

**UNIVERSITY OF CALIFORNIA, IRVINE  
ADMINISTRATIVE AND BUSINESS SERVICES  
INTERNAL AUDIT SERVICES**

**HOSPITALITY AND DINING SERVICES  
Report No. 2012-103**

**January 10, 2012**

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IRVINE: INTERNAL AUDIT SERVICES

January 10, 2012

**JACK MCMANUS  
DIRECTOR, HOSPITALITY AND DINING SERVICES  
HOSPITALITY AND DINING SERVICES**

**RE: Hospitality and Dining Services  
Report No. 2012-103**

Internal Audit Services has completed the review of Hospitality and Dining Services and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.



Bent Nielsen  
Director  
UC Irvine Internal Audit Services

Attachment

C: Audit Committee  
Daniel Dooros, Associate Vice Chancellor Student Affairs

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**I. BACKGROUND**

University of California, Irvine (UCI) Hospitality & Dining Services (HDS) offers 20 dining locations, two convenience stores and multiple vending machine locations to student, staff and faculty while on campus. UCI Catering provides food and beverages to on-campus events. In addition, HDS and the appropriate UCI Housing unit, provides mandatory residential meal plans to residents living in Middle Earth and Mesa Court Student Housing.

All HDS dining locations, including the convenience stores and catering, are operated by ARAMARK (Aramark) with the exception of the Anthill Pub, Café Espresso and University Club. Aramark is a provider of professional food and management services. Aramark and HDS employees work together to provide dining service options to the campus community. HDS has 152 full-time employees, one part-time employee, 637 students and 84 Aramark managers.

**II. PURPOSE, SCOPE AND OBJECTIVES**

The purpose of the audit was to review operations from January 2011 to present. Based on Internal Audit Services (IAS) risk assessment of HDS, the following objectives were established:

1. Review processes related to California Health and Safety Codes (HSC) and verify inspection by UCI Environmental Health & Safety (EH&S);
2. Sample off-campus caterers for appropriate documentation to operate on campus;
3. Review supporting sales documentation for a selected sample of HDS locations;
4. Evaluate the following aspects of cash and credit cards: protection from theft and/or misappropriation and identification of volume and amounts of refunds, voids, discounts and no sale transactions;
5. Evaluate budget and accounting controls; and
6. Perform a limited review of related IT operations.

**III. CONCLUSION**

In general, the selected HDS processes reviewed appear to be functioning as intended. However, business risks and control concerns were identified in alcohol permit

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documentation, off-campus caterers approvals, food vendor contract compliance, Anthill Pub operations and EH&S food safety restaurant inspection reports.

Observation details and recommendations were discussed with management, who formulated action plans to address the issues. These details are presented below.

**IV. OBSERVATIONS AND MANAGEMENT ACTION PLANS**

**1. Alcohol Permits**

**Background**

The University allows consumption of alcohol on campus and expects individuals and organizations involved to be responsible for compliance with applicable local, state, and federal laws and applicable University regulations. UCI Policy Sec. 900-13: Policy on Consumption of Alcoholic Beverages provides guidelines for all permits, consumption and serving of alcohol beverages on campus, and the supervision of serving alcohol.

Alcohol permits must be approved by the appropriate scheduling office to indicate the agreement to serving alcohol in its facility. The permit must also be approved by the authorized administrator which has been delegated by the Chancellor. The permits shall be submitted for an approval at least 30 working days before the actual event if open to the public and 10 working days if the event is not open to the public.

UCI policy states, "Monitoring and serving of alcohol shall be under the direct supervision of approved and insured caterers. A list of approved caterers is available from HDS." Currently, HDS only has UCI Catering as an approved vendor to serve alcohol on campus. As for approved off-campus caterers, HDS does not screen caterers for alcohol licenses. If alcohol is served by UCI Catering it provides reasonable assurance that the appropriate insurance and licenses are held and the servers have had training in serving alcohol in a responsible manner. Servers can become certified in Training for Intervention Procedures (TIPS) which trains individuals in identifying and preventing intoxication, underage drinking, and drunk driving.

**Observation**

It appears that some of the alcohol permits are not being completed and are not approved by the appropriate authority. IAS reviewed PayQuest reimbursements to determine if the appropriate procedures were followed for serving alcoholic beverages on campus. PayQuest reimbursements were reviewed for on-campus

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events only. IAS observed three PayQuest reimbursements with the following details:

- a. One PayQuest reimbursement did not have an alcohol permit attached to the supporting documentation. UCI Catering was responsible for serving food at the event but it did not serve the alcohol. It is unknown if an alcohol permit was obtained and IAS could not determine who served the alcohol based on the PayQuest supporting documentation.
- b. IAS identified two alcohol permits that were not approved by an authorized delegated authority. First, an academic unit permit was approved by the Assistant Dean. Based on the review of UCI's delegation of authority, IAS could not confirm if the Assistant Dean that signed the permit was an authorized approver.

Second, a research center event was approved by the Dean of the School of Medicine. The research center reports to the Office of Research so the permit was not approved by the appropriate authority. In addition, the alcohol permits were not signed by the Scheduling Office/Unit. Permits must be approved by the appropriate facilities scheduling office.

The two permits also did not have the appropriate number of event assistant names listed. Two names are required for every 50 individuals estimated to be in attendance. One event had an estimated 90 attendees and had no event assistant names listed. The second event had 75 attendees estimated and had one event assistant name listed. The importance of the assistants is to help ensure compliance with policy during the event.

IAS was unable to determine who served the alcoholic beverages for all three PayQuest reimbursements. Individuals who serve alcohol should have the knowledge of how to prevent intoxication and to identify under-age drinking. This, along with other serving skills, can be obtained through TIPS certification. The serving of the alcohol creates a risk to the University especially if not served in a responsible manner.

**Management Action Plan**

Policy requires departments to complete and ensure appropriate authorization of the alcohol permits. As a result, HDS and UCI Catering does not monitor on campus events with alcohol unless a department requests UCI Catering to order and serve alcohol. Aramark operates and holds alcohol licenses for the Student Center, Bren Events Center, Anteatr Ballpark and the Phoenix Grille.

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UCI Catering is the exclusive caterer for the Student Center Conference Center. When an event is held in the Student Center and alcohol is requested, UCI Catering serves the alcohol with TIPS certified bartenders. UCI Catering also verifies the alcohol permit is signed and approved with the department.

If an event is held on campus but not in a licensed facility and a department is requesting UCI Catering to serve alcohol, Aramark is required to submit a permit to serve alcohol off premise to the Alcohol Beverage Control Department (ABC) for approval. Once approval is given, UCI Catering may serve alcohol. UCI Catering also verifies the alcohol permit is signed and approved with the department.

The HDS Director will send out emails periodically through the Vice Chancellor Student Affairs mail list to ensure compliance with the alcohol consumption policy and as a reminder of the importance of alcohol permits.

**2. Off-Campus Caterers**

**Background**

Off-campus caterers provide pre-ordered catering services on campus. UCI departments can either choose an off-campus caterer from an approved list prepared by HDS or can obtain the appropriate documentation and forward to HDS in order to use a caterer that is not on the approved list. Approved caterers provide the following documentation to HDS:

- Completed Off-Campus Caterer Application Forms;
- General Liability, Commercial Auto and Worker's Compensation insurance with appropriate coverage;
- County Board of Health Certificate;
- Board of Health Inspection Report within the last 12 months;
- Serve Safe Food safety certificate within the last 5 years; and
- W-9 form.

HDS updates the approved caterer list monthly.

**Observation**

IAS judgmentally sampled PayQuest reimbursements and found three off-campus caterers that served the University on campus and were not on the approved list. PayQuest will alert for payments to vendors who are located off-campus and are serving on campus and not on the approved off-campus caterer's list. However, PayQuest did not alert for these three events because one event was mistakenly

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entered as being off-campus but actually took place on-campus and the other two were paid to an individual and payments to individuals are not included in the alerts.

Having unapproved off-campus caterers enter UCI property and serve food to students and staff may create a risk to the University. The off-campus caterer may not have adequate insurance, have failed inspection report or not have the current training in food safety.

**Management Action Plan**

HDS agrees that having off-campus caterers enter UCI property and serve food without first submitting the proper documentation creates a liability risk to the University. Without first submitting paperwork, the University would be unprotected and could be held accountable in the event that an off-campus caterer fails to follow safe food handling practices and cause a customer to get sick; damage University property while on campus; or injure a person while on campus.

We have met with Accounting and Risk Management in the past about potential risks, but we were unable to provide a resolution at the time. We can certainly revisit this discussion with both departments in the future.

**Possible Solutions:**

- Ask Accounting to run all food related PayQuests through HDS for review prior to processing, regardless if the off-campus caterer is approved or not;
- Suggest to Accounting to change the “Event Location” options on PayQuest;
- HDS will attempt to meet with Accounting by May 1, 2012 to discuss these possible solutions.

HDS will continue to encourage through communication to the departments the use of UCI Catering on campus to support Student Affairs. HDS employs full-time and part-time employees represented by AFSCME union and pay fair wages and full benefits. Whereas an off-campus caterer may employ non-union represented employees with minimum wages.

**3. Contract Compliance**

**Background**

UCI contracts with retail food establishments in order to provide food and beverage to the campus community. UCI has an agreement with Café Espresso (contractor) to operate a food cart outside the Physical Sciences area. The contractor’s food cart sells coffee, sodas and various food items ranging from

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prepackaged snacks to toasted bagels and deli sandwiches. The contractor provides monthly sales to the University and then the University computes the amount the contractor owes the University based upon a percentage of the contractor's monthly sales.

Contractors must comply with all of the terms and conditions of the contract. The Accounting and Commission Payments section of the contract includes record retention and right to inspection. The contractor's records shall be complete and reflect its operations on the campus, together with any supporting documentation. The contractor shall make the documents available for inspection for a period of at least three years after the fiscal year in question.

**Observation**

IAS requested documentation from the contractor to support monthly sales figures submitted to HDS however, the documentation was not retained. The contractor was able to provide credit card settlement and self-prepared sales reports. The contractor does not retain cash register tapes which would be critical in order to verify sales information. Not retaining adequate accounting documentation, such as cash register receipts, is not in compliance with the contractor's agreement with UCI.

**Management Action Plan**

As of February 2012 the contractor will retain daily cash register tapes in order to be compliant with the contractor's agreement with UCI. The cash register tape retention will include both an itemized sales and activities of the register and a tape showing total sales for the day.

**4. Anthill Pub Operations**

**Background**

UCI enters into contracts in order to provide food and beverage services to the campus community. UCI has an agreement with a contractor to operate the Anthill Pub. The contractor sells food, non-alcoholic, and alcoholic beverages such as beer and wine.

The contractor provides monthly sales to the University and then the University computes the amount the contractor owes the University. The University receives a percentage of the contractor's monthly sales. The contract states, "Upon the request of the University, the contractor shall meet and review any information related to unit sales, including explanation of deviations, discussion of problems,



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and agreement to mutually accepted solutions required to maximize sales and commission income to the University.”

**Observation**

IAS reviewed three days of cash register receipts and found a high number of no sale transactions. IAS found an average of 51 no sale transactions or 10% of the day’s total transactions. The Anthill Pub management does not track or review no sale transactions. The Anthill Pub management uses the no sale key on the cash register for a quick cash count of the drawer, to provide change to a customer or to replenish the drawer. No sale transactions create the opportunity to manipulate cash sales and may result in misappropriation of assets.

Anthill Pub management stated that Register 3, which had the highest amount of no sale transactions, is opened often by Anthill Pub staff since it has restaurant keys stored in it. The keys can then be obtained by all personnel if they need to enter the mop room or other areas of the Anthill Pub. Individuals who receive cash must be held responsible for cash under his or her control. Having multiple employees in the cash register does not provide individual responsibility of the cash register drawer if funds are missing.

Anthill Pub does not provide receipts for bar purchases. The Anthill Pub does provide receipts for food purchases since the customer must have the receipt in order to pick up his or her food purchase. Not providing receipts to all customers creates a risk of sales not being recorded in the register. If sales transactions are not being recorded or if theft is occurring, sales and commission income due to the University maybe understated.

**Management Action Plan**

Recommendations from HDS:

1. To prevent staff from opening Register 3 for no sale transactions and the opportunity to manipulate cash sales, HDS recommends relocating the manager’s keys to another secure location.
2. HDS does not recommend quick counting of cash on the floor and in front of customers. Cash counts should be done in the manager’s office.
3. HDS recommends providing receipts for all purchases including alcohol.

HDS has discussed the above recommendations with the Anthill Pub and they will implement recommendations in February 2012.

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**5. Inspection Reports**

**Background**

UCI's EH&S employs a Registered Environmental Health Specialist (REHS) to inspect HDS locations. UCI operates as its own entity so the Board of Health, County of Orange will not provide on-site inspections but instead relies on the REHS to conduct all food safety inspections. The REHS performs risk-based inspections and completes a retail food establishment performance report. Most locations are inspected three times a year and others, such as the baseball kiosk or the Bren Center, are visited only once a year. Locations with perishable items are considered higher risk than seasonal locations with prepackaged food products.

Once the inspection is complete, the REHS will provide a copy of the performance report to HDS and the dining location manager. The REHS will email the report and keep the email receipt to ensure that the dining location manager has opened and received the report. The inspection report should be kept on-site in case of customer requests. If issues are found the REHS will document and perform follow-up or observe correction on-site, if it can be corrected immediately.

The inspection involves using a checklist to document whether the location is either in compliance (IN), not observed (N/O), not applicable (N/A), major violation (MAJ), minor violation (MIN), corrected on-site (COS) or out of compliance (OUT). The checklist is separated according to the risk level for food borne illnesses. Checklist items numbered 1-23 are considered critical since they can pose an imminent public health hazard and warrant immediate correction. Checklist items numbered 24-52 are considered non-critical.

**Observation**

IAS reviewed 12 inspection reports for four locations and observed the following:

- a. Five of the 12 inspection reports sampled did not have an answer to checklist item #5 - *Hands clean and properly washed; gloves used properly*. After discussion with REHS it was confirmed that a review was likely conducted but it was missed during the report creating process.
- b. Three of the 12 inspection reports had two answers recorded for checklist items #9 - *Proper cooling methods* and #14 - *Food contact surfaces; clean and sanitized*. The EH&S specialist stated that only one answer should be selected and this was likely an error during the report creating process.

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- c. One location was checked as N/A on the first two inspection reports but then IN on the third inspection *for #8 - Time as a public health control; procedures and records* under the time and temperature relationships section of the report. It appears N/A should be on all reports if the location does not participate in time as a public health control vs. time and temperature being used as a public health control unless the operation has changed.
- d. One inspection report had a prior inspection report date. Two reports listed October 27, 2010 as the date of inspection. After viewing the email sent from REHS to the dining location manager, IAS identified the approximate date of the second inspection as January 7, 2011. After discussion with the REHS it was discovered that two inspections did take place but during the updating of the template to the current report details, the current date was not entered on the latest report.

**Management Action Plan**

As of December 5, 2011, the REHS will be careful while using templates in creating the Food Establishment Performance reports. The final reports will be reviewed to ensure that all critical items (1-23) have one answer. Also, reports will be updated with the current inspection report date.