

Internal Audit of Conference Center Mixed Beverage Operation Completed

Management changes already yielding positive results.

City Auditor Matthew Grady has completed his independent examination of mixed beverage operations at Killeen Civic & Conference Center and published his findings for public review.

The audit focused on the contracted mixed beverage operations at the Civic & Conference Center during the 2017 fiscal year, October 1, 2016 to September 30, 2017. The center has offered mixed beverage service since opening in 2002.

A management services agreement between the center and Jester's, a bar management company, establishes that Jester's is responsible for bartending, bar management services and inventory maintenance in exchange for 40 percent of gross receipts.

Killeen Civic & Conference Center has contracted Jester's services since 2005. The current management services agreement term is February 2016 to March 2019.

Grady found discrepancies in monthly inventory reports submitted by bar management that are cause for concern. While the total amount of inventory loss in question amounts to about \$3,000 for the year, it equates to about \$15,000 or eight percent of sales value, which is a higher than industry average loss.

Some level of loss must be expected in bar service, and it can occur in a number of ways. Common causes are spillage, over pouring, under charging and theft of inventory. The auditor believes that the loss incurred at the conference center is most likely a combination of causes.

The audit recommends that the center should seek new bidders for the mixed beverage operation and negotiate new terms that adjust management fees and responsibilities and provide for penalties when terms of the agreement are not upheld. Alternately, it recommends that the center consider moving the outsourced operation in-house to provide more internal control and accountability.

Grady's report noted a number of improvements new conference center management has already put in place to deter loss. A new point-of-sale system was installed in December 2016 to modernize sales operations. It allows for credit card payments in addition to cash and produces itemized sales reports. Security cameras were installed in February 2017 to monitor areas where inventory is stored. Lidded bar coolers replaced the former open tubs providing for better inventory control.

"Any loss of City property should be explored and corrected," said Grady. "I am encouraged by the staff's eagerness to take corrective and preventative action, and I fully expect future audits of beverage operations to reveal significant improvement in inventory control."

The entire Killeen Civic & Conference Center Mixed Beverage Operation Audit is available at killeentexas.gov/auditor.