



GARLAND

INTERNAL AUDIT

Firewheel Mixed Beverage Permit Compliance Audit Follow-up

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**September 15, 2014
Report 201476**

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Authorization

We have conducted a follow-up audit of Firewheel's Mixed Beverage Permit Compliance. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

This is a follow-up of the "Firewheel Mixed Beverage Permit Compliance Audit" report issued on December 12, 2012. Our objective was to determine if previous audit recommendations were implemented.

The objective of the original audit was to determine if management is in compliance with Texas Alcoholic Beverage Commission (TABC) Code and Rules.

Scope and Methodology

We conducted this audit follow-up in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and 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.

The original audit methodology included the following:

- Obtain and review the latest TABC's Alcoholic Beverage Code and Rules
- Determine if various warning signs were appropriately displayed
- Verified mixed beverage gross receipts tax was performed accurately and timely
- Confirm seller server certificate requirements are maintained by using the TABC server certificate inquiry on the TABC website
- A review was performed to ensure that the facility maintains exclusive occupancy and control of the licensed premises.
- Inquire if the facility reports any changes relating to control of personnel
- Send undercover personnel to test:
 - if the facility carded individuals you would consider to be 40 years or younger
 - if alcohol was served after 10:00 a.m. on Sunday with food only
- Perform a gap analysis of receipts to determine if all sales were accounted for and documented in the Sales Tax Report.
- Verify the facility performs criminal history background checks according to TABC Code 109.532

The same methodologies were applied during this audit follow-up. The scope of the audit follow-up was for the time period December 12, 2012 through July 27, 2014.

To assess the reliability of the data elements needed to answer the objective of the follow-up, we (1) interviewed the department about the data to assess internal controls and (2) reviewed source documentation. As a result of our testing, we determined that the data was sufficiently reliable for the purposes of this follow-up report.

Audit Follow-up

This follow-up audit was not intended to be a detailed study of every relevant system, procedure and transaction. Accordingly, the Follow-up section presented in this report may not be all-inclusive of areas where improvement might be needed.

The following results for each finding are as follows:

Finding #1
Condition (The way it is)
Internal audit utilized undercover personnel to determine if Branding Iron and Grill 64 personnel were carding everyone who appeared to be 40 years of age or under. GFDC's Alcohol Serving Agreement states employees must check the I.D. of anyone who appears to be under age 40 with no exceptions. Both undercover personnel, who were in their twenties, ordered alcoholic beverages on five occasions and were not carded by several different employees at both facilities.
Recommendation
Management should ensure that employees card everyone who appears to be under 40 years of age and take action for repeat occurrences.
Management Response
Concurs
Action Plan
Wait staff have been counseled and signage is being installed to alert patrons that Firewheel will card anyone appearing to be under 40 years of age. Firewheel is currently seeking a Food and Beverage Manager.
Implementation Date
March 30, 2013
Follow-up
On Sunday July 27, 2014, two individuals posed undercover at the Firewheel Golf Course Bridges Club House. Each individual attempted to purchase an alcoholic drink and were not carded prior to paying for and receiving the drinks. Both are under the age of 40 (29 and 28). An agreement is signed by each server that they will card anyone appearing under 40 years of age; however, this policy is not being consistently followed.
Implementation
Not Implemented.

Finding #2

Condition (The way it is)

GFDC did not use the "Taxable Sales Amount" reported on its "Sales Tax" report (as stated in TABC Code Sec. 28.18) during its monthly review process of determining if alcohol sales constitute less than half of gross receipts.

Recommendation

The facility should compare the gross receipts tax reports with the sales tax reports to make the calculation.

Management Response

Concurs

Action Plan

The calculation is currently being performed using the gross receipts tax report and the sales tax reports.

Implementation Date

November 30, 2012

Follow-up

Out of the most recent 3 months selected for testing, it was confirmed for all months that the calculation is being performed correctly (See Exhibit A). The Senior Accountant performs a monthly check comparing gross receipt tax reports to the taxable sales numbers from the sales tax report, thus tracking monthly alcohol sales as a percentage of gross receipts.

Implementation

Fully Implemented.

Finding #3

Condition (The way it is)

A review of the process for employment background checks revealed personnel are allowed to go to work before the background check is completed.

A review of the three most recent new hires disclosed issues which should have been followed up on before hiring the individual. Sufficient follow up has not been performed.

Recommendation

Personnel should not be allowed to go to work before the background check is completed and all issues which need further investigation are resolved.

Management Response

Concurs

Action Plan

The Firewheel management staff has been counseled and the HR function has been centralized with one person to increase oversight and control.

Implementation Date

November 30, 2012

Follow-up

10 out of 19 (or 53%) employees did not have a background check in their file (See Exhibit A). Internal Audit could not confirm if background checks were performed on these employees.

According to management, this was mainly due to document retention issues prior to 2014 due to staff error and decentralization of HR duties. This staff member is no longer employed and all new HR items are handled by Firewheel's Operations Financial Coordinator.

All employees hired after January 2014 had their background check in their employee file. However, for the background checks that were obtained, none were completed prior to hire date. Completion date of the background checks ranged from 6 days - 52 days after hire date. Per Firewheel's policy that was updated as of March 2013, an employee may need to begin working prior to completion of their background check due to operational necessity.

Implementation

Not Implemented.

Finding #4

Condition (The way it is)

GFDC did not report changes in officers or directors to the Board to the TABC Commission by affidavit within 10 days of the event of changing or adding officers or directors.

Please note upon Internal Audit's notification GFDC took immediate action and reported the changes to TABC.

Recommendation

GFDC should report all changes of the Board to the commission on a timely basis. A mechanism should be established to ensure timely notification is made to the commission.

Management Response

Concurs

Action Plan

TABC will be notified after each City Council election.

Implementation Date

November 30, 2012

Follow-up

Confirmed with the Senior Assistant City Attorney that a "Change in Corporate Control" was sent to TABC on August 13, 2013. This form was sent almost 3 months after the change or addition of officers or directors on May 21, 2013. It appears that a mechanism is in place to notify TABC; however, the timeliness requirement was not met.

Implementation

Partially Implemented.

Finding #5

Condition (The way it is)

GFDC was on the IBS System until August 27, 2012. Our field work began a couple of weeks after they went on the new Club Profit System. In an effort to determine all sales were accounted for in the old IBS System, a review of receipts, voids and split tickets for each Branding Iron and Grill 64 restaurants were reviewed. The gap analysis revealed there were significant missing receipts in the ticket number sequence. It disclosed there were approximately 5% missing receipts for both Branding Iron and Grill 64. Branding Iron had 1,309 out of 29,055 receipts missing and Grill 64 had 1,073 receipts out of 22,084 missing. These missing receipts could represent deleted sales in the system; however, we were unable to verify this.

Recommendation

To prevent missing receipts, a report should be initiated for the new Club Profit System which should be ran, reviewed, and monitored on a monthly basis to ensure all receipts are accounted for to negate potential improprieties.

Management Response

Concurs

Action Plan

This issue was unique to the IBS POS previously used at Firewheel and appears to be tied primarily to situations where a ticket would be split between two patrons. The problem appears to have been resolved with the new POS.

Implementation Date

November 30, 2012

Follow-up

A sequential numbering test was run and showed missing receipt numbers (See Exhibit A). These numbers did not show up on the deleted, voided or returned reports run by management. Upon further discussion with the Club Profit's IT team, it was determined that these receipts are being deleted automatically from the system (usually due to split, combine or test ticket transactions) and there is no ability to run a report for these items. While this recommendation was not implemented, it appears that this item is out of the control of Firewheel's management team.

Implementation

Not Implemented. However, this is a system issue.

Finding #6

Condition (The way it is)

The Health Risks Warning Sign, warning the dangers associated with drinking alcoholic beverages during pregnancy, was not on the door or located anywhere in the men's restrooms at both buildings. The signage for the women's restrooms was located by the door or on the countertop at both buildings. It was not on the door.

Recommendation

Management needs to ensure the Health Risks Warning Signs are appropriately displayed on the door to the men's and the women's restrooms.

Management Response

Concurs

Action Plan

Sign holders will be mounted on the doors and the warning signs moved. Signage is also being added to the on course restroom facilities.

Implementation Date

December 31, 2012

Follow-up

On 8/1/2014, Internal Audit observed the Health Warning signs on all restroom doors at the Bridges Golf Course Pro Shop/Branding Iron and at the Lakes/Old Course Pro Shop/Grill 64.

Implementation

Fully Implemented.

Finding #7

Condition (The way it is)

TABC offers TABC certified courses for servers and bartenders. The classes cover the laws concerning the sale or service of alcoholic beverages to minors and intoxicated customers as well as techniques to prevent such sales. There were multiple issues concerning TABC server certified courses:

- Certifications at GFDC were not always received from an approved TABC school. One employee did not have a TABC approved school certification.
- 3 out of 12 (25%) employees did not receive a TABC certification within 30 days of their hire date.
- There was one issue where an employee came on board certified, but shortly thereafter did not have a current certificate for almost three months. The employee was hired 10/01/11 and her certificate expired 10/06/11. She did not receive her current certificate until 12/29/11.
- There is currently not a system for certifications to be scheduled for renewal.

Recommendation

Management should ensure that:

1. Employees consistently use an on-line approved TABC school.
2. Personnel receive a TABC certification within 30 days of their hire date.
3. Personnel stay current on their server certificate.
4. A schedule is maintained to ensure timely renewal is performed.

Management Response

Concurs

Action Plan

One certification provider will be used by all wait staff going forward and a log kept by management to monitor expiration dates.

Implementation Date

November 30, 2012

Follow-up

IA's review of 10 active food and beverage employees' certification status (out of 24 - See Exhibit A), revealed the following:

- One did not have an active TABC-approved certification on file with either Firewheel or the TABC.
- One did not obtain their certifications within 30 days of their hire date (35 days).

Implementation

Partially Implemented.

Finding #8

Condition (The way it is)

Once a year Firewheel relinquishes their rights to the mixed beverage permit for one day and allows Guns 'n Hoses to purchase a Daily Temporary Mixed Beverage Permit which allows them to bring their alcohol onto Firewheel's premises.

A review of the Guns 'n Hoses contract disclosed there was to be absolutely no outside alcohol brought onto Firewheel's premises which included beer, liquor, wine and wine coolers, and they were to be served by Firewheel's TABC certified staff as stated in the contract.

Alcohol was brought onto the premises by Guns 'n Hoses and the alcohol was served by Guns 'n Hoses TABC certified servers.

Recommendation

Any changes to an existing contract should be made before an event takes place.

Management Response

Concurs

Action Plan

The staff has been counseled and management will monitor future contracts.

Implementation Date

November 30, 2012

Follow-up

Upon review of the most current Guns 'n Hoses contract, it appears that no updates have been made in regards to the wording about the sale and distribution of alcohol at the event. For this event, the alcohol permit is relinquished to Guns 'n Hoses. The contract has not been updated to reflect this. IA confirmed that all TABC requirements were met with regards to this event.

Implementation

Not Implemented.

Finding #9

Condition (The way it is)

A formal comprehensive policy has not been written directly for Firewheel. When we asked for a copy of the policy, the facility gave us one document employees sign as an attestation of being told to perform certain functions.

Because of the large number of findings regarding TABC Code and Rules, a checklist should be established and a routine verification of TABC compliance should be reviewed at least quarterly. As new pertinent issues arise, they should be added to the checklist.

Recommendation

Comprehensive policies should be established and written by management, and documented review by personnel should be maintained.

A checklist for TABC Code and Rules should be established by management and a routine verification of TABC compliance should be reviewed at least quarterly. The completed verified checklist should be sent to the Assistant City Manager for review quarterly. A report of any violations should be immediately sent to the Assistant City Manager.

Management Response

Concurs

Action Plan

This will be made a priority for the food and Beverage Manager once hired.

Implementation Date

March 31, 2013

Follow-up

Obtained a copy of the most current Policies & Procedures related to Alcohol Sales and Inventory. The effective date of these policies and procedures was the Implementation Date of 3/31/2013.

There is currently no TABC checklist being completed quarterly. Due to the high turnover in the food and beverage department at Firewheel, a checklist would be beneficial. As a result of this follow-up audit, this is currently in development by Firewheel management.

Implementation

Partially Implemented.

Finding #10

Condition (The way it is)

During our walkthrough it was noted that liquor inventory was not secure. The following issues were noted:

- The inventory storage area was open upon our review, and through inquiry we discovered it was left open during business hours.
- The security camera does not view the liquor inventory room and housekeeping has keys to the inventory.

It was noted that overflow inventory was being maintained in the Tournament and Events Directors office. In one instance, she was not in her office, the door was shut, the light turned off, and the door was unlocked.

Recommendation

Liquor inventory must be secured. The liquor inventory room should have a security camera viewing the door to the inventory room and a limited number of personnel should have access to inventory. If overflow is going to be maintained in the Tournament and Events Director's office, the office should be locked when she is not in the office and upon her departure for the day.

Management Response

Concurs

Action Plan

Alcohol inventory issues will be addressed to ensure proper oversight and security within the limited space available at the facilities.

Implementation Date

March 31, 2013

Follow-up

On 8/1/2014, Internal Audit observed the liquor inventory onsite at both the Bridges and Lakes Golf Shops.

When Internal Audit arrived, all alcohol not currently in the bar area was contained in a locked storage area. Only necessary parties had access. At Bridges, this room was moved from the kitchen to another room in order to have security camera footage. At Lakes, there is no camera of this area; however, access was restricted to necessary individuals. There was no overflow alcohol noticed at either location.

Implementation

Fully Implemented.

Exhibit A

Sampling Methodology

Gross Receipts Calculation

Internal Audit (IA) obtained the tracking spreadsheet and support from the General Ledger for TABC Alcohol Sales Tax Payment for the prior quarter from the Senior Accountant. IA judgmentally selected the prior quarter. This method was chosen to see if the most current months were being calculated correctly. 12.5% of all months in the testing period were selected for testing. The results can be projected to the intended population.

Background Check Testing

IA obtained a listing of all active employees employed at Firewheel Golf Course from Payroll Coordinator. As only the active employees pose a risk to the organization, IA selected a sample from current employees. From the entire population, IA judgmentally selected 19 out of 74 employees (or 26%) to test for background checks based on hire date. From the entire population, IA decided to test from any active employees across a variety of hire dates. A judgmental sample was sufficient for this purpose. The results can be projected to the entire population.

Missing Receipts Testing

One day was selected for testing based on high volume of transactions. From this day, we observed 5 missing receipt numbers out of 91 transactions (about 5%). IA used a discovery sampling method as we expected to not encounter any errors. However, once we noticed the missing receipt numbers, we expanded our testing to the source documentation from the Club Profit's IT team. They are currently investigating the cause of these missing receipts.

TABC Certification Testing

IA obtained a listing of all active employees employed at Firewheel Golf Course from Payroll Coordinator. As only the active employees pose a risk to the organization, IA selected a sample from current employees. From this list, IA created a separate listing of food and beverage employees. From the food and beverage listing, IA judgmentally selected 7 out of 26 (or 27%) employees to test for TABC Certification based on hire date. Due to 2 terminated employees being included in this listing, IA judgmentally selected an additional 5 employees. This resulted in 42% coverage (or 10 out of 24) of all food and beverage employees. IA wanted to test from any active food and beverage employees across a variety of hire dates. A judgmental sample was sufficient for this purpose. The results can be projected to the entire population.

Additional Consideration

As stated in the TABC Certification Testing, we noted at least two terminated individuals who were listed as active in GFDC's payroll system. One employee was recently terminated as of 6/15/2014, but another had not been employed by GFDC since 10/15/2013. Terminated employees should be deactivated as soon as possible as the City may be vulnerable to human, physical or data damages/loss. It appears that lack of monitoring was the cause in these instances. Monitoring should take place to ensure that terminated employees are deactivated from the system in a timely manner.