultural events to hotel and convention guests prior to and during their visits to an area. Similarly, TFA and THLA will work to encourage creative strategies and long term partnerships between local artistic and cultural event hosts and local hotels and convention and visitor bureaus to enhance the potential impact of local hotel tax-funded arts programs on tourism and area hotel and convention activity.

THLA and TFA will continue to provide assistance and information about these guidelines to members, arts organizations and HOTA funded arts entities in order to foster understanding of the MHOT Statute and to stimulate collaboration between the local arts communities and the hotel and tourism industries. THLA and TFA will also continue working together to nurture mutual cooperation understanding, and advocacy among all partners invested in the arts, culture and tourism.



Scott Joslove
President, Texas Hotel & Lodging Association



Cookie Ruiz
President, Texans, for the Arts

February 26 2019

Appendix B – Acknowledgement Letter

Audit of Cultural Programs

Audit Acknowledgement Letter

See following page(s)

Memorandum



DATE: April 6, 2026
TO: Mamatha Sparks – Interim City Auditor
SUBJECT: Response to Audit of Cultural Programs

This letter acknowledges the City Manager’s Office received the *Audit of Cultural Programs* and submitted responses in consultation with the Office of Arts and Culture.

We appreciate the thorough work of the City Auditor’s Office. The Office of Arts and Culture remains committed to the responsible stewardship of cultural programming funds and is proud of the lasting, positive impact these investments continue to make throughout our community.

The Office of Arts and Culture has consistently worked to ensure that Hotel Occupancy Tax–supported activities align with eligibility requirements and established guidelines. While our established processes have helped ensure effective oversight, we recognize the value of this opportunity to further strengthen and formalize them. As such, the Office of Arts and Culture agrees to:

1. Implement an Office of Arts and Culture-specific Hotel Occupancy Tax Eligibility Framework that formalizes the process for documenting how cultural programming expenditures are evaluated against Hotel Occupancy Tax eligibility requirements.
2. Establish standardized documentation practices to support a recipient’s Hotel Occupancy Tax eligibility.
3. Implement a consistent, risk-based approach for validating expenditures, performance outcomes, and contract compliance by re-enforcing formal written procedures, developing a risk-tiered monitoring system, and strengthening completion report requirements.
4. Seek to revise program guidelines and contract templates to clearly define the requirements for submitting and retaining supporting financial documentation, such as labor invoices and material receipts.
5. Monitor final performance reports to ensure minimal variances between budget-to-actual expenditures.

Response to Audit of Cultural Programs

April 6, 2026

Page 2 of 2

Please let me know if you need additional information.

Service First, Now!

A handwritten signature in black ink, appearing to read "Kimberly Bizer Tolbert". The signature is fluid and cursive, with the first name being the most prominent.

Kimberly Bizer Tolbert
City Manager

C: Jack Ireland, Chief Financial Officer
Liz Cedillo-Pereira, Assistant City Manager
Martine E. Philippe, Director, Office of Arts and Culture



Audit of Communications & Customer Experience/311 Service Level Agreements

April 8, 2026

Mamatha Sparks
Interim City Auditor

Mayor

Eric L. Johnson

Mayor Pro Tem

Jesse Moreno

Deputy Mayor Pro Tem

Gay Donnell Willis

Council Members

Adam Bazaldua

Lorie Blair

Paula Blackmon

Laura Cadena

Zarin D. Gracey

Maxie Johnson

Cara Mendelsohn

Jaime Resendez

Paul E. Ridley

William Roth

Kathy Stewart

Chad West

Table of Contents

EXECUTIVE SUMMARY	3
OBJECTIVES AND CONCLUSIONS	4
RECOMMENDATIONS.....	5
RISK SUMMARY	5
AUDIT RESULTS	6
OBSERVATION A: SERVICE REQUEST TRANSFERS	6
OBSERVATION B: PERFORMANCE MEASURE TARGETS	13
OBSERVATION C: SELDOM USED SERVICE REQUEST TYPES	15
OBSERVATION D: ESCALATED SERVICE REQUEST MONITORING	18
BACKGROUND.....	19
METHODOLOGY	20
GOVERNMENT AUDITING STANDARDS STATEMENT	21
REPORT CLASSIFICATION	21
MAJOR CONTRIBUTORS	21
APPENDIX A – SELDOM USED REQUEST TYPES	22
APPENDIX B – ACKNOWLEDGEMENT LETTER.....	26

Executive Summary

Service level agreements set specific expectations for how quickly City departments must respond to customer service requests submitted through the Communications & Customer Experience/311 customer service call center. The primary function of the Communications & Customer Experience/311 customer service call center is to answer non-emergency questions and serve as a liaison between the individuals submitting service requests and the appropriate department responsible for addressing the issue. Communications & Customer Experience/311 service requests are routed to department personnel, who investigate and work to resolve the problem.

In Fiscal Year 2024, there were a total of 590,663 service requests submitted by Dallas residents, City of Dallas employees, and people who depend on City services. Of these submitted service requests, 67 percent were routed to three departments: (1) Transportation and Public Works, (2) Sanitation Services, and (3) Code Compliance.

The Communications & Customer Experience/311 operates 24 hours a day, seven days a week. Customer service representatives are trained to receive calls, document requests, and assign them to the appropriate department. Service requests are also received online through the City's website and 311 mobile application.

The scope of the audit included submitted service requests from October 1, 2023, through March 30, 2025.

Objectives and Conclusions

1. Is Transportation and Public Works achieving agreed upon Communications & Customer Experience/311 customer service level agreement response times?

Generally, Yes. Transportation and Public Works is mostly achieving the agreed upon time for 91 percent of service requests. However, the service request transfer process can be unclear and extend the time to resolve the initial request, impacting customer service. See [Observation A](#).

Also, Transportation and Public Works did not meet their performance targets for four of six service level agreements. See [Observation B](#).

In addition, maintaining seldom used service request types can impact department resource efficiency. See [Observation C](#).

2. Is Sanitation Services achieving agreed upon Communications & Customer Experience/311 customer service level agreement response times?

Yes. Sanitation Services is responding to the service requests submitted within the agreed upon time. However, the service request transfer process can be unclear and extend the time to resolve the initial request, impacting customer service. See [Observation A](#).

In addition, maintaining seldom used service request types can impact department resource efficiency. See [Observation C](#).

3. Is Code Compliance achieving agreed upon Communications & Customer Experience/311 customer service level agreement response times?

Yes. Code Compliance is responding to the submitted service requests in the agreed upon time. However, the service request transfer process can be unclear and extend the time to resolve the initial request, impacting customer service. See [Observation A](#).

In addition, maintaining seldom used service request types can impact department resource efficiency. See [Observation C](#).

4. Is Communications & Customer Experience/311 effectively performing its responsibilities with service level agreements as listed in Administrative Directive 2-54, Service Request Management?

Generally, Yes. Communications & Customer Experience/311 is mostly performing their responsibilities within service level agreements. However, the department is not performing its required quarterly review of escalated service requests. See [Observation D](#).

Recommendations

Management should:

- Develop a clear, documented, and transparent process for transferring service requests.
- Meet the set performance expectations and if necessary, evaluate the performance measures against historical patterns for serviceability.
- Incorporate a review of seldom used service request types into the five-year review of service level agreements.
- Perform required quarterly review of escalated service requests.

Risk Summary

Risk classification is based on criteria outlined in the *Standards for Internal Control In the Federal Government*—Compliance, Operational, Financial and citizen focused criteria of Public Image. Each program is evaluated against these criteria, and the resulting risk classification reflects the program’s alignment with departmental goals as well as its overall significance to the community.

Classification	Recommendations	Management’s Response
● High		
● Moderate	4	Management agreed to 4 of 4 recommendations.
● Low	2	Management agreed to 2 of 2 recommendations.

Audit Results

Both City Council Resolution 88-3428 and Administrative Directive 4-09, Internal Control prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Service Request Transfers

Risk Rating: ● Moderate

The current 311 service request transfer process creates a service expectation gap between the City's internal performance reporting and the public's perception of responsiveness. While department level service level agreement targets may be met, reported responsiveness may not fully align with the total time customers experience in resolving their initial request. The internal transfer process, inconsistent documentation of reason for transfer, and system constraints could reduce transparency to customers and may lead to customer service expectation gaps.

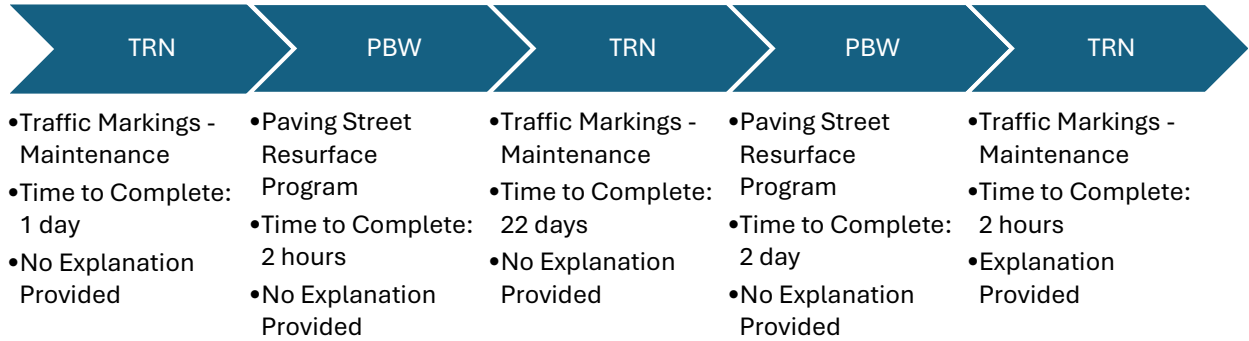
Current transfer process

When a service request is received and cannot be addressed by the initial receiving department or division, the service request is closed and considered complete. A new service request is created that transfers responsibility to a different department or division. This creates a new timeline (new target for service level agreement) for the request's completion. The transfer process can happen just once or multiple times depending on what is needed to complete the request and can happen almost immediately or days or weeks after the initial transfer. About five percent of the service requests submitted during the 18-month period under review were transferred.

The customer receives two emails each time the request is transferred. The first notifies the customer that the initial request is closed. The second notifies the customer that a new request has been created and provides the new expected completion date. There is no explanation provided in the email for why the transfer occurred.

Exhibits 1 and 2 show examples of how one service request can lead to four more service requests to resolve the initial issue reported and how the timeline to resolve the initial request is significantly extended by this process. In the two examples, the departments met nine of 10 service level agreements created by the transfers but did not resolve the customer's concern in the initial expected timeline.

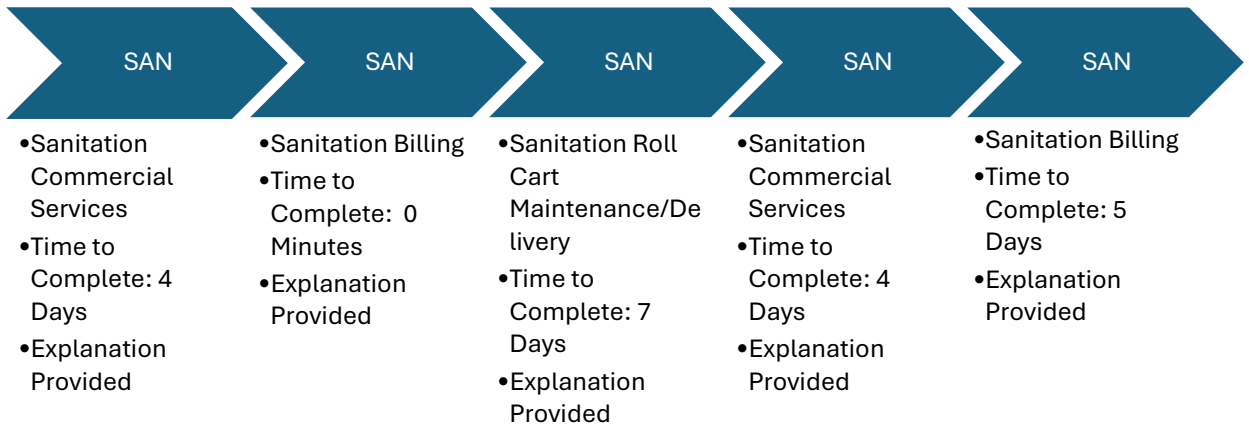
Exhibit 1 – Transportation and Public Works
Service Request 23-00472781



Source: 311 documentation reviewed by the Office of the City Auditor.

Note: The time expectation for each service request is 10 business days. The request was transferred four times and took a total of 25 business days. The departments met four of the five service level agreements. The result was that the parking space maintenance was the responsibility of the property owner, not the City.

Exhibit 2 – Sanitation Services
Service Request 23-00490640



Source: 311 documentation reviewed by the Office of the City Auditor.

Note: The time expectation is 10 business days for the original service request, and later service requests had expectations of five or 10 business days. This request was transferred four times and took 20 days to complete. The department completed the request by delivering a new trash cart and met all five service level agreements.

Differences in Transferring Service Requests

As each transfer is created in the Communications & Customer Experience/311 customer response management system, Salesforce, the transferring department or division, does not always explain why the request is being transferred, which can lead to the request being transferred back to the first department or division or to another department or division. According to management, it is difficult in the current Salesforce system to change the service request type or change who is responsible for resolving the service request, without creating a new service request.

Three separate populations of 24 transferred service requests and their subsequent service request transfers were reviewed for each department in the audit. The sample showed 45 percent of the transferred service requests reviewed did not have an explanation for the transfer in the file, with the exception of Sanitation Services whose transfers consistently included explanations. According to management and sample analysis, reasons why service requests were transferred included:

- Transfers were needed to successfully complete a service request.
- Service requests initially went to the incorrect department or division or did not include enough information.

While departments generally met their internal service level agreements, the requestor may be unclear on the status and why the transfers continue. This gap might create a misunderstanding of customer service level expectations.

Criteria

- ◆ Administrative Directive 2-54, Service Request Management
- ◆ Communications & Customer Experience/311 Service Level Agreements for Transportation and Public Works, Sanitation Services, and Code Compliance
- ◆ *Standards for Internal Control in the Federal Government*: Principle 15–Communicate Externally

Recommendations

We recommend the **Director of Transportation and Public Works**:

A.1. Develop a clear, documented, and transparent process for transferring service requests that:

- Require documentation why each transfer is needed.
- Address whether immediate or repeated transfers are appropriate.
- Communicate to the public that transfers may be needed and the goal will restart each time the service request is transferred, if applicable.

We recommend the **Director of Sanitation Services**:

A.2. Develop a clear, documented, and transparent process for transferring service requests that:

- Require documentation why each transfer is needed.
- Address whether immediate or repeated transfers are appropriate.
- Communicate to the public that transfers may be needed and the goal will restart each time the service request is transferred, if applicable.

We recommend the **Director of Code Compliance**:

A.3. Develop a clear, documented, and transparent process for transferring service requests that:

- Require documentation why each transfer is needed.
- Address whether immediate or repeated transfers are appropriate.
- Communicate to the public that transfers may be needed and the goal will restart each time the service request is transferred, if applicable.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
A.1	Agree	<p>Transportation & Public Works Department (TPW) concurs with the recommendation. TPW is committed to improving communication and public understanding related to transferred service requests (SRs) and will continue working with Communications & Customer Experience/311 to strengthen customer service and transparency.</p> <ul style="list-style-type: none"> • TPW will review commonly confusing SR closure messages and identify improvements to ensure clearer communication with requestors. • TPW will develop procedures requiring applicable transferred SRs to include updated public-facing comments explaining the reason for transfer, the new SR type, an updated service level agreement (SLA) when applicable, and any additional information that may assist the requestor. • Where appropriate, standardized templates will be developed to promote consistency across similar SR types. • Additionally, TPW will collaborate with 311 Dispatch to develop standardized language to support clearer communication when SRs are closed by dispatchers. 	12/31/2026 / 6/30/2027
A.2	Agree	<p>Sanitation concurs with the recommendation to improve communication transparency around the service request transfer process and is committed to working with Communications & Customer Experience/311 to implement the following improvements:</p> <ul style="list-style-type: none"> • Sanitation will formally document the workflows for the eight service request types that, by design, require sequential transfers to complete. This documentation will establish that repeated transfers for these request types are appropriate, expected, and necessary to fulfill the complete scope of service. • For all other service request types, procedures will specify that transfers should occur only when the initial service request type does not match the actual service needed (e.g. a missed garbage request submitted in place of a missed recycling request) or when other circumstances require reassignment. • Service requests will be updated to inform customers upfront that their request may require multiple steps to 	12/31/2026 / 6/30/2027

No	Concurrence	Action Plan	Implementation / Follow-Up Date
		<p>complete, that each step will generate a new service request and notification, and that a new service level agreement timeline applies to each step. An overall estimated completion timeframe for the entire process will be provided at the time the initial request is submitted.</p> <ul style="list-style-type: none"> Sanitation will update its procedures to ensure that required public-facing comments on all transferred service requests specifically document the reason for the transfer, distinguishing between two scenarios: (1) a designed workflow transfer, in which the transfer is an intentional step in completing the service request, and (2) a corrective transfer, in which the initial service request type was misclassified and must be reassigned to the appropriate type to ensure proper routing and resolution. <p>Sanitation notes that during the audit period, only 5.3% of the 135,078 Sanitation service requests initiated involved any transfer at all, and that 95.6% of those transfers are attributable to eight service request types that use the transfer mechanism as a designed workflow function. The overwhelming majority of Sanitation Services requests are resolved without transfer and without a customer experience gap. Given this, Sanitation Services believes that the risk of recommendation is low.</p>	
A.3	Agree	<p>While the department is meeting established service level agreement (SLA) response times, we acknowledge that the current transfer process can create confusion for customers and may not fully reflect the total time required to resolve an issue from the customer's perspective.</p> <p>Code Compliance will enhance its current process by:</p> <ul style="list-style-type: none"> Developing a formal process for service request transfers, including establishing criteria for immediate versus delayed transfers; Ensure staff consistently document the reason for transfers; Collaborate with Communications & Customer Experience/311 to improve customer-facing notifications; Train staff on the revised process; and 	3/31/2027 / 9/30/2027

No	Concurrence	Action Plan	Implementation / Follow-Up Date
		<ul style="list-style-type: none">• Monitor the process to identify trends, reduce unnecessary transfers, and improve first touch resolution, where feasible. <p>Transfers represent a small portion of overall volume; however, improving this process will enhance transparency, strengthen public trust, and better align internal performance metrics with the customer experience.</p>	

Observation B: Performance Measure Targets

Risk Level: ● Moderate

Transportation and Public Works did not meet their performance measure targets for four of six service level agreements reviewed during Fiscal Year 2024¹. Four other service level agreements reviewed did not have specific performance measure targets. When performance measures targets for timeliness are not achieved, customer service goals are not met.

While generally, about 91 percent of service requests were answered in line with the service level agreement, the call types reviewed did not always meet their expectations or did not have specific expectations set. According to management, the number of service requests, weather impact, equipment down time, and staff shortages contributed to not meeting these goals.

Exhibit 3: Transportation and Public Works
Performance Measures – Fiscal Year 2024

Performance Measure	Service Level Agreement Target	Performance Measure (in percent)	Actual Performance Measure (in percent)	Target Met?
Traffic Signal – Flashing	4 Business Days	80	95	Yes
Traffic Signal – Other Dispatch	4 Business Days	80	96	Yes
Street Repair – Routine	60 Business Days	92	79	No
Alley Repair – Routine	60 Business Days	92	73	No
Pothole – Routine	3 Business Days	98	87	No
Pothole – Hazardous	1 Calendar Day	98	94	No
Parking – Report a Violation	2 Business Days	N/A	93	N/A
Alley/Sidewalk/Street Repair – Hazardous	1 Calendar Day	N/A	91	N/A
Tree Down – Low Limbs	3 Calendar Days	N/A	94	N/A
Traffic Sign – Maintenance (Other)	10 Business Days	N/A	95	N/A

Source: 311 documentation reviewed by the Office of the City Auditor.

¹ During Fiscal Year 2024 Transportation and Public Works were separate departments that merged at the beginning of Fiscal Year 2025.

Criteria

- ◆ Administrative Directive 2-54, Service Request Management
- ◆ 311 Service Level Agreements for the Department of Transportation and Public Works
- ◆ *Standards for Internal Control in the Federal Government: Principle–10 Design Control Activities*

Recommendation

We recommend the **Director of Transportation and Public Works:**

B.1 Meet the set performance expectations and if necessary, evaluate the performance measures against historical patterns for serviceability.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
B.1	Agree	<p>Transportation & Public Works Department (TPW) concurs with the recommendation to review and refine performance measure expectations. This assessment will help ensure that service request (SR) expectations more accurately reflect actual SR handling.</p> <p>TPW will conduct regular reviews of SR SLAs across all divisions using an updated Salesforce dashboard. With consideration of available resources, TPW will evaluate and implement adjustments needed to improve SR timeliness.</p> <p>Any approved SLA changes will be communicated through the appropriate channels for implementation.</p>	12/31/2026 / 3/31/2027

Observation C: Seldom Used Service Request Types

Risk Level: ● Low

Forty-one percent of the three departments' 162 service request types are not used regularly. Maintaining and monitoring seldom used service request types could create inefficient use of resources because of the planning, training, and work that goes into being able to conduct and review each request type.

The City established two tiers of service requests based on usage. The 50 most frequently used request types are responsible for 92 percent of the service requests received. For these 50 service request types, there were at least 1,115 requests received in Fiscal Year 2024. The City reviews these most popular request types more frequently than the others as required by Administrative Directive 2-54, Service Request Management. These 50 service request types are reviewed for timeliness and potential changes every two years while the other service request types are reviewed every five years.

SELDOM USED SERVICE REQUEST TYPES

The audit defined seldom used service request types as those that received less than 365 requests in Fiscal Year 2024, or less than once daily.

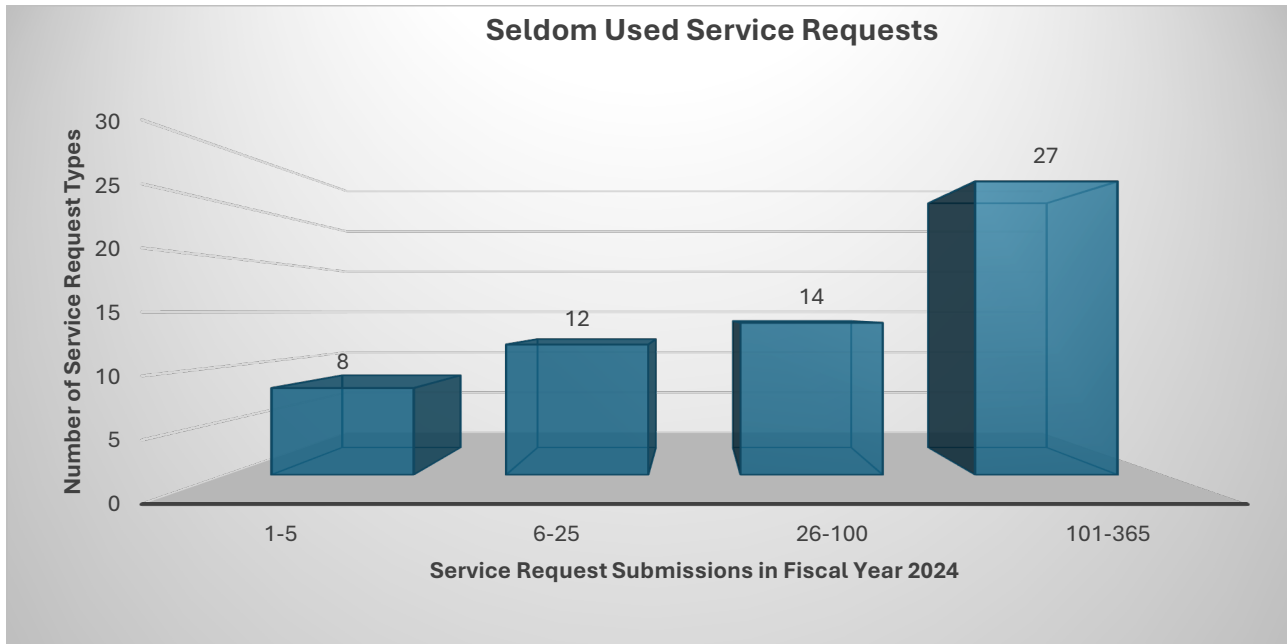
Source: Audit working papers

The last five-year review was completed in Fiscal Year 2022, and another review is due next fiscal year. The review process may also include reviewing changes in the service level agreements. **Exhibits 4** and **5** describe the seldom used service requests; at least eight service request types were used five or fewer times.

Exhibit 4: Seldom Used Service Requests by Department – Fiscal Year 2024

Department	Total Number of Service Request Types	Service Request Types Used less than daily	Percent of Service Request Types Used Less Than Daily
Code Compliance	41	10	24
Transportation and Public Works	100	43	43
Sanitation Services	21	13	62
Total	162	67	41

Source: 311 documentation reviewed by the Office of the City Auditor.

Exhibit 5: Seldom Used Service Request Types by Number of Requests Received

Source: 311 documentation reviewed by the Office of the City Auditor.

Note: Five service request types without any requests are not included in the graph.

The low usage rates suggest consolidation of similar request types may improve efficiency and effectiveness. Consolidation for at least some of the 162 service request types may reduce the number of times a service request is transferred or time needed for resolution. The City has shown in the past that consolidating request types can improve efficiency and effectiveness, such as the use of the Code Concern request type to respond to many Code Compliance topics and requests.

Management noted some seldom used service request types are seasonal and are only turned on during a weather emergency. See [Appendix A](#) for a list of seldom used service request types by department.

Criteria

- ◆ Administrative Directive 2-54, Service Request Management
- ◆ *Standards for Internal Control in the Federal Government*: Principle 10–Design Control Activities

Recommendation

We recommend the **Director of Communications & Customer Experience/311**:

C.1. Update Administrative Directive 2-54, *Service Request Management* to include a review of seldom used service request types during the five-year review to determine if service request types can be consolidated with related request types or into a “general” category for each department.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
C.1	Agree	The Office of Communications & Customer Experience/311 will revise Administrative Directive 2-54, <i>Service Request Management</i> , to consider consolidating seldom-used service request types as part of the existing five-year evaluation.	12/31/2026 / 3/31/2027

Observation D: Escalated Service Request Monitoring

Risk Level: ● Low

Communications & Customer Experience/311 is not reviewing quarterly reports to ensure all escalations are identified as required in Administrative Directive 2-54, Service Request Management, Section 6.3, Escalated Service Requests. When required reviews of escalated service requests are not occurring, there are risks that one or both of the following items occur:

- Customer service issues related to delayed service request responses may not be identified timely.
- The administrative directive requirements are not aligned with current system needs for monitoring escalated service requests.

Escalations occur when certain dispatched service requests are not resolved timely to ensure they are addressed as soon as possible. The required review process was not in place due to existing system constraints. Communications & Customer Experience/311 uses milestone report checkpoints within Salesforce to track progress toward escalated dispatch service requests. However, once the request is closed, the interim progress is no longer captured, and milestone reports cannot fully capture escalation activity for quarterly reviews.

Criteria

- ◆ Administrative Directive 2-54, Service Request Management
- ◆ *Standards for Internal Control in the Federal Government*— Principle 10 Design Control Activities

Recommendation

We recommend the **Director of Communications & Customer Experience/311**:

D.1 Develop and implement procedures to follow the administrative directive or amend the administrative directive to reflect the current processes being used to monitor escalated service requests.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
D.1	Agree	The Office of Communications & Customer Experience/311 has developed a new reporting process to ensure alignment with AD 2-54.	9/30/2026 / 3/31/2027

Background

The three-digit 3-1-1 phone number was first implemented by the Baltimore, Maryland Police Department in October 1996 to address non-emergency police calls. In February 1997, the Federal Communications Commission (FCC) approved the 311 number for nationwide use to assist cities in distinguishing between emergency and non-emergency services. The City of Dallas implemented the 311 system for non-emergency City services in December 1997.

The City has 279 different service request types. Some of these are mandated by city ordinance, some provide a service to the residents of Dallas, and some are internal that help the departments complete their work. Transportation and Public Works, Sanitation Services, and Code Compliance have 162 (58 percent) of the 279 service request types.

Dallas residents typically call for services that address parking violations, potholes, sidewalks and alleys repairs, missed garbage, high weeds, and traffic signals not working. For Fiscal Year 2024 there were 462,682 and in the first half of Fiscal Year 2025 there were 219,761 public facing submitted service requests. Transportation and Public Works received 106,951 service requests, Sanitation Services received 73,292 service requests, and Code Compliance received 132,025 service requests in Fiscal Year 2024. These three departments accounted for 67 percent of all City service requests. **Exhibit 6** provides an assessment of how Sanitation Services met its performance measures for Fiscal Year 2024. For details on other departments, refer to [Observation B](#).

Exhibit 6: Sanitation Services
Service Requests Performance – Fiscal Year 2024

Service Request	Service Level Agreement Target	Submitted Service Requests	Service Requests Completed	Percentage of Service Requests Completed
Sanitation Missed Brush/Bulk	7 Business Days	230	228	99
Sanitation Missed Garbage	3 Business Days	1,303	1,302	99
Sanitation Missed Recycle	3 Business Days	397	397	100
Sanitation Roll Cart Maintenance/Delivery	5 Business Days	1,437	1,356	94
Total		3,367	3,283	98

Source: 311 documentation reviewed by the Office of the City Auditor.

Code Compliance has a different process for submitted service requests. Because of the two-step process that Code Compliance completes, the auditors reviewed if they were meeting the estimated response time for the service requests.

Exhibit 7: Code Compliance
Estimated Response Time for Service Requests – Fiscal Year 2024

Measure	Submitted Service Requests	Estimated Response Time was met	Estimated Response Time met (in percent)
Tier 1 – 3 Business Days	67,771	66,517	98%
Tier 2 – 5 Business Days	12,943	12,815	99
Tier 3 – 7 Business Days	19,372	18,875	97
4 Business Days	6,527	6,400	98
Total	106,613	104,607	98%

Source: 311 documentation reviewed by the Office of the City Auditor.

Methodology

The audit methodology included:

1. Interviewing personnel from Communications and Customer Experience/311, Transportation and Public Works, Sanitation Services and Code Compliance.
2. Reviewing procedures, applicable administrative directives, and best practices.
3. Performing various analyses and considering risk of fraud, waste, and abuse. In addition, all five components of *Standards for Internal Control in the Federal Government* were considered.
4. Reviewing service request types that were in the top 50 overall, and all submitted service requests for Fiscal Year 2024 for on time testing for Transportation and Public Works and Sanitation Services.
5. Selection of a judgmental sample of 24 submitted service requests from closed transferred service requests for each department, or a total of 72 service requests. This sample covered a total of 351 service requests and the related transfers.
6. Testing a judgmental sample of five submitted service requests for a chosen service request type and reviewing documentation for all three departments.

Government Auditing Standards Statement

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Report Classification

Final Draft – For Public Use

This report is a product of the Office of the City Auditor and is issued in accordance with the Texas Public Information Act (Texas Government Code, Chapter 552).

Major Contributors

Dan Genz, CIA, CISA, CFE–Engagement Manager
Matthew Cheadle, CIA, CFE, CGAP–In-Charge Auditor
Nadia Gonzalez–Auditor
William King–Auditor
Isaac Tetteh, CISA–Auditor

Appendix A – Seldom Used Request Types

The most common service request types are responsible for most service requests made to Communications & Customer Experience/311. The top 10 service request types received 65 percent of service requests.

As identified in [Observation B](#), the City’s Administrative Directive 2-54, Customer Service Agreement divides the service request types into two categories, the 50 most popular request types and the rest. The 50 most popular request types are responsible for 92 percent of the service requests received. No seldom used requests are in the top 50 most popular requests.

The audit focused on the three departments receiving the most service requests—Transportation and Public Works, Sanitation Services, and Code Compliance. The following tables for each department show the service request types in Fiscal Year 2024 with fewer than 365 requests by department, or less than one daily.

Exhibit 8: Transportation and Public Works²
Seldom Used Service Requests – Fiscal Year 2024

Seldom Used Service Request Type	Department	Count	Internal or External
Flooding Emergency	PBW	348	External
Traffic Sign Knockdown Follow up	TRN	342	Internal
Traffic Markings New	TRN	339	External
Traffic Construction Signs	PBW	325	External
Street Lighting New/Relocation	TRN	296	External
Steel Plates in Street	PBW	230	External
Objects Dropped in Inlet Hazardous	PBW	212	External
Traffic Signal Knockdown	TRN	202	External
Traffic Signal Stuck	TRN	188	External
Graffiti Traffic Sign	TRN	186	External
Graffiti Traffic Signal	TRN	181	External
Sidewalk Utility Obstruction	PBW	172	External
Visibility Obstruction Hazardous	PBW	165	External

² During Fiscal Year 2024 Transportation and Public Works were separate departments that merged at the beginning of Fiscal Year 2025.

Seldom Used Service Request Type	Department	Count	Internal or External
Street Sweeping Thoroughfares	PBW	163	External
Guardrail Repair Routine	PBW	158	External
Paving Street Resurface Program	PBW	136	External
Paving Reconstruction Project	PBW	121	External
High Water Flooded Roadway Alarm Warning System	PBW	119	External
Wheelchair Ramp/Curb Cuts	PBW	112	External
Traffic Sign Visibility Obstruction	TRN	111	External
Parking Valet Complaint	TRN	92	External
Traffic Sign Other Dispatch	TRN	87	External
Traffic Signal Visibility Obstruction	TRN	87	External
Utility Cut/Hazardous	PBW	83	External
Railroad Crossing Repair	PBW	63	External
Resident Only Parking Permit	TRN	58	External
Bike Lane Marking Maintenance	TRN	57	External
Guardrail Repair Hazardous	PBW	53	External
Speed Limit Change Request	TRN	51	External
Guardrail New	TRN	49	External
Snow/Ice Sanding Hazardous	PBW	46	External
Interagency	PBW	23	External
Fair Park Parking Violation	TRN	18	External
SRD Urban Forestry/ROW Tree Maintenance	PBW	12	Internal
Sand Removal Request	PBW	11	External
Survey Questions	PBW	10	External
MOWmentum Program	PBW	8	External
Median Maintenance (Contract)	PBW	5	Internal
Traffic Signal Engineering	TRN	5	Internal
SRD Street Repair	PBW	4	Internal
Traffic Markings Large Cast Iron Button Removal	TRN	4	External

Seldom Used Service Request Type	Department	Count	Internal or External
Alley/Street Reconstruction Recommendations	PBW	2	Internal
SRD Curb and Gutter Repair	PBW	2	Internal

Source: 311 documentation reviewed by the Office of the City Auditor

Exhibit 9: Sanitation Services
Seldom Used Service Requests – Fiscal Year 2024

Seldom Used Service Request Type	Department	Count	Internal or External
Sanitation Helping Hands	SAN	328	External
Sanitation Litter Cans	SAN	159	External
Sanitation Billing	SAN	82	Internal
Brush Busters	SAN	20	Internal
Sanitation Rut Repair	SAN	8	Internal
Storm Brush/Debris	SAN	6	Internal
Damage Repair	SAN	3	Internal
Sanitation Pack Out	SAN	2	External
Sanitation Alley Assessment	SAN	0	Internal
Sanitation District Notification	SAN	0	Internal
Sanitation Environmental Incident	SAN	0	Internal
Sanitation Information/Inquiry	SAN	0	Internal
Sanitation Location Not Serviced	SAN	0	Internal

Source: 311 documentation reviewed by the Office of the City Auditor

Exhibit 10: Code Compliance
Seldom Used Service Requests – Fiscal Year 2024

Seldom Used Service Request Type	Department	Count	Internal or External
Boarding Home Complaint	CCS	329	External
Mobile Food Complaint	CCS	322	External
Illegal Dumping Sign	CCS	245	External
Food Borne Illness	CCS	156	External
Mosquito Do Not Spray	CCS	119	External
Short Term/Vacation Rental Survey	CCS	87	External

Seldom Used Service Request Type	Department	Count	Internal or External
Homeless Meal Event	CCS	74	External
Smoking Violation	CCS	24	External
Commercial Pool Complaint	CCS	10	External
Mosquito Beekeeper Notification	CCS	8	External

Source: 311 documentation reviewed by the Office of the City Auditor

Appendix B – Acknowledgement Letter

Audit of Communications & Customer Experience /311 Service Level Agreements

Acknowledgement Letter – See following pages

Memorandum



DATE: April 8, 2026

TO: Mamatha Sparks – Interim City Auditor

SUBJECT: Response to Audit of Communications & Customer Experience/311 Service Level Agreements

This letter acknowledges the City Manager's Office received the *Audit of Communications & Customer Experience/311 Service Level Agreements* and submitted responses to the recommendations in consultation with the Office of Communications & Customer Experience/311, the Department of Transportation and Public Works, the Department of Sanitation Services, and Code Compliance.

The City's 311 process plays a vital role in providing residents with timely resolution and information on the essential services that ensure resident safety and quality of life. Communications & Customer Experience/311 is available 24/7/365. 311 agents are trained to handle calls, record service requests, and route them to the appropriate department. Service requests can also be submitted online through the City's website or via the Dallas 311 mobile app. In FY 2025, 311 agents handled 800,367 phone calls, receiving a post-call customer satisfaction rating of 93%. Furthermore, a total of 605,492 service requests were submitted by Dallas residents, City of Dallas employees, and people who depend on City services.

City management is pleased that the auditor concluded that the audit objectives were met, specifically that the audited departments generally achieved customer service response time goals.

However, we recognize there are opportunities for continuous improvements and agree to implement the auditor's recommendations, specifically:

- Code Compliance (recommendation A.1), Sanitation Services (recommendation A.2), and Transportation and Public Works (recommendation A.3) will develop a documented process for transferring service requests that:
 - Documents why each transfer is needed;
 - Addresses the appropriateness of transfers; and
 - Communicates to customers that a service request may require a transfer and that will reestablish a new completion timeframe.
- Transportation and Public Works will evaluate the existing performance measures and make adjustments where appropriate, keeping existing resources in mind (recommendation B.1).

- The Office of Communications & Customer Experience/311 will revise Administrative Directive 2-54, Service Request Management, to consider consolidating seldom-used service request types as part of the existing five-year evaluation (recommendation C.1).
- The Office of Communications & Customer Experience/311 has developed a new reporting process to ensure alignment with the AD 2-54 (recommendation D.1).

Please let me know if you need additional information.

Service First, Now!

A handwritten signature in black ink, appearing to read "Kimberly B. Tolbert". The signature is fluid and cursive, with the first name being the most prominent.

Kimberly Bizer Tolbert
City Manager

C: Jack Ireland, Chief Financial Officer
Ahmad Goree, Chief of Staff
Alina Ciocan, Assistant City Manager
Dev Rastogi, Assistant City Manager
Daisy Fast, Director, Office of Communications and Customer Experience/311
Christopher Christian, Director, Code Compliance
Clifton Gillespie, Director, Sanitation Services
Dr. Ghassan (Gus) Khankarli, Director, Transportation & Public Works