



Finance Department

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June 6, 2011

Members of the Alcohol License Review Committee
Madison, Wisconsin

At your request, we have completed an audit of Alexander's Restaurants LLC, dba Frida Mexican Grill (Frida), 117 State Street for the purpose of determining whether it meets the definition of a restaurant as defined in Madison General Ordinances (MGO) Sec. 38.02. The Ordinances define a restaurant as an establishment "whose sale of alcoholic beverages account for less than 50% of the establishment's gross receipts."

To perform the audit, we selected the 12-month period of November 1, 2009 through October 31, 2010. Monthly sales reports for each type of sale (alcoholic beverages, soft beverages, food, etc.) were obtained from Frida staff. These reports showed that sales of alcoholic beverages did not exceed 50% of their gross receipts for any individual month or the total period. The drop in alcoholic beverage sales beginning in August was due to discontinuation of Club Frida, which had been operating on Friday and Saturday nights and sold only drinks.

Month	Alcoholic Beverage Sales as a Percentage of Gross Receipts	Non-alcoholic Beverage Sales as a Percentage of Gross Receipts
November	43%	57%
December	40%	60%
January	42%	58%
February	42%	58%
March	39%	61%
April	47%	53%
May	42%	58%
June	45%	55%
July	45%	55%
August	37%	63%
September	34%	66%
October	34%	66%
Total 12-Month Period	41%	59%

To test the validity of this initial data, we selected sample months of January and July for detailed testing. Daily cash register tapes were compared to daily sales reports which were then compared to the monthly sales reports summarized above. A number of variances were noted in this documentation that could not be explained by Frida staff. These variances were immaterial in amount and even in a worst-case scenario, no month would have exceeded the 50% threshold for alcohol sales.

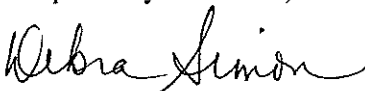
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We requested detailed documentation for one additional month to try to isolate the cause of the variances and to further support the initial monthly sales reports provided. When we requested the additional information, the owner indicated that producing the reports was difficult, working with their software vendor to determine the cause of the variances would be very costly, and that Frida Mexican Grill would be closing in mid-2011. As a result of these factors, we determined that additional test work would not be performed. However, we learned recently that the owner has filed a license renewal application for the July 1, 2011 to June 30, 2012 period.

Based on our review, Frida Mexican Grill met the definition of a restaurant for the 12-month period of November 1, 2009 through October 31, 2010. While we found some unexplained variances within their reporting system, the amounts were immaterial and did not change our conclusion.

Respectfully submitted,



Debra Simon
Budget and Audit Manager

c: Mohamed Barketallah, Frida Mexican Grill
Jennifer Zilavy, Asst. City Attorney
Mark Woulf, Alcohol Policy Coordinator