



Finance Department

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Date: December 21, 2016
To: David Schmiedicke, Finance Director
From: Danielle Hayes, Internal Auditor
Subject: Tiki Shack Audit Update

ALRC requested a review of Tiki Shack's compliance with Madison General Ordinance Sec. 38.05(10)(b) which requires sale of alcoholic beverages to be 50% or less of gross receipts for a restaurant.

The preliminary results are based on the period October 2015-September 2016 in which 5 of the 12 months Tiki Shack was operating over the 50% alcoholic beverage threshold. In addition, it appears likely that they are under-reporting their gross alcohol sales. A specific promotion which advertises "free Corona with the purchase of 3 tacos" reduces the cost of the alcoholic beverage and increases the cost of the food item. This preliminary review is based on gross sales. Therefore, if Tiki Shack manually reduces the sale price of alcoholic beverages it would change the gross sale of alcohol for this period.

In order to analyze the magnitude of the under-reporting, Tiki Shack would need to provide additional records, which are not available to me at this time.

Month	Alcoholic Beverage Sales as a Percentage of Gross Receipts	Non-Alcoholic Beverage Sales as a Percentage of Gross Receipts
October-15	24.47%	75.53%
November-15	23.84%	76.16%
December-15	29.61%	70.39%
January-16	45.45%	54.55%
February-16	58.94%	41.06%
March-16	56.27%	43.73%
April-16	55.60%	44.40%
May-16	62.08%	37.92%
June-16	64.27%	35.73%
July-16	45.00%	55.00%
August-16	29.75%	70.25%
September-16	31.61%	68.39%
Monthly Average	43.91%	56.09%