

**Performance Audit:  
Liquor Licensing and Enforcement**

**April 2021**

**City Auditor's Office  
City of Atlanta**

File #21.01



**CITY OF ATLANTA**  
City Auditor's Office  
Amanda Noble, City Auditor  
404.330.6750

April 2021

## ***Performance Audit:***

### **Liquor Licensing and Enforcement**

#### ***What We Found***

The License and Permits Unit's standard operating procedures outline controls to regulate the liquor licensing application process and enforcement; however, the department has allocated insufficient staff to implement all required procedures. Due to 11 of 21 positions currently filled within the Unit, processes for application vetting and acceptance of required materials, as well as annual inspections of licensed establishments fail to meet code requirements and introduce corruption and fraud risks.

Current liquor licensing processes allow Unit staff to accept incomplete applications and disregard city code requirements for verifying establishments' compliance with distance exemption requirements. The Unit also collects and handles licensing fees, which reduces the transparency, accuracy, and efficiency of cash handling within the application process.

Although the introduction of EnerGov should improve elements of the application process and centralize fee processing, additional provisions may impact the Unit's procedures. House Bill 879 introduces a new statewide liquor licensing process, but it is currently unclear how it will affect city processes since the legislation lacks details on the system's design and implementation.

Standard operating procedures and industry standards require the License and Permits Unit to inspect all licensed establishments annually. The Unit, however, is unable to consistently enforce this procedure due to insufficient staff. Moreover, the Unit's processes for documenting inspections, supervisory review of inspections, and follow-up of inspections of establishments with documented violations lack uniformity, consistency and fairness.

Finally, complaints are investigated at the Unit supervisor's discretion, although procedures state all complaints warrant an investigation. Due cause packages are also applied on a discretionary basis, although the mayoral approval requirement contributes to inconsistency in the process.

#### ***Why We Did This Audit***

We undertook this audit at a City Council member's request due to illegal activity surrounding some licensed establishments. We reviewed Police's License and Permits Unit licensing process to ensure that it was consistent with code and administered fairly, and we examined enforcement activities to assess whether procedures were fair and consistent with industry standards.

#### ***What We Recommended***

To improve liquor licensing and enforcement, the Police Chief should:

- assign sufficient staff to process applications in accordance with unit procedures
- report on staffing, compliance inspections, and complaints to City Council's Public Safety committee
- provide process for checking food and liquor sales of establishments receiving exemptions during renewal
- Direct applicants to pay all fees through EnerGov or directly to the Office of Revenue
- prioritize the inspection of high-risk establishments until each one can be inspected annually
- establish detailed procedures for inspections
- develop procedures for complaints and investigate all medium/high risk complaints
- standardize due cause package issuance

For more information regarding this report, please use the "contact" link on our website at [www.atlaudit.org](http://www.atlaudit.org)

## Management Responses to Audit Recommendations

### Summary of Management Responses

**Recommendation #1:** We recommend that the Police Chief assign sufficient staff to process applications, which includes rotating application intake and initial inspection assignments, and requiring multiple staff to review applications in accordance with the Unit's standard operating procedures.

**Response & Proposed Action:** Leadership will ensure that the review process will include an additional member of the unit to review the applications for completeness and applications are met prior to approval/acceptance. **Agree**

**Timeframe:** October 2021

**Recommendation #2:** We recommend that the Police Chief report staffing and workload statistics, number of compliance inspections completed, and the number of complaints to resolution during Police's quarterly presentations to City Council's Public Safety committee.

**Response & Proposed Action:** License and Permits will compile staffing, workload statistics, number of inspections completed and the number of complaints to resolution. Chief Bryant will provide this data to City Council upon request. **Partially Agree**

**Timeframe:** October 2021

**Recommendation #3:** We recommend that the Police Chief enforce investigators' use of worklogs to record assigned tasks and Unit sergeant supervisory review of worklogs weekly as outlined in the Unit's standard operating procedures.

**Response & Proposed Action:** We agree with the above listed recommendation. **Agree**

**Timeframe:** May 2021

**Recommendation #4:** We recommend that the Police Chief update the standard operating procedures to provide a process for checking food and liquor sales of establishments at the time for renewal to ensure establishments continue to meet city code requirements for distance exemptions.

**Response & Proposed Action:** We agree with the recommendation. **Agree**

**Timeframe:** June 2021

<b>Recommendation #5:</b>	We recommend that the Police Chief coordinate with the Chief Financial Officer to use Finance's forensic audits to assess alcohol license qualifications for establishments at the time of renewal.	
<b>Response &amp; Proposed Action:</b>	APD will request Finance's forensic audit data in the renewal process.	<b>Agree</b>
<b>Timeframe:</b>	May 2021	
<b>Recommendation #6:</b>	We recommend that the Police Chief revise the Unit's website and forms to be consistent with city code requirements and train newer staff on procedures to limit public confusion about the process.	
<b>Response &amp; Proposed Action:</b>	We agree with the above listed recommendation.	<b>Agree</b>
<b>Timeframe:</b>	July 2021	
<b>Recommendation #7:</b>	We recommend that the Police Chief direct applicants to pay all fees through EnerGov or directly to the Office of Revenue at City Hall.	
<b>Response &amp; Proposed Action:</b>	APD will request that all fees are paid through EnerGov. APD will no longer accept direct payments.	<b>Agree</b>
<b>Timeframe:</b>	December 2021	
<b>Recommendation #8:</b>	We recommend that the Chief Financial Officer work with Law to prepare for City Council consideration amendments to city code to clarify fee handling requirements.	
<b>Response &amp; Proposed Action:</b>	The Chief Financial Officer will work with Law to prepare a consideration amendment to city code to add language to Chapter 10 Section 10-46 that clarifies fee payment handling to encourage electronic payments and eliminate cash as a payment option. Finance agrees that policies should be established citywide to mitigate the risk associated with cash handling.	<b>Agree</b>
<b>Timeframe:</b>	June 2021	
<b>Recommendation #9:</b>	We recommend that the Police Chief rank licensed establishments by risk and inspect high-risk establishments until sufficient staff is assigned to the Unit and can inspect each licensed establishment on a rotating basis at least once annually.	
<b>Response &amp; Proposed Action:</b>	We agree with the above recommendation.	<b>Agree</b>
<b>Timeframe:</b>	June 2021	

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**Recommendation #10:** We recommend that the Police Chief establish detailed procedures for documenting, conducting, and supervising compliance inspections.

**Response & Proposed Action:** We agree with the above recommendation. **Agree**

**Timeframe:** April 2021

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**Recommendation #11:** We recommend that the Police Chief develop procedures for follow-up inspections for establishments that have documented violations of Chapter 10 of city code.

**Response & Proposed Action:** We agree with the above recommendation. **Agree**

**Timeframe:** April 2021

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**Recommendation #12:** We recommend that the Police Chief develop explicit procedures for documenting, assigning, and resolving complaints, to include prioritizing complaints based on risk and investigating all medium/high risk complaints.

**Response & Proposed Action:** We agree with the above recommendation. **Agree**

**Timeframe:** October 2021

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**Recommendation #13:** We recommend that the Police Chief standardize enforcement by determining and documenting which infractions should result in due cause packages.

**Response & Proposed Action:** We agree with the recommendation. **Agree**

**Timeframe:** April 2021

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# CITY OF ATLANTA

**AMANDA NOBLE**  
City Auditor  
[anoble@atlantaga.gov](mailto:anoble@atlantaga.gov)

**STEPHANIE JACKSON**  
Deputy City Auditor  
[sjackson@atlantaga.gov](mailto:sjackson@atlantaga.gov)

**CITY AUDITOR'S OFFICE**  
68 MITCHELL STREET SW, SUITE 12100  
ATLANTA, GEORGIA 30303-0312  
<http://www.atlaudit.org>  
(404) 330-6452  
FAX: (404) 658-6077

**AUDIT COMMITTEE**  
**Danielle Hampton, Chair**  
**Daniel Ebersole, Vice Chair**  
**Donald T. Penovi, CPA**  
**Amanda Beck, PhD**  
**Dargan Burns, III**

April 1, 2021

Honorable Mayor and Members of the City Council:

The purpose of this report is to communicate the results of the Liquor Licensing and Enforcement audit. We undertook this audit at City Council's request. The scope of the audit is from October 1, 2018 to September 30, 2020.

We found that the License and Permits Unit failed to allocate sufficient staff to perform required procedures related to liquor licensing and enforcement processes. We also found that the Unit lacks procedures for verifying licensed establishments' compliance with city code distance exemption requirements, fails to investigate all complaints lodged against establishments, and inconsistently inspects licensed establishments and issues due cause packages. We recommend that the Police Chief strengthen controls related to application processing, establish procedures for verifying city code requirements, allocate staff resources efficiently to comply with standard operating procedures, and develop explicit procedures for enforcing city liquor ordinances.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on February 23, 2021, and received their response on April 14, 2021. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Randi Hadeen, Rebecca Robinson, and Anijarae Dade.

Amanda Noble  
City Auditor

Daniel Ebersole  
Vice Chair, Audit Committee

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# Liquor Licensing and Enforcement

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## Introduction

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We undertook this audit because a member of the City Council requested an audit of liquor license application and enforcement processes due to illegal activity surrounding some licensed establishments. The Atlanta Police Department’s License and Permits Unit is responsible for accepting license and renewal applications and enforcing liquor-related ordinances. The audit assesses whether controls are in place to ensure that the liquor license process is administered fairly and in accordance with code requirements, and whether procedures for liquor license enforcement are fair and consistent with industry standards. The Unit is also responsible for processing applications for other types of permits such as vending, adult entertainment, and special events, which we did not review.

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## Background

Establishments in Atlanta that are interested in selling alcoholic beverages, including malt beverages, wine, and distilled spirits for consumption on the premises or package sales, must first obtain a city license. As of September 2020, 1,455 unique establishments in the city were licensed to sell alcoholic beverages; a total of 1,853 licenses were active (see Exhibit 1). A business can have more than one license issued to its location; for example, a restaurant can hold a license to serve alcohol on its patio and another to serve within the indoor area. Appendix D illustrates the locations of licensed establishments throughout the city.

Licensed establishments must comply with applicable city code provisions for the sale and consumption of alcoholic beverages or may be subject to fines or license suspension. Alcohol licenses are valid for up to one year, and establishments must renew their license by January 1<sup>st</sup> of each year.

**Exhibit 1: 1,853 City Alcohol Licenses Were Active as of September 2020**

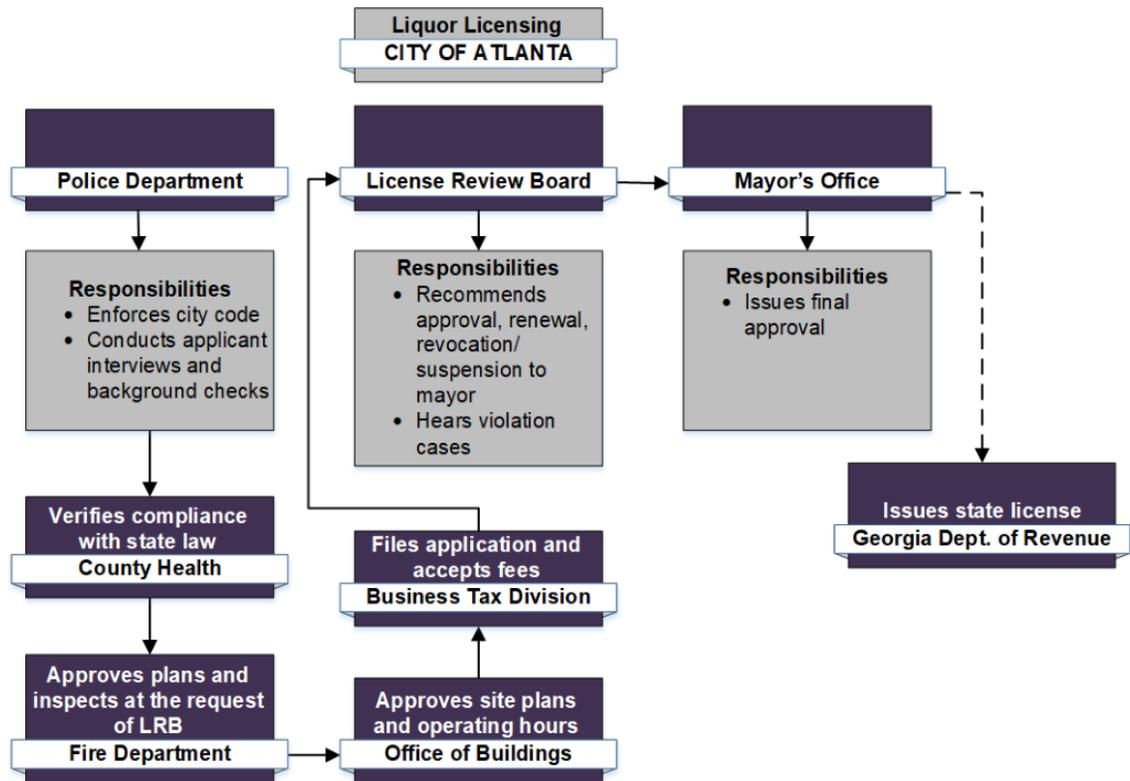
Number of Active Liquor Licenses	
<b>Total number of licenses</b>	<b>1,853</b>
Number of unique addresses licensed	1,455
New Licenses in 2018 (October through December)	22
New Licenses in 2019	115
New Licenses in 2020 (through September)	57

**Source:** Developed by auditors using information from the Police Central system

### Multiple Entities Are Involved in the Liquor License Approval Process

Chapter 10 of city code, titled Alcoholic Beverages, describes the responsibilities of several city, county, and community-based entities that are involved in the liquor licensing process. The Atlanta Police Department, the License Review Board, and the Mayor’s Office have primary responsibility for processing and approving alcohol licenses (see Exhibit 2). The Department of Finance, Department of City Planning, Atlanta Fire and Rescue, county health departments, Superior Court of Fulton County, and Neighborhood Planning Units also play a role (see Exhibit 3). According to the License and Permits Unit’s website, applicants are required to apply for a state license after their city license has been issued.

**Exhibit 2: Alcohol Licenses are Issued by the City and the State**



**Source:** Developed by auditors based on Chapter 10 of the Atlanta City Code

Preliminary assessments related to the business location, floor plan, and parking are the first step in the licensing process. Before submitting an application for a license to sell alcohol, an establishment must first determine whether the business meets zoning requirements in city code, and the location is approved for its intended use. The

applicant must also obtain a drawing of the business's floor plan and ensure that the business has adequate parking if it is a nightclub, as required by city code. Business owners must also ensure that establishments are located the required distances from residences, schools, churches, hospitals, and other public places, as prescribed in Section 10-88 of city code.

The Atlanta Police Department's License and Permits Unit accepts the written application for an alcohol license. To apply for a license to sell alcohol, applicants must be at least 21 years old, be a U.S. citizen or permanent resident, and live in 1 of 13 Atlanta metropolitan counties. The applicant and applicant's spouse must not have had any felony or misdemeanor convictions within 10 years, or violated any law related to the business within 5 years prior to application.

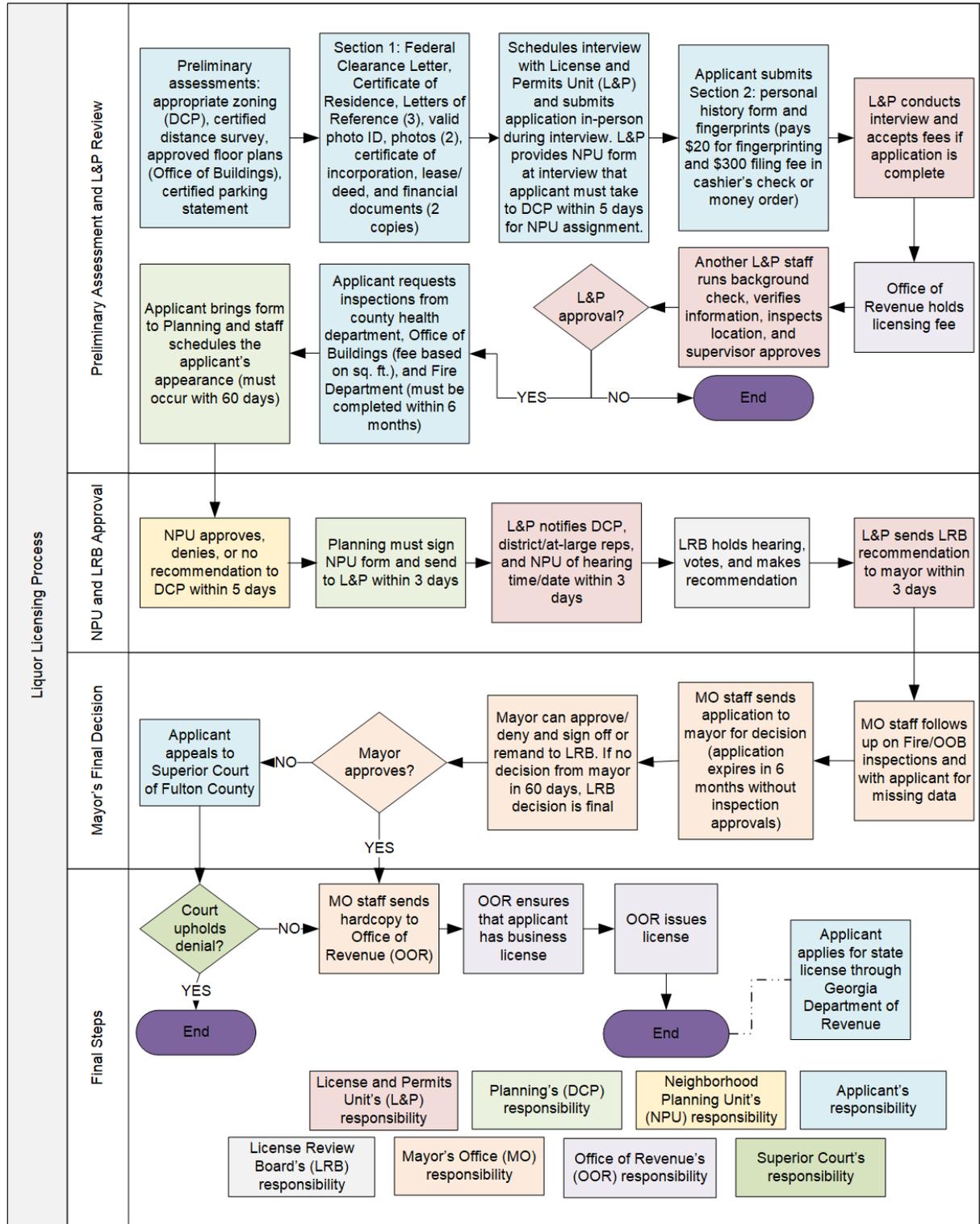
Applicants are required to prepare two copies of the written application, which includes the following documents to support code requirements:

- federal clearance letter
- certificate of residence
- proof of citizenship
- three letters of reference
- valid photo identification
- two small color photos
- corporate papers for incorporated businesses
- deed, lease, or other document showing legal access to premises
- financial investments for the business
- menu, if applying as a restaurant
- cadastral map (location of proposed business)

License and Permits Unit investigators meet with the applicant, accept the completed application, and interview the applicant (see Exhibit 3). The applicant is fingerprinted during the interview at a charge of \$20 to verify that there are no outstanding charges against the applicant and pays a \$300 filing fee to process the application. The applicant also pays the license fee of \$2,000 to \$5,000, depending on license type, that the Unit transfers to Finance, for deposit into a holding account pending issuance of the license. The investigator issues a receipt for the fees to the applicant during the interview. Section 10-48(g) of city code requires the License and Permits Unit to send the portion of new applications that describes the type of business, its operations, and the responsible party (the agent) to the councilmember representing the district in which the business is located and to all at-large councilmembers within 48 hours.

The Unit provides applicants with a blank NPU form when Unit staff accepts their completed application. Applicants bring the form to the Department of City Planning, which schedules the applicant to appear before the NPU (Neighborhood Planning Unit). The NPU reviews alcohol license applications and recommends them for approval or denial. The NPU chairperson sends the signed form to the Department of City Planning within five days and Planning forwards the original form to the License and Permits Unit after its designee signs it (within three days of receipt). If the NPU denies the application, it will be discussed at the License Review Board hearing, and the Neighborhood Planning Unit can share the reasons for its denial on the record.

**Exhibit 3: Liquor Licensing Process Involves Multiple Levels of Screening and Approval**



**Source:** Developed by auditors using information from Chapter 10 of city code, the License and Permits Unit website, and interviews with city staff

**Applicants must appear before the License Review Board after the Neighborhood Planning Unit appearance.** The License Review Board is a seven-member citizen board whose members are appointed by the mayor and approved by City Council to serve two-year terms. The Board reviews liquor license applications and sends a recommendation to approve or deny the application to the Mayor's Office after 20 days of filing with the Board, as provided by Section 10-54 of city code. The Board may deny an alcohol license for a number of reasons, including if the applicant is of bad moral character, has had a previously suspended or revoked license, or has violated any law relating to the business within the previous five years (see Section 10-57 of city code).

**The Mayor's Office provides final approval or denial of alcohol license applications.** Section 10-66 of city code provides that the mayor shall deny, grant, or remand an alcoholic beverage license application back to the License Review Board within 60 days of receiving a recommendation from the Board. Applications may be sent back to the License Review Board to correct errors, or other non-compliance with application requirements. If remanded, the Board must hold a hearing within 30 days.

Before the Mayor's Office approves the application, applicants are also required to pass inspections with the following three agencies:

- **Office of Buildings within the Department of Planning** - to verify that the proposed licensed establishment has been approved to operate its proposed business
- **Atlanta Fire and Rescue** - to confirm that the establishment meets the City of Atlanta fire prevention code according to plans submitted to the Fire Marshall
- **Fulton or DeKalb County Health Department** - the applicant must obtain a notice from the jurisdiction where the business is located to confirm that the proposed establishment is in compliance with the rules of the Georgia Department of Human Resources

When the application arrives in the Mayor's Office, it should include a signed Neighborhood Planning Unit form and the three approved inspection letters. If the Office of Buildings, Fire, and county health department inspections are not completed within six months of the License Review Board sending its recommendation to the mayor, the application expires, and the applicant must start the process from the beginning.

After the Mayor approves the application, the Office of Revenue issues the city license, and the applicant picks it up from City Hall. If the

Mayor’s Office denies an application for a license, applicants can appeal the decision to the Superior Court of Fulton County.

**Alcohol licenses are valid for up to one year.** Licensees are required to submit renewal applications and supporting documentation by December 31<sup>st</sup> of each year to process renewals before January 1<sup>st</sup> of the subsequent year. Applicants must also submit applications for changes in business agent or ownership. The agent is the person who applies for and is legally responsible for the license, which may differ from the owner of the business. The Unit accepts in-person and electronic submission of renewal applications and online payment of annual license renewal fees through E-Bill Express, a payment system that the Unit has been using since 2012.

### **Most Licenses are for Beer, Wine, and Mixed Drinks**

The Office of Revenue classifies alcohol licenses into 39 different licenses, as shown in Exhibit 4. Annual license fees vary based on the type of license. As shown in the exhibit, the city has issued licenses primarily for mixed drinks, beer, and wine. The city received over \$9 million in alcohol license fees in fiscal year 2020. We estimate that the Unit received approximately \$290,000 in filing fees and \$1,800 in fingerprinting fees for new alcohol license applications.

**Exhibit 4: City Categorizes Alcohol Licenses by Type**

License Type	Description of License Type	Number of Licenses	%	Cumulative %
A20, A92	Mixed Drinks, Beer and Wine	963	52%	52%
A34, A78	Beer and Wine Packaged	314	17%	69%
A21-A29, A83, A85-A86	Mixed Drinks, Beer and Wine, (additional facility)	286	15%	84%
A33, A56-A57	Beer and Wine Consumed	86	5%	89%
A32	Retail Package Liquor Store	55	3%	92%
A30	Beer Package	38	2%	94%
A00, A01	Beer Consumed	19	1%	95%
A50	Beer Manufacturing	16	0.9%	96%
A60, A63	Mixed Drinks, Beer, Wine Arts - Theatre	9	0.5%	96%
A8B	Wine Tasting Room	8	0.4%	97%
A1H	Liquor Beer and Wine Suite Hotel	7	0.4%	97%
A10	Wine Consumed	6	0.3%	98%
A31	Wine Package	5	0.3%	98%
A5H	Food Specialty Shop	5	0.3%	98%

License Type	Description of License Type	Number of Licenses	%	Cumulative %
A41	Wholesale Liquor (Inside City)	3	0.2%	98%
A52	Liquor Manufacturing (Georgia)	4	0.2%	98%
A2H	Beer Wine Consumed Suite Hotel	3	0.2%	99%
A45	Wholesale Wine (Inside City)	2	0.1%	99%
A43	Wholesale Beer (Inside City)	2	0.1%	99%
A51	Wine Manufacturing	2	0.1%	99%
A61	Beer and/or Wine- Arts/Theatre	2	0.1%	99%
A65	Mixed Drinks - Special	1	0.1%	99%
-	No License Type*	17	0.9%	100%

**Source:** Developed by auditors using information from the Police Central system

\*Blank fields and apparent typos

**License and Permits Unit Is Responsible for Enforcement**

The License and Permits Unit conducts compliance inspections of licensed establishments. Section 10-32 of city code states that Police has the authority to inspect licensed establishments for compliance during the business’s hours of operation. The Unit’s standard operating procedures state that officers should inspect all licensed establishments and follow up on all complaints from citizens, Police zone officers, state and county agencies, and other external sources. The compliance inspections consist of officers visiting licensed establishments to ensure that their business and alcohol license are displayed and that they are in compliance with Chapter 10 of city code. The Unit also conducts undercover details to ensure compliance, particularly when it has received complaints about an establishment.

The License and Permits Unit compiles due cause packages when a licensed establishment is found to be out of compliance. Due cause packages are the evidence that the Unit gathers against a licensed establishment to substantiate charges of liquor ordinance violations after Unit employees have conducted significant investigations. The Unit’s standard operating procedures state that officers will issue appropriate citations to licensed establishments for city ordinance and state law violations and begin due cause proceedings when warranted.

According to Section 10-109 of city code, due cause includes, but is not limited to the following offenses: serving persons under 21 years of age; serving intoxicated persons; failure to comply with local, state, or federal law; failure to maintain general license qualifications; and failure to supervise employees’ and patrons’ conduct to protect public

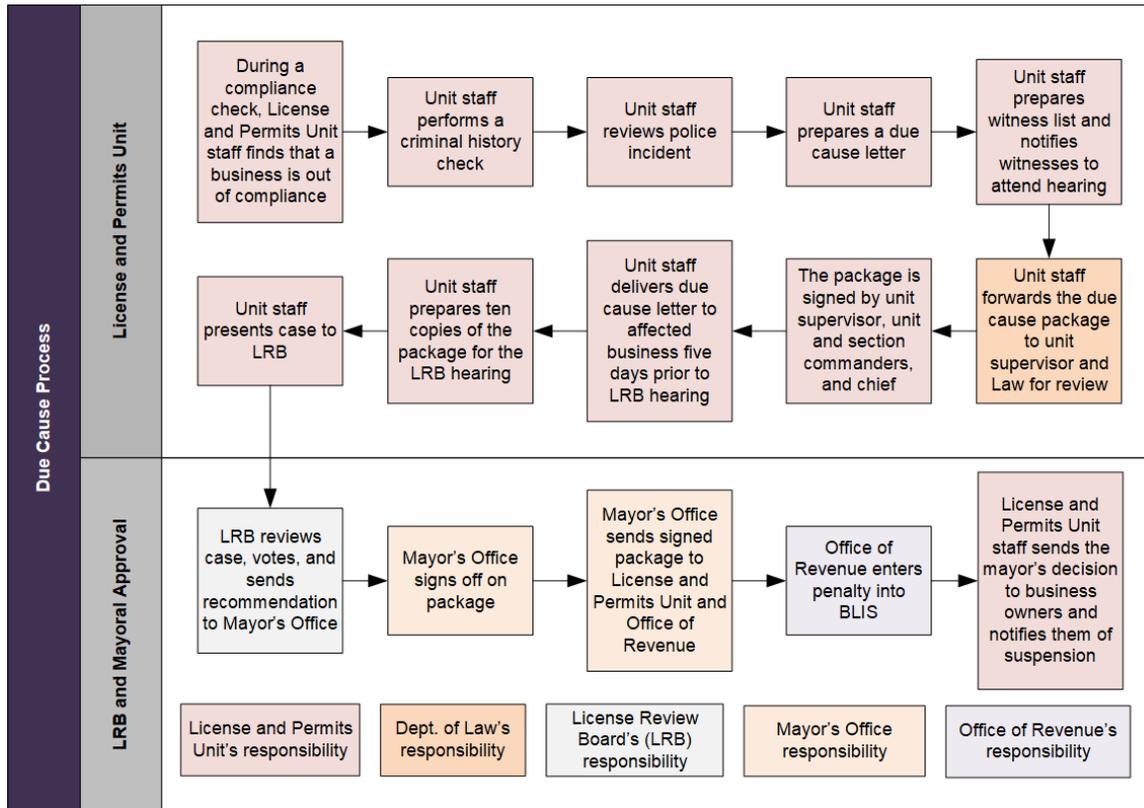
safety (see Appendix B). In these instances, a business may be denied a new application or refused a renewal, or the current license may be revoked or suspended, consistent with Section 10-109 of city code. The code also outlines the progressive fines and penalties associated with violations, which can include 5- to 180-day suspensions, and fines of up to \$2,500 (see Appendix B).

The License Review Board plays an important role in deciding whether licensed establishments should be penalized for violating liquor ordinances by hearing cases on charges and making recommendations to the Mayor's Office for fines and penalties.

**The due cause process begins when License and Permits Unit staff observes a violation during a compliance inspection or an enforcement detail.** As described below in Exhibit 5, Unit employees run a criminal history check, review any police incidents associated with the establishment, write a due cause letter, prepare a witness list, and notify witnesses of their required appearance if the Mayor's Office issues a subpoena. After the due cause package is compiled, the Unit supervisor forwards it to the Department of Law for review.

The Unit supervisor, Unit commander, section commander, and Police Chief sign off on the package, and Unit staff delivers the due cause letter to the establishment five days prior to the License Review Board hearing. Unit staff presents the due cause package to the License Review Board, and the board votes and sends a recommendation to the mayor within three days of the vote.

**Exhibit 5: Due Cause Process Determines Penalties for Non-Compliance**



Source: Developed by auditors based on Unit procedures and city staff interviews

If the Mayor’s Office signs off on the package, the mayor’s designee sends the signed package to the License and Permits Unit and the Office of Revenue. The Office of Revenue records any fines in the Business License Information System. Finally, Unit staff sends the mayor’s decision to licensees and notifies them of any suspension.

**EnerGov Launch Will Change Application Process**

Until November 2020, the Office of Revenue tracked the account status of liquor and other licenses in BLIS (Business License Information System) to ensure that licensees paid fees and any fines associated with their account before their licenses were renewed. The License and Permits Unit used BLIS to check the status of alcohol license accounts, but it tracked most information about liquor licenses in a database called Police Central. BLIS data include the business license number, liquor license type, business name, and business address. Police Central data include alcohol license number, establishment type, agent’s name, agent’s home address, agent’s phone number, business name, business address, business phone number, trade name, application date, and issuance type (new or renewal). Exhibit 4 shows the breakdown of

licenses based on data available in Police Central. Unit staff told us that employees sometimes added enforcement information to Police Central, such as penalties and fines, as comments, but they may not have done so regularly.

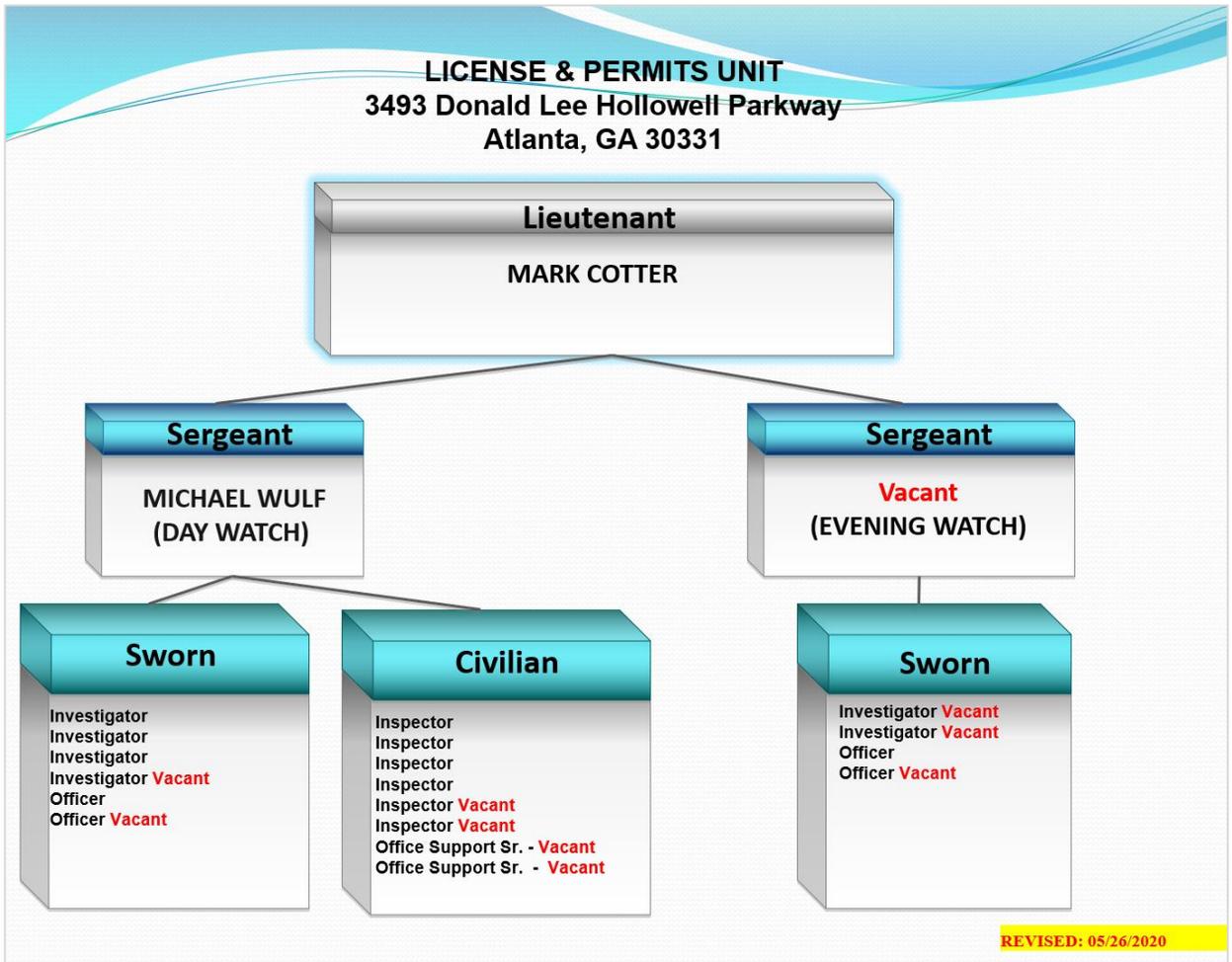
The city is in the process of migrating to a new system called EnerGov, which will replace both BLIS and Police Central. EnerGov is a licensing and regulatory management suite that processes and manages business tax and licensing revenues. Once active, EnerGov should allow staff to process and renew liquor license applications completely online.

City staff told us that three years of historical data from Police Central and BLIS should migrate into EnerGov, and that users should be able to query data from Police Central and BLIS through EnerGov reporting capabilities. Accela, which tracks Fire and Office of Buildings inspections, should be integrated into EnerGov, but county board of health inspections will not be.

#### **Half of the License and Permit Unit's Positions Are Vacant**

The License and Permits Unit currently has 21 positions, which includes 11 filled positions and 10 vacancies (see Exhibit 6). The lieutenant is the Unit commander, and the sergeant is the frontline supervisor. The Unit is structured into a day watch and an evening watch, but the evening watch, intended to have five positions, only has one staff person. The evening watch is intended to be dedicated to enforcement. A fully staffed second shift, according to the Unit supervisor, should include a sergeant, two investigators, and two inspectors.

**Exhibit 6: License and Permits Unit is Not Fully Staffed**



**Source:** Atlanta Police Department, License and Permits Unit staff

Two investigators and one officer processes applications for alcohol licenses (one vacancy and one investigator on leave). One investigator and the officer processing alcohol licenses are new to processing alcohol license applications. Staff told us that 80% of the Unit’s workload consists of processing and enforcing applications for alcohol licenses; however, the Unit also processes and enforces 28 other types of permits. Four civilian inspectors (two vacancies) process applications for other types of permits. These include permits for vendors, adult entertainment establishments, massage parlors, gyms, and special event permits. One officer focuses on enforcement, including investigating complaints.

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## Audit Objectives

This report addresses the following objectives:

- Are controls in place to ensure that the liquor license process is administered fairly and in accordance with code requirements?
  - Are procedures for liquor license enforcement fair and consistent with industry standards?
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## Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We reviewed available hardcopy and digital data for alcohol license application submissions and enforcement practices between October 1, 2018, and September 30, 2020.

Our audit methods included:

- reviewing federal, state, and city legal provisions to understand the liquor licensing application and enforcement process
- interviewing the License and Permits Unit, Mayor's Office, Law, Planning, Office of Revenue, Fire, and Fulton County Board of Health staff to understand the responsibilities of each entity in the application process
- developing flowcharts to illustrate the application and enforcement processes
- examining the License and Permits Unit's standard operating procedures and website to understand application and enforcement processes
- interviewing councilmembers and neighborhood groups to ascertain their concerns about liquor licenses and enforcements
- reviewing relevant media articles as other sources of stakeholder concerns
- analyzing inspection and complaint documentation and reviewing body-worn camera videos to examine enforcement activities
- reviewing hardcopy application files for compliance with application requirements
- testing EnerGov applicant controls to assess whether the system will mitigate application processing problems
- researching best practices to determine industry standards for compliance inspections

- working with Department of City Planning staff to map locations of licensed establishments and review areas of enforcement

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, 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.

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## Findings and Analysis

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### **Inadequate Resources Assigned to Unit Render Procedural Controls Ineffective**

While the License and Permits Unit has outlined controls to regulate the liquor licensing application process in its standard operating procedures, the department has allocated insufficient staff to implement required procedures. With 11 of 21 positions filled, the Unit is not following its procedures for proper application vetting, which mitigate corruption risks inherent to regulatory functions. The Unit does not always accept complete applications and lacks procedures for verifying establishments' compliance with city code distance exemption requirements. Furthermore, the decentralization of fee handling for licensing fees reduces the city's ability to monitor the completeness, accuracy, and timeliness of transactions, and is not conducive to the reconciliation of applications to fees.

The introduction of EnerGov should improve elements of the application process and centralize fee processing. Additionally, the proposed statewide system may alter the application process as well, but it is currently unclear how it will affect city processes because details of the system's functions are not outlined in the legislation.

We recommend that the Police Chief assign sufficient staff to enforce multiple reviews of liquor license applications to ensure that they are complete and contain the required documentation in accordance with the Unit's standard operating procedures. We also recommend that the Chief Financial Officer work with Law to prepare for City Council consideration amendments to city code to clarify fee handling requirements, and for the Police Chief to require licensing fees be paid through EnerGov or directly to the Office of Revenue.

#### **Staffing Challenges Limit Effectiveness of Controls Over Application Processing**

The License and Permits Unit's procedures outline steps to ensure applications are properly assigned, vetted, and reviewed before final acceptance; however, staff do not currently follow these guidelines due to staffing constraints. The Unit currently has 21 positions, with 11 filled positions and 10 vacancies.

The Unit also lacks procedures for verifying food and liquor sales for establishments that are exempt from distance requirements. City code

requires these establishments to report their gross revenue from food and liquor sales, but the Unit has not been enforcing this requirement.

We recommend that the Police Chief assign sufficient staff to the Unit to enforce application processing procedures and report staffing and workload statistics to City Council's Public Safety committee during each quarterly presentation. We recommend that the Police Chief enforce code requirements and work with the Chief Financial Officer to assess whether establishments continue to meet code exemptions at license renewal.

**The Unit does not assign applications to a second investigator to review the first investigator's work.** According to the License and Permits Unit's standard operating procedures, after one investigator reviews an application for accuracy and accepts it as complete, another investigator should review it; however, Unit staff told us that employees are currently processing applications from intake to mayoral approval due to staffing constraints. The practice of multiple staff reviewing applications helps mitigate the risk of fraud. It reduces the risk that staff will be vulnerable to taking bribes from applicants in exchange for application approvals. It also reduces the risk that staff will solicit bribes from business owners. The American Institute of Certified Public Accountants states that staffing constraints may increase inherent risks associated with processes, such as fraudulent behavior. Having limited staff prevents the Unit from implementing controls that may mitigate corruption.

Unit leadership told us the function is understaffed. The License and Permits Unit currently has 21 positions, with 11 filled positions and 10 vacancies, as shown in Exhibit 7. The filled positions include one investigator that the Unit supervisor told us was on extended leave and not expected to return. Two shifts are in place—a day watch and an evening watch—but the evening watch has only one of five positions filled.

**Exhibit 7: The License and Permits Unit is Understaffed**

Duties	Position	Day Watch		Evening Watch	
		Filled	Vacant	Filled	Vacant
Unit Head	Lieutenant	1			
Day & Evening Watch Supervisors	Sergeant	1			1
Process Alcohol License Applications	Investigator	3	1		2
Process Non-Alcohol Permit Applications (28 types)	Inspector	4	2		
Enforcement, Including Investigating complaints	Officer	1	1	1	1
Office Administration	Office Support		2		
<b>Watch (Filled &amp; Vacant) Totals</b>		<b>10</b>	<b>6</b>	<b>1</b>	<b>4</b>
<b>Watch Totals</b>		<b>16 Total</b>		<b>5 Total</b>	
Unit Position Totals		21			

**Source:** Developed by auditors based organizational chart provided by Unit

Police does not report the number of staff it assigns to the Unit, or the workload of the Unit to City Council. We recommend that the Police Chief assign sufficient staff to process applications in accordance with the Unit’s standard operating procedures, which include requiring multiple staff to review applications. We also recommend that the Police Chief report staffing and workload statistics to City Council’s Public Safety committee during each quarterly presentation.

The application screening process lacks weekly supervisory review of investigators’ progress as required by the Unit’s standard operating procedures. Investigators are responsible for reviewing liquor license applications, which are then passed to the Unit sergeant or lieutenant for review. While reviewing applications, investigators check for file completeness and accuracy, and conduct background checks on applicants. The sergeant supervising the Unit has been assisting investigators in vetting liquor license applications because fewer investigators are actively working, according to Unit employees. In addition, the vetting process outlined in the Unit’s standard operating procedures requires investigators to meet with the sergeant on a weekly basis to discuss the progress of their assigned applications. Currently, investigators debrief the sergeant every other week or before a License Review Board meeting. This practice limits the Unit’s ability to properly review applications and minimize mistakes, which may allow unqualified applicants to receive a liquor license.

We recommend that the Police Chief assign sufficient staff to allow for the Unit sergeant to review investigators’ progress on vetting liquor license applications weekly, as outlined in the Unit’s standard operating procedures.

The Unit is not enforcing application requirements at renewal for businesses receiving distance exemptions from code requirements. City code Section 10-106(c) states that establishments, including restaurants, that are exempt from distance requirements outlined in Section 10-88 of city code must report their gross revenue from food and liquor sales during annual liquor license renewal. Distance exemptions allow establishments to bypass regulations on the number of feet from public amenities, such as libraries, and public and private facilities, including parks, schools, hospitals, religious institutions, childcare facilities, and residences (see Exhibit 8). Reporting food and liquor sales ensures that these establishments continue to qualify for a distance requirement exemption.

The License and Permits Unit does not currently have a process outlined in its standard operating procedures for verifying gross food and liquor sales during the renewal process. The renewal application does not specify a form or instructions that prompt applicants to report annual food and liquor sales. Also, Unit staff does not require applicants to self-report or obtain third party verification of gross sales. The Unit, therefore, is unable to determine whether establishments currently receiving exemptions from distance requirements continue to comply with city code and operate within the appropriate classification.

**Exhibit 8: Licensed Establishments Must Be Certain Distances from Other Structures**

Structure Type	Distance Requirement City Code Sec. 10-88	Distance Requirement OCGA § 3-3-21
Residence	300 ft. and 150 ft. from shopping center	
Church	500 ft.	100 yards
School (college campus, youth organization, etc.)	600 ft.	200 yards
Hospital	300 ft.	
Alcohol treatment center		100 yards
Hotel with 50+ rooms	No restriction	No restriction
Private club		No restriction
Housing authority property		100 yards
Public library	300 ft.	
Public park	500 ft.	
Tattoo establishment	300 ft.	
Between package stores	1,500 ft.	
	No package store within 600 ft. of residence, school, park, recreational facility, library, church, hospital, or day care	

**Source:** Developed by auditors based on Section 10-88 and 10-88.1 of city code and OCGA §3-3-21

Establishments operating out of class prompted city councilmembers to adopt Ordinance 20-O-1741 in December 2020. The legislation amends city code to create a forensic audit program aimed at assessing alcohol license compliance with city code and state laws. Headed by the Chief Financial Officer, the audit program is intended to address eating establishments, restaurants, and package stores exempt from distance requirements and ensure continued qualification for these exemptions.

The legislation also updates the city code definition of “eating establishment” in accordance with state law O.C.G.A. § 3-3-7(c)(2), which requires these establishments to derive at least 50 percent of total food and liquor sales from food. At the conclusion of each audit, the Chief Financial Officer is required to report the findings to Police. The effective date for the legislation is January 1, 2021 and shall apply to all alcohol license applications renewed or issued in the 2021 calendar year and each subsequent year after.

We recommend that the Police Chief update the Unit’s standard operating procedures to provide a process for checking food and liquor sales of establishments at the time for renewal to ensure establishments continue to meet city code requirements for distance exemptions. We also recommend the Police Chief coordinate with the Chief Financial Officer to use Finance’s forensic audits to assess alcohol license qualifications for establishments at the time of renewal.

### **EnerGov Implementation Should Increase Efficiency and Improve Controls**

The city’s EnerGov implementation will allow staff to process and renew liquor license applications online. Currently, Unit investigators are not properly organizing, vetting, and tracking the progress of applications based on standard operating procedures. The Unit has controls in place to avoid the acceptance of incomplete applications and to track the progress of application vetting through worklog entries and supervisory review, but the Unit is not currently abiding by these procedures. Incomplete liquor license applications are accepted, which requires investigators to conduct additional follow-up on missing documents. We recommend that the Police Chief enforce standard operating procedures for accepting applications and tracking their progress.

City staff told us that applicants express confusion about the licensing process due to inaccurate website information, inconsistent forms, and a lack of general public education on completing an application. We recommend that the Police Chief revise the Unit’s website to be

consistent with city code requirements and forms and train newer staff on procedures.

The Unit's manual cash handling process lacks internal controls, like prenumbered receipts, to ensure that all fees accepted in-person are documented and deposited. Because filing and fingerprinting fees for liquor licenses are recorded as miscellaneous permit revenue and the Unit does not track applications until they are approved by the mayor, reconciliation of applicable fees to applications is difficult. EnerGov should remedy these problems if it is used to process all fees, but the Unit must first clarify code requirements for fee acceptance. We recommend that the Police Chief direct applicants to pay fees through EnerGov or directly to Finance.

Investigators do not record the progress of applications in their weekly logs, but instead use personal organization systems for vetting applications. Standard operating procedures state that License and Permits Unit investigators must track the progress of applications assigned to them in their worklog and submit it to the Unit supervisor each week, but they are not currently complying with this procedure. Unit staff told us that investigators manage applications based on personal experience and knowledge. Staff also told us that investigators may accept missing application requirements by email after the applicant interview, although the Unit's standard operating procedures state that they should only accept complete applications. Managing applications in this manner may lead to document loss and inconsistent vetting of applications. Missing documents may cause delays in the license application process or may indicate corruption; thus, proper organization based on standard operating procedures can protect the Unit from allegations of misconduct and ensure applications are processed in a timely manner and only to establishments that meet requirements. EnerGov should mitigate this problem because all application data and required documents will be available online through the platform.

We recommend the Police Chief enforce investigators' use of weekly worklogs to record assigned tasks and required supervisory review of worklogs on a weekly basis until EnerGov is launched.

License and Permits Unit staff has accepted incomplete applications without all required documents and/or misplaced documents after the application vetting process. Between October 2018 and September 2020, the Unit accepted 24 of 105 alcohol license applications that we reviewed without all required documentation. We selected and obtained a random sample of 60 establishments which totaled 105 applications because some establishments hold multiple licenses. All 5

new business and 2 change of ownership applications we reviewed were missing required documents. Also, 15 of 96 renewal applications we reviewed were accepted without all documentation. Exhibit 9 lists the application types in our sample and number of complete and incomplete applications accepted.

It is possible that the documents were submitted at the time the application was accepted as complete and were lost or misplaced after the applications were processed. Missing documents may cause delays in the license application process or may indicate fraud; thus, proper organization based on standard operating procedures can protect the Unit from allegations of misconduct and ensure applications are processed in a timely manner and ensure that licenses are issued only to establishments that meet requirements.

**Exhibit 9: Documents Were Missing Most Often in Renewal Applications**

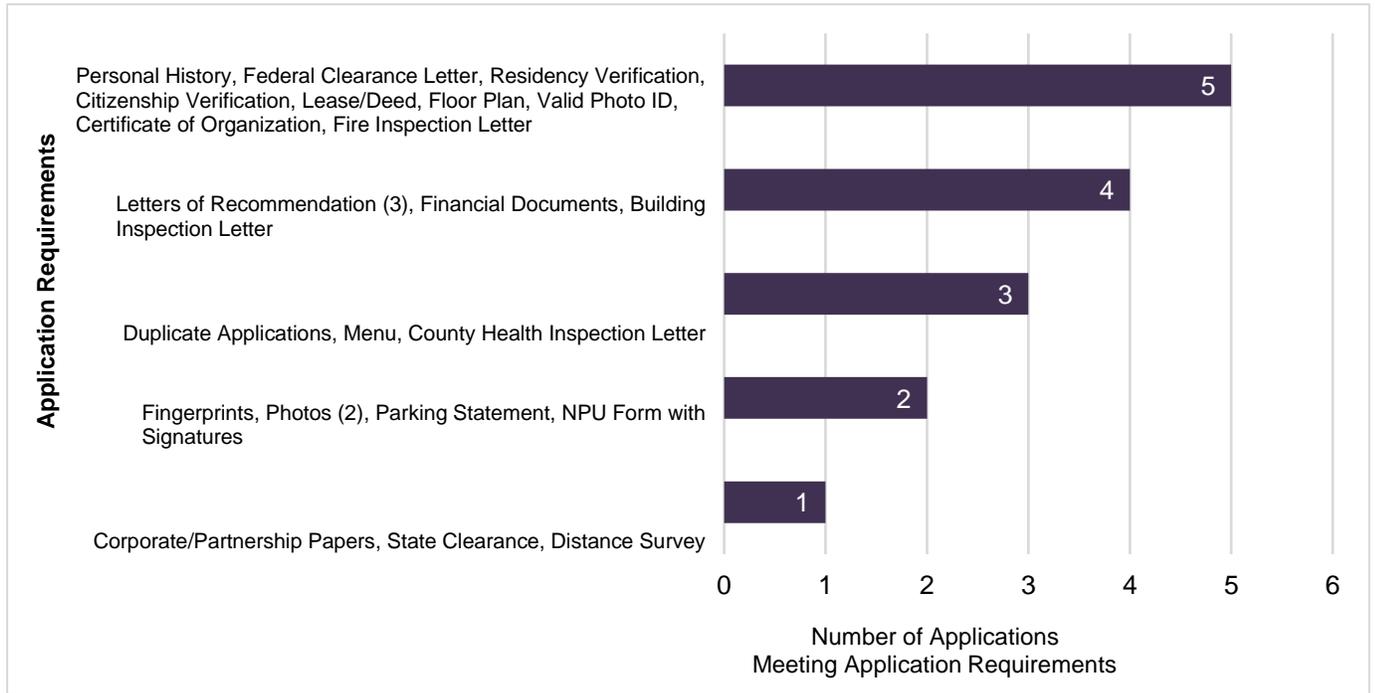
Application Type	Number of Applications Reviewed	Complete Applications	Incomplete Applications
New Business	5	0	5
Change of Ownership	2	0	2
Renewal	96	81	15
Renewal (Change of Agent)	2	0	2
Total	105	81	24

**Source:** Developed by auditors based on a random sample of files provided by the License and Permits Unit

Exhibits 10, 11, 12, and 13 detail which application requirements were present and missing from each type of application. Standard operating procedures require investigators to return incomplete applications to applicants for correction before accepting any portion or fees associated with the application; therefore, application records should be complete. To determine whether Unit staff obtained the correct information and accepted completed applications, we compared each application with required criteria provided by the Unit. Using the License and Permits Unit’s criteria for application review, we were able to determine whether each application complied with the Unit’s standard operating procedures by recording whether each requirement was on file or missing.

As shown in Exhibit 10, none of our sample of five applications for new business applications contained all documents in the files. The documents most often missing were corporate/partnership papers, state clearance, and a distance survey, which were present in only one application.

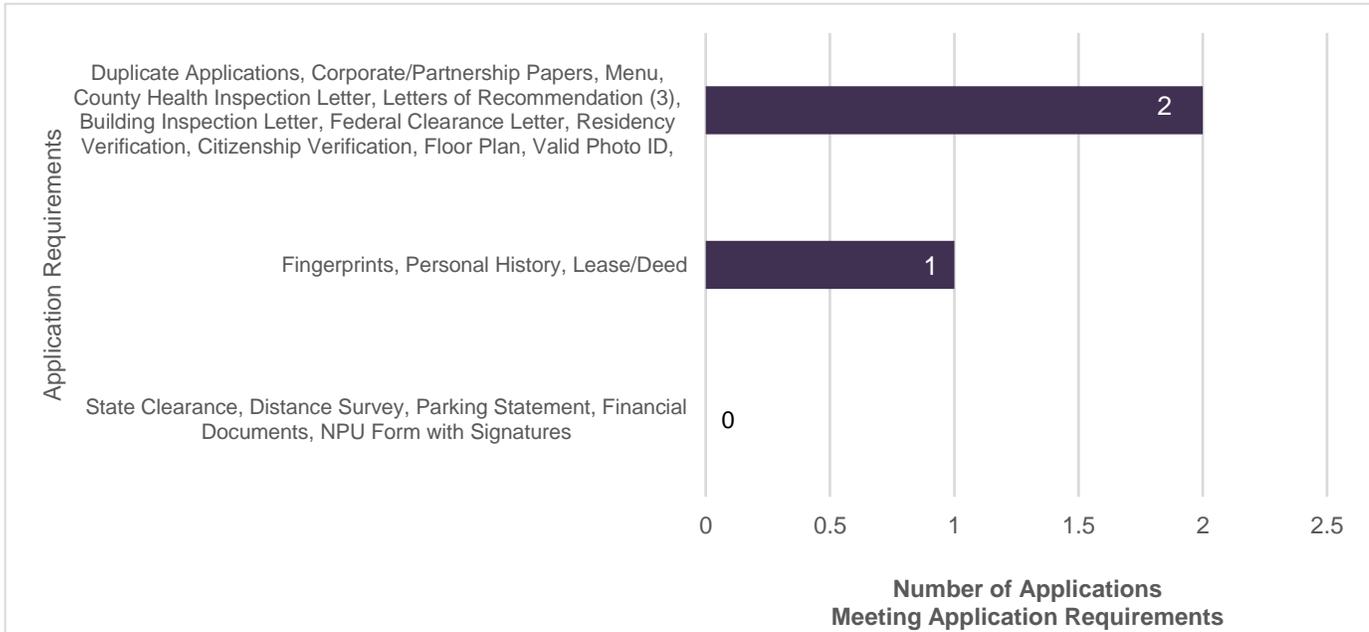
**Exhibit 10: Five New Business Applications Were Missing Some Required Documents**



**Source:** Developed by auditors based on a random sample of files provided by the License and Permits Unit

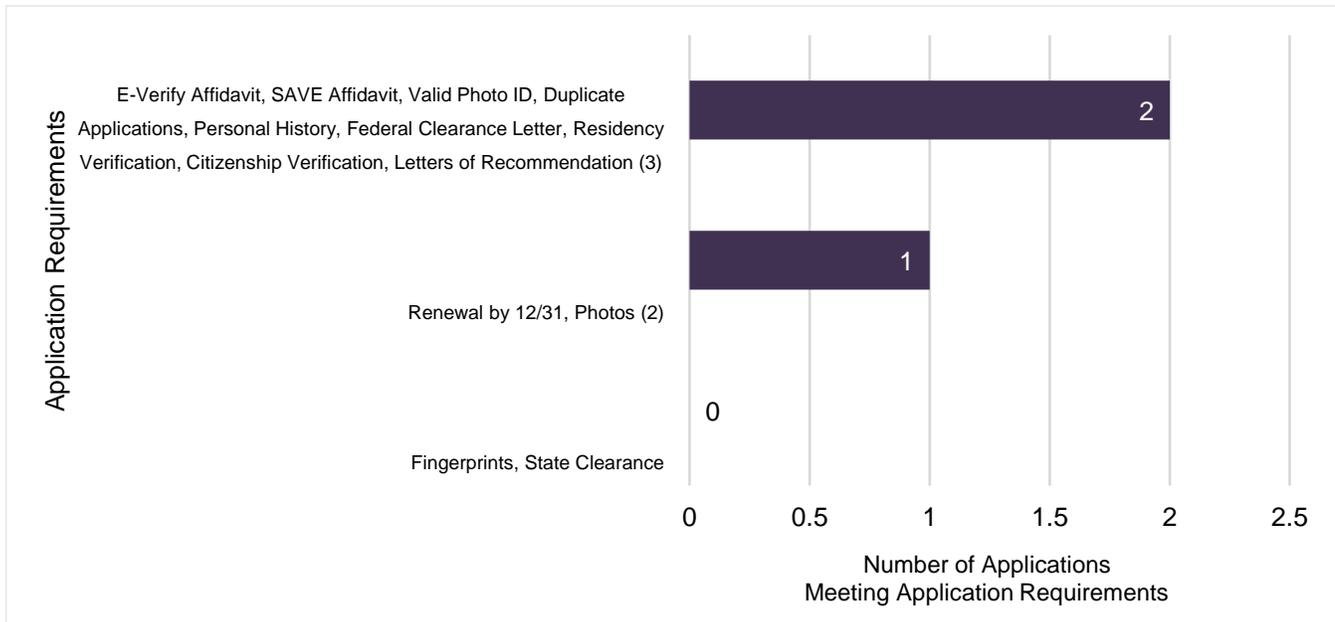
As shown in Exhibit 11, none of our sample of two change of ownership applications contained all documents in the files. Neither application file contained a state clearance survey, parking statement, financial documents or signed NPU forms. Exhibit 12 shows that documents were also missing from the two change of agent sample files we reviewed.

**Exhibit 11: Neither of the Two Change of Ownership Application Files Contained All Required Documents**



**Source:** Developed by auditors based on a random sample of files provided by the License and Permits Unit

**Exhibit 12: Neither of the Two Change of Agent Application Files Contained All Required Documents**



**Source:** Developed by auditors based on a random sample of files provided by the License and Permits Unit

**Exhibit 13: 81 of 96 Renewal Application Files Contained All Required Documents**

Renewals	
Total Applications Reviewed	96
Total Application Requirements	5
Total Reviewed Applications in Complete Compliance	81
Application Requirements	Number of Applications with Required Documents
Renewal by 12/31	91
Consent Form	91
E-Verify Affidavit	92
SAVE Affidavit	91
Valid Photo ID	91

**Source:** Developed by auditors based on a random sample of files provided by the License and Permits Unit

Based on our analysis, investigators, failed to follow procedures regarding application acceptance. Thus, the Unit may use additional staff resources to complete follow-up with applicants regarding incomplete applications.

City staff stated that applicants find the application process confusing due to a lack of public education and documents and website information that misrepresent the process. The License and Permits Unit is required to process all requests for licenses in an efficient and effective manner that is consistent with city code and state law, according to its standard operating procedures. The application process involves multiple entities and stages of approval: Fire Rescue, the Office of Buildings, and the county Board of Health inspect establishments; Planning schedules applicants' appearance before the Neighborhood Planning Unit; and the License Review Board reviews applications and sends a recommendation to the mayor. The mayor determines final approval.

A few sources of confusion include forms and website information related to the process and inspection requirements. Mayor's Office staff stated that the License Review Board form is available in multiple formats that require various content. The Notice to Appear form, which informs applicants when they are required to appear before a Neighborhood Planning Unit, has not been updated since 2015 and has the contact information of former License and Permits Unit staff. Planning staff also stated that the steps in the application process

appear out of sequence on Police's website. For example, the Neighborhood Planning Unit appearance is listed as one of the first steps in the application process, before the applicant submits an application to the Unit. Additionally, applicants are required to obtain two life safety inspections, one from Fire and the other from the Office of Buildings. Confusion regarding the inspection process, however, according to Fire staff, leads applicants to believe they have fulfilled the life safety inspection requirement after Office of Buildings completes its inspection, although Fire must conduct an additional life safety inspection.

Inexperienced staff in the License and Permits Unit and a lack of awareness of procedural updates may contribute to confusion about the process. Newer employees were unable to describe the temporary liquor license process and the appeals process, and one was unable to describe the due cause process. Another employee stated that applicants are required to run an advertisement in the Atlanta Journal-Constitution, a requirement that was repealed through 2018 legislation; however, Unit staff told us that employees are advised to tell applicants to familiarize themselves with Chapter 10 of city code, so it is unclear the extent to which staff informs the public about the process. Due to the lack of public education on the application process, inaccurate documents and website information, and lack of staff training, the application process may be subject to delay and corruption. Without proper knowledge of the process, applicants may be at risk of being solicited for under-the-table payments. EnerGov should mitigate confusion through streamlining the process, but, in the meantime, updated website content, training staff, and developing public education literature/audio-video materials could help clarify process requirements.

We recommend that the Police Chief revise the Unit's website and forms and train staff in newer procedures to limit public confusion about the process until EnerGov is launched.

**EnerGov should improve process efficiency and controls by consolidating information about licenses in one system and streamlining fee payment through the Office of Revenue.** Finance staff stated that the purpose of migrating to the EnerGov system was to automate the licensing application process to a central online portal with cash handling control capabilities. Previously, the Unit used the Police Central database to record information about licensees, and the Office of Revenue's Business License Information System to check the payment status of liquor license accounts, but the two systems were not integrated. Moreover, the Unit did not enter information about liquor licenses into Police Central until the mayor approved the license,

resulting in the inability to reconcile all fees to the associated application. EnerGov can process all fees associated with licenses, strengthening controls and eliminating the need for Licenses and Permits Unit to handle cash.

The Unit told us that it must accept the license fees for new applications in-person in the form of cashier's check, money order, or certified check based on Police's interpretation of Section 10-61 of city code. This section of code applies to renewal filing fees, which the Unit has been accepting online since 2012.

The Unit's current manual cash handling procedures could result in loss. Staff issues receipts to applicants, but the receipts are not prenumbered or tied to a system transaction. Staff records cash transactions in Oracle for filing and fingerprint fees, generates a report, and transports the payments to the Property Control Unit, which reconciles the payments to the Oracle report but has no way of reconciling the report to the number of applications. Staff records payments for license fees in a manual log and stores the checks with applications in a safe until they are delivered to the Office of Revenue twice weekly for deposit in a holding account. Unit employees told us that during the closure of city facilities for COVID-19, they were delivering license fee payments to the Office of Revenue every two weeks. We observed documentation for a delivery on February 15, 2021 that included payments received between November 20, 2020, and January 28, 2021. We confirmed that the amount of alcohol license revenue that the Unit remitted to the Office of Revenue was consistent with the number and types of licenses issued in fiscal year 2020 but were unable to confirm filing and fingerprint fees. Processing all fees through EnerGov would reduce staff resources dedicated to documenting and transporting fees and centralize cash handling within the Office of Revenue.

We recommend that the Police Chief direct applicants to pay all fees through EnerGov or require applicants to pay fees to the Office of Revenue at City Hall. We recommend that the Chief Financial Officer work with Law to prepare for City Council consideration amendments to city code to clarify fee handling requirements.

### **Recent State Legislation May Change City Alcohol Licensing Processes**

Legislative changes at the state level may further alter the city licensing processes. The Georgia General Assembly adopted House Bill 879 in August 2020 to develop a statewide, centralized liquor licensing process. HB 879 may streamline the application process at the state level instead of the local level; however, it is unclear how this change

will alter city liquor licensing procedures in the city because the system design and implementation are not described in the legislation. The bill was effective January 1, 2021.

HB 879 Section 1(a) states that the Georgia Department of Revenue is required to develop and implement a statewide, centralized application process for new and renewal applications. The process should provide uniform and streamlined practices that all local governing authorities and municipalities are required to use. The proposed system for processing liquor license applications and renewal, however, is not detailed in the legislation; therefore, it is unclear how the new system is expected to affect liquor licensing in Atlanta.

Additional provisions outlined in the legislation include:

- permitting retailers to make liquor deliveries
- extending Sunday hours for the purchase of alcoholic beverages
- providing for warrantless searches/seizures by agents and officers of the Department of Revenue

## **Enforcement Activities Are Insufficient**

Currently, the License and Permits Unit is unable to inspect all locations as required by standard operating procedures and supported by industry standards. Moreover, the Unit uses fill-in forms to document compliance inspections, although standardizing inspections through checklists could increase process consistency and fairness. The Unit also lacks procedures for supervisory review of inspections and follow-up inspections of establishments with documented violations.

Contrary to standard operating procedures, which state that the Unit should investigate all complaints, the Unit addresses complaints at the supervisors' discretion. Although consistency of due cause package issuance has improved since July 2019, procedures associated with the process remain discretionary. The requisite mayoral approval of these packages also contributes to their inconsistent application.

We recommend that the Police Chief develop procedures for conducting routine and follow-up compliance inspection and oversight of inspection processes. We recommend that the Police Chief direct the Unit to investigate all high- and medium-risk complaints until the department has developed explicit procedures for documenting and addressing complaints and report the Unit's progress during quarterly presentations to City Council's Public Safety committee. We recommend that the Police Chief document which violations should result in due cause

packages and work with Law to develop criteria to improve the consistency of mayoral approval.

### **Unit is Unable to Complete Required Annual Inspections**

The License and Permits Unit was unable to inspect all licensed establishments with its current staff resources; therefore, some licensed establishments may be operating out of compliance without the Unit's knowledge. We recommend that the Police Chief direct the Unit to inspect high-risk establishments until it is able to inspect all of them annually and report the number of completed inspections quarterly to City Council's Public Safety committee. The Chief of Police should allocate sufficient staff to the Unit to complete required annual inspections.

**The Unit documented compliance inspections of 157 of 1,455 licensed establishments (11%) between October 2018 and September 2020.** The Unit documented 30 compliance inspections between October and December 2018 at 28 unique locations, 137 in 2019 at 109 unique locations, and 36 between January and September 2020 at 33 unique locations. Unit staff told us that employees probably did not document all compliance inspections. We compared the compliance inspection sheets to the inspection totals reported in COBRA—the Police Department's internal performance metric system—to gauge completeness. The Unit documented 59% of compliance inspections it reported conducting in 2019, and 7% of the inspections it reported conducting in 2020. Unit staff told us that inspectors drove by establishments in 2020 to ensure compliance with the executive order to remain closed due to the COVID-19 pandemic. The Unit did not document these drive-by inspections, but it counted them in COBRA reports.

The License and Permits Unit's standard operating procedures state that Unit employees must inspect all locations with licenses issued by the city, which are valid for one calendar year. Industry standards also suggest that locations should be inspected annually. Unit staff told us that the License and Permits Unit could potentially inspect all locations with an evening watch, including a sergeant and four enforcement officers. All but one of the Unit's evening watch employees were reassigned in late 2018. Due to the limited number of compliance inspections, establishments may not be complying with license requirements. Moreover, the Unit lacks procedures for documenting compliance inspections and supervising inspections, which could mitigate fraud risks.

To review inspections conducted, we requested all compliance inspection sheets recorded between October 2018 and September 2020 and manually entered the hardcopy data into a spreadsheet, supplementing missing information with data from Police Central. We determined unique locations by year and compared them to the Police Central data to calculate the number of inspected locations and worked with Unit staff to develop a matrix of licensed establishments based on risk. Exhibit 14 demonstrates how the department could prioritize inspections based on risk.

**Exhibit 14: Risk Criteria for Licensed Establishments in Atlanta**

Establishment Type	Risks	Risk Level
<ul style="list-style-type: none"> <li>Nightclubs</li> <li>Restaurants that close after 2:30 am</li> <li>Establishments w/ violations</li> </ul>	Serving after hours Operating out of class Serving minors	High risk
<ul style="list-style-type: none"> <li>Retail package stores</li> <li>Restaurants that close at 2:30 am</li> </ul>		Medium risk
<ul style="list-style-type: none"> <li>Package stores</li> <li>Restaurants that close around midnight</li> </ul>		Low risk

**Source:** Developed by auditors based on interviews with Unit staff

We recommend that the Police Chief assign sufficient staff to inspect each licensed establishment at least once each year. We further recommend that, until sufficient staff is assigned to the Unit, the Police Chief rank licensed establishments by risk and prioritize the inspections of high-risk and medium-risk establishments. We also recommend that the Police Chief report on the number of compliance inspections completed during Police’s quarterly presentations to City Council’s Public Safety committee.

**Inspections Are Not Standardized and Unit Lacks Reinspection Procedures**

The compliance inspection process is not described in procedures. The Unit’s standard operating procedures state that employees must conduct compliance inspections, but it does not describe how employees should inspect establishments. For example, the procedures do not direct employees to check for a cover charge sign or that additional bars or patios are licensed. Procedures state that investigators should be assigned on a rotating basis so the same investigator who accepts the application does not complete the initial inspection of the establishment. Applications are currently assigned to one or another investigator who may also complete the inspection.

Moreover, the Unit lacks procedures for documenting compliance inspections, supervising inspections, and inspecting establishments with violations.

The Unit currently uses a fill-in form to document inspections, but it could standardize them with a checklist, which clarifies inspection responsibilities, controls inspection activities, and provides a report of inspection activities. Exhibit 15 provides an example of an inspection checklist that Arizona law enforcement uses, which lists specific inspection points and the code section with which they correspond. Without detailed procedures, including supervisory oversight of compliance inspections, enforcement officers may miss some violations, and unethical behavior could go unnoticed.

**Exhibit 15: Inspection Checklist Could Standardize the Inspection Process**

INSPECTION REPORT			
DATE:	TIME:	DISTRICT:	REPORT #
BUSINESS NAME:		LICENSE # EXPIRES: ___/___/___	
BUSINESS ADDRESS:		CITY:	
MAILING ADDRESS:		CITY:	
<input type="checkbox"/> INDIVIDUAL		<input type="checkbox"/> PARTNERSHIP	
<input type="checkbox"/> CORPORATION		<input type="checkbox"/> LLC	
CORPORATION NAME:			
LICENSEE/AGENT:		PHONE:	
MANAGER:		CONTROLLING PERSON:	
PERSON IN CHARGE:		POSITION:	
VIOLATION	COMPLIANCE	NA	DESCRIPTION
			1. Retail liquor license exhibited A.R.S.4-262
			2. Business name is the same as on the license A.A.C.R19-1-306
			3. Agent/Mgr. on license is valid and current A.R.S.4-202.A /A.R.S.4-202.C
			4. Ownership is as disclosed to D.L.L.C. A.R.S.4-203/A.A.C.R19-1-103
			5. Employee records are available A.R.S.4-119/A.A.C.R19-1-218
			6. Employees are familiar with liquor laws A.A.C.R19-1-105
			7. Floor plan is authorized by D.L.L.C. A.R.S.4-207.01
			8. Patio is authorized A.A.C.R19-1-311
			9. Only authorized ID accepted YES NO ,ID log used YES NO A.R.S.4-241
			10. Spirituous liquor is stored only in authorized areas A.A.C.R19-1-219
			11. Unauthorized alcoholic beverages on premises A.R.S.4-243.01/R19-1-220
			12. Only sealed spirituous liquor on premises (Off Sale) A.A.C.R19-1-232
			13. Liquor bottles are not refilled or re-used A.A.C.R19-1-207
			14. Draft beer spigots are labeled A.A.C.R19-1-211
			15. Only authorized credit is extended A.R.S.4-242
			16. No inducements advertised or used A.A.C.R19-1-206
			17. Meets restaurant requirements % A.R.S.4-205.01/.02/A.A.C.R19-1-208
			18. Fetal alcohol signs posted Signs Left A.R.S.4-261/A.A.C.R19-1-235
			19. Gambling , , Warned A.R.S.4-244.26
			20. Other
			21. Other
<input type="checkbox"/> NO ACTION <input type="checkbox"/> ACTIONABLE <input type="checkbox"/> COMPLIANCE REQUIRED BY: ___/___/___ <input type="checkbox"/> WARNING #S			

**Source:** Form used by Arizona liquor license enforcement officers

During our examination of establishments with due cause packages, we found that the Unit inspected half of the locations with due cause packages (7 of 14) fewer than twice; in other words, Unit employees failed to reinspect seven locations with documented violations of liquor ordinances. Failure to prioritize the follow-up inspections of establishments that have documented violations may contribute to the phenomenon of nuisance properties, which the city has recently attempted to address with Administrative Order 2020-48. This order provides for the creation of a working group to address nuisance properties where violent crimes have consistently occurred throughout the city.

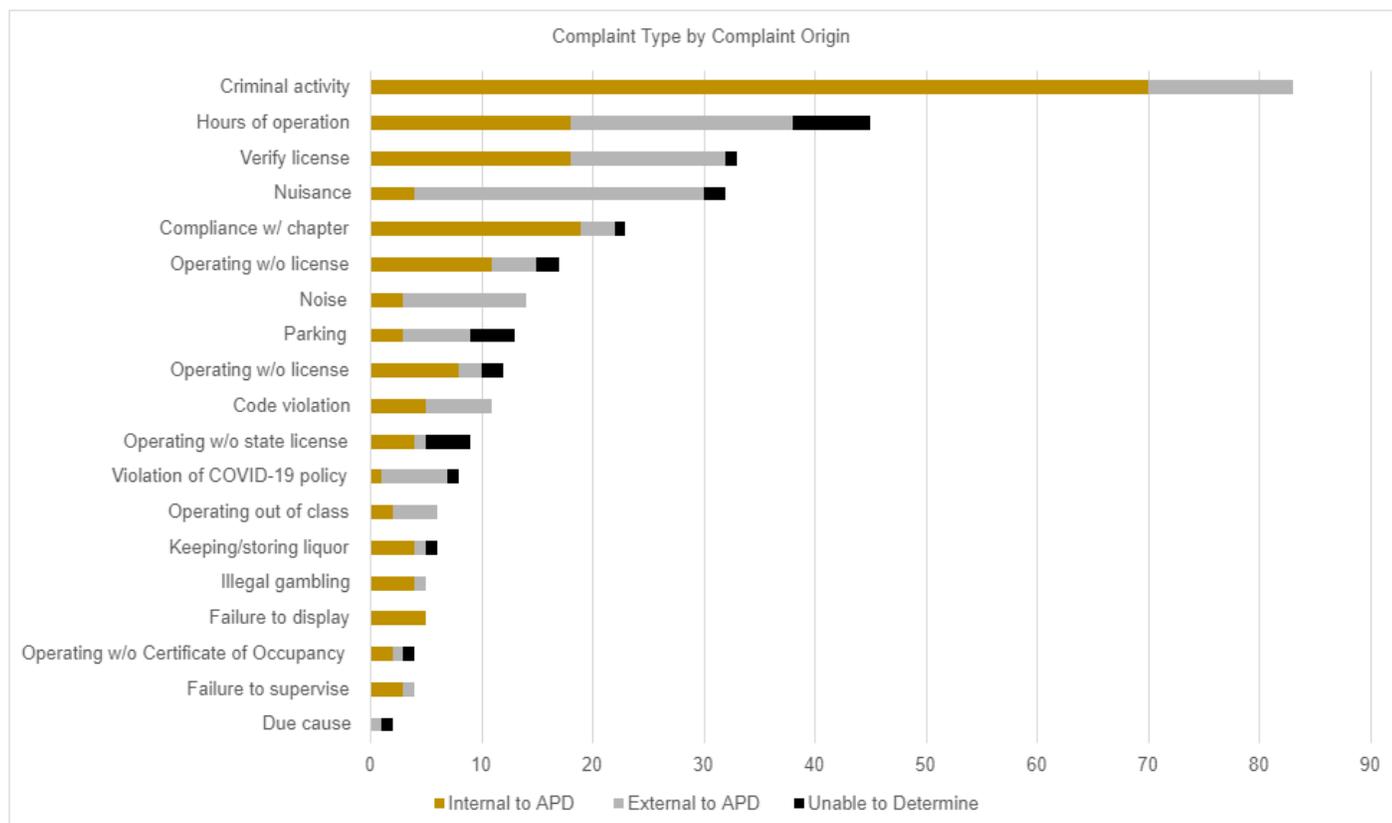
We recommend that the Police Chief establish detailed procedures for documenting, conducting, and supervising compliance inspections. We further recommend that the Police Chief assign sufficient staff to rotate application intake and initial inspection assignments. We also recommend that the Police Chief develop procedures for follow-up inspections for establishments that have documented violations of Chapter 10 of city code.

### **Unit Inconsistently Records and Investigates Complaints**

Between October 2018 and September 2020, complaints were lodged against 137 establishments, and the Unit investigated 46 of them (36%). The License and Permits Units failed to inspect 91 locations with complaints, including 22 location with two or more complaints. According to the Unit's standards operating procedures, the Unit supervisor must assign all complaints to employees who investigate the merit of the complaint and take appropriate action. Procedures also state that employees must document complaints on a complaint form, but Unit staff told us that employees do not use the complaint form. The complaint process in the Unit's standard operating procedures is limited, and the Unit does not comply with it. Complaints appear to be processed at supervisors' discretion, and inconsistent investigation could also be a result of insufficient staffing.

Unit employees told us that they mainly received complaints about establishments through email, so we analyzed email data of Unit staff between October 2018 and September 2020. We found a total of 303 complaints against licensed establishments during the period and pulled addresses from Police Central data to standardize them for mapping purposes. We used the available information to determine the complaint type and origin, which is illustrated in Exhibit 16. Most of the complaints were logged by Police and concerned criminal activity.

## Exhibit 16: Complaints External to Police Concern Hours of Operation and Nuisance

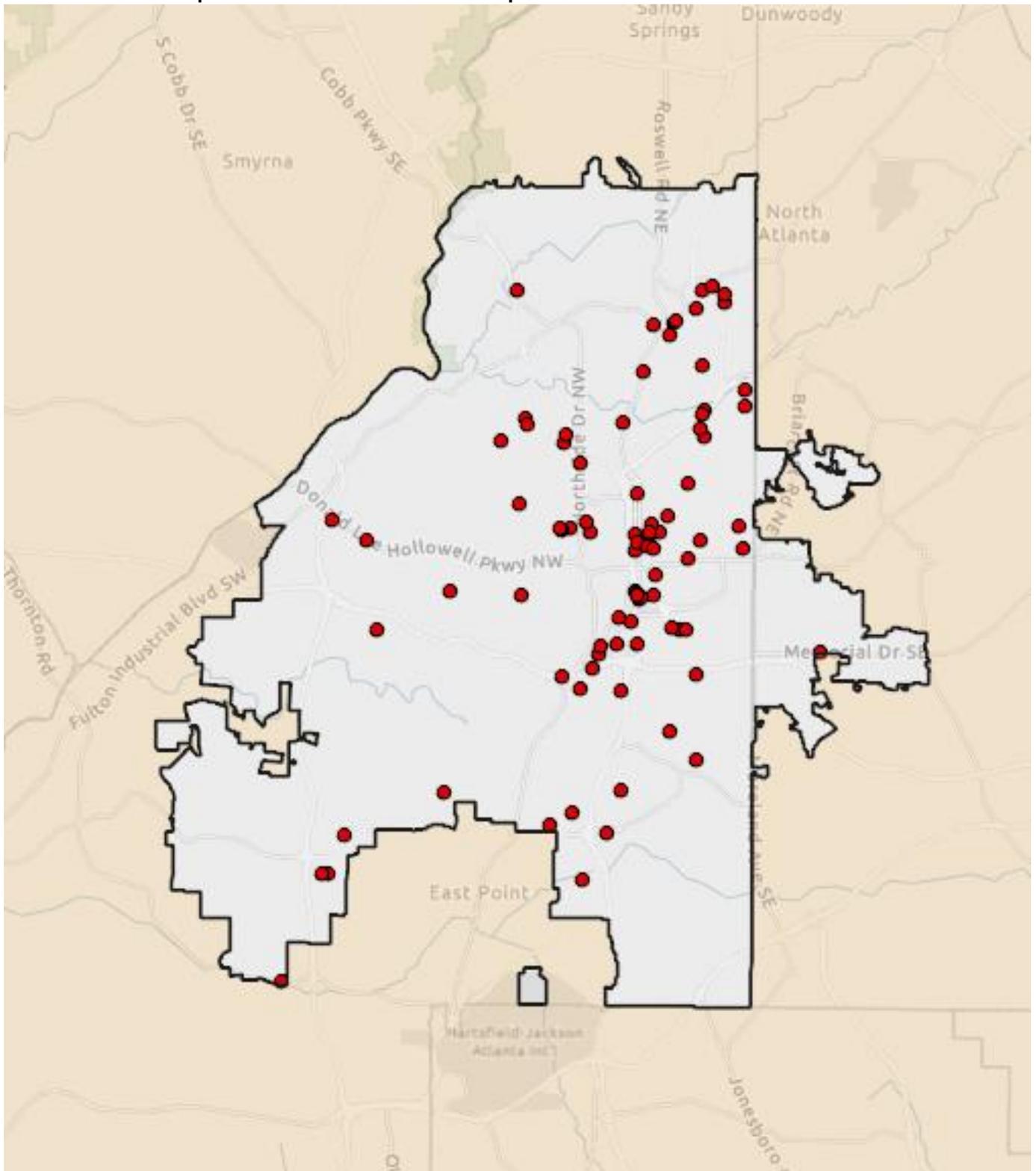


**Source:** Developed by auditors based on our analysis of complaint emails

We recommend that the Police Chief develop explicit procedures for documenting, assigning, and resolving complaints. We also recommend that the Police Chief direct the License and Permits Unit to prioritize complaints based on risk and investigate all medium-risk and high-risk complaints. We also recommend that the Police Chief report on the number of complaints and the number of complaints resolved during Police’s quarterly presentations to the City Council’s Public Safety Committee to ensure that complaints are properly documented and addressed.

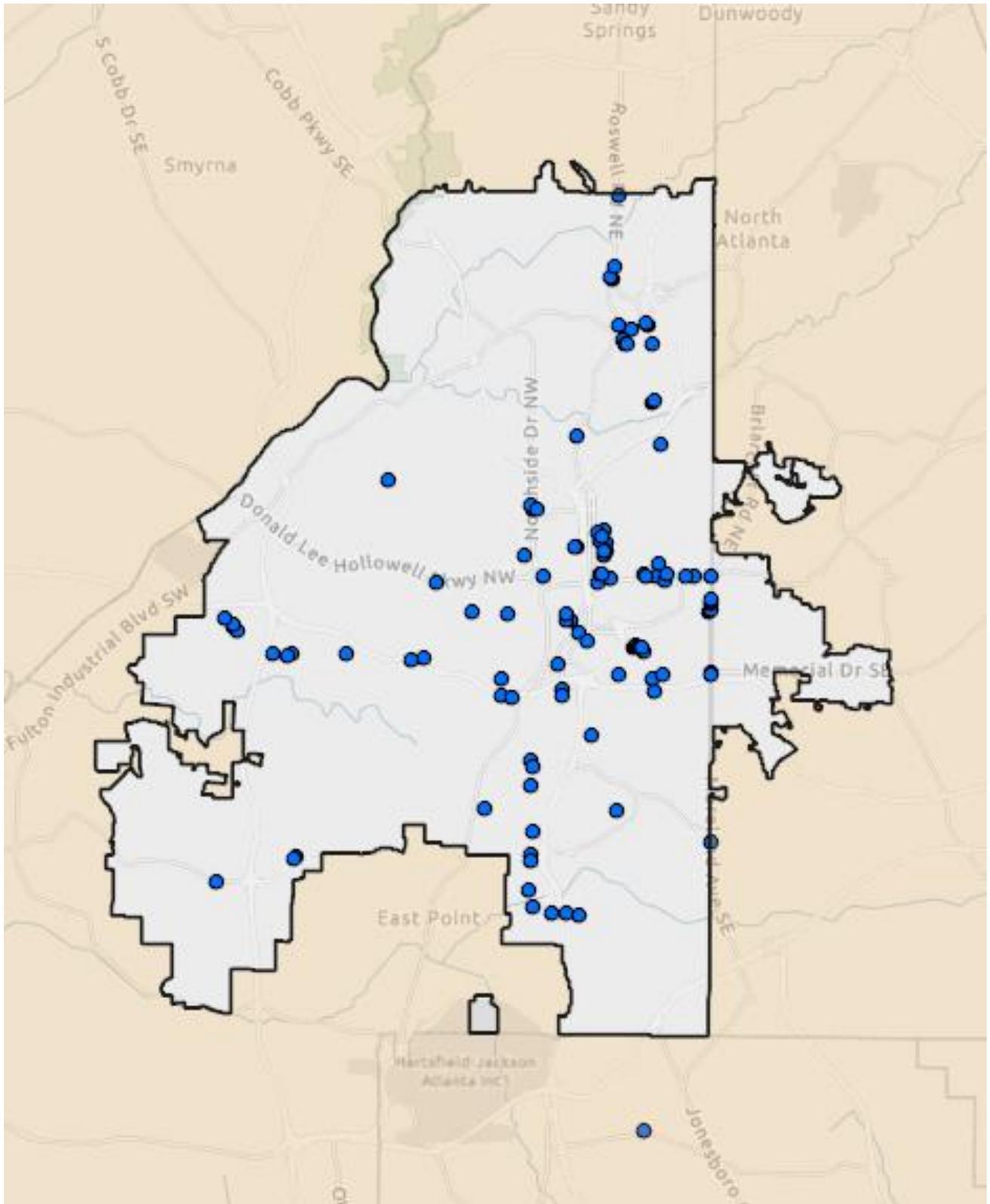
Exhibit 17 illustrates the location of establishments that the Unit had not inspected despite having received complaints against them and Exhibit 18 shows where the Unit had conducted compliance inspections where no complaints had been received. The maps demonstrate that the Unit engages in complaint-driven enforcement but does so inconsistently.

**Exhibit 17: 91 Uninspected Establishments with Complaints**



**Source:** Developed by Planning's GIS team based on auditor's analysis of compliance inspection and complaint email data

**Exhibit 18: 111 Inspected Establishments without Complaints**



**Source:** Developed by Planning's GIS team based on auditor's analysis of compliance inspection and complaint email data

### **Issuance of Due Cause Packages is Discretionary**

The Unit failed to issue due cause packages to 4 of 13 licensed establishments with documented violations of Chapter 10 of city code on its compliance inspection sheets. The License and Permits Unit's standard operating procedures state that employees shall begin due cause proceedings when warranted, but the procedures are not specific about which violations warrant a due cause package. Unit staff told us that, in July 2019, Law recommended issuing due cause packages for all violations of city code Chapter 10 to avoid perceptions of unfairness, and consistency in due cause issuance seems to have improved since; the violations of the four establishments that did not receive due cause packages occurred between October 2018 and January 2019, before the Unit received Law's guidance. Although the Unit's issuance of due cause packages has become more consistent, the Mayor's Office does not consistently sign off on the packages (see Appendix B for locations with and without due cause packages by violation). Because the Mayor's Office did not sign off on due cause packages, mandatory, progressive penalties outlined in Section 10-109.1 did not apply.

To determine the number of documented violations, we reviewed compliance inspection sheets and attached citations. We compared the documentation to the due cause packages issued between October 2018 and September 2020 that we requested from the Unit.

We recommend that the Police Chief standardize enforcement by determining and documenting which infractions should result in due cause packages.

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## Recommendations

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In order to improve liquor licensing and enforcement within the License and Permits Unit, the Police Chief should:

1. assign sufficient staff to process applications, which includes rotating application intake and initial inspection assignments and requiring multiple staff to review applications in accordance with the Unit's standard operating procedures
2. report staffing and workload statistics, number of compliance inspections completed, and the number of complaints to resolution during Police's quarterly presentations to City Council's Public Safety committee
3. enforce investigators' use of worklogs to record assigned tasks and Unit sergeant supervisory review of worklogs weekly as outlined in the Unit's standard operating procedures
4. update the standard operating procedures to provide a process for checking food and liquor sales of establishments at the time for renewal to ensure establishments continue to meet city code requirements for distance exemptions
5. coordinate with the Chief Financial Officer to use Finance's forensic audits to assess alcohol license qualifications for establishments at the time of renewal
6. revise the Unit's website and forms to be consistent with city code requirements and train newer staff on procedures to limit public confusion about the process
7. direct applicants to pay all fees through EnerGov or directly to the Office of Revenue at City Hall
8. rank licensed establishments by risk and inspect high-risk establishments until sufficient staff is assigned to the Unit and can inspect each licensed establishment on a rotating basis at least once annually
9. establish detailed procedures for documenting, conducting, and supervising compliance inspections
10. develop procedures for follow-up inspections for establishments that have documented violations of Chapter 10 of city code
11. develop explicit procedures for documenting, assigning, and resolving complaints, to include prioritizing complaints based on risk and investigating all medium/high risk complaints

12. standardize enforcement by determining and documenting which infractions should result in due cause packages

In order to centralize fee handling within the Office of Revenue, the Chief Financial Officer should:

13. work with Law to prepare for City Council consideration amendments to city code to clarify fee handling requirements

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## Appendices

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## Appendix A: Management Review and Response to Audit Recommendations

<b>Report # 21.01</b>	<b>Report Title: Liquor Licensing and Enforcement</b>	<b>Date: April 2021</b>
<p><b>Recommendation 1: We recommend that the Police Chief assign sufficient staff to process applications, which includes rotating application intake and initial inspection assignments, and requiring multiple staff to review applications in accordance with the Unit's standard operating procedures.</b></p>		
<p><b>Proposed Action:</b> Leadership will ensure that the review process will include an additional member of the unit to review the applications for completeness and applications are met prior to approval/acceptance.</p>		<p><b>Response:</b> Agree</p>
<p><b>Person Responsible:</b> Mark Cotter, Lieutenant</p>		<p><b>Implementation Date:</b> October 2021</p>
<p><b>Recommendation 2: We recommend that the Police Chief report staffing and workload statistics, number of compliance inspections completed, and the number of complaints to resolution during Police's quarterly presentations to City Council's Public Safety committee.</b></p>		
<p><b>Proposed Action:</b> License and Permits will compile staffing, workload statistics, number of inspections completed and the number of complaints to resolution. Chief Bryant will provide this data to City Council upon request.</p>		<p><b>Response:</b> Partially Agree</p>
<p><b>Person Responsible:</b> Mark Cotter, Lieutenant</p>		<p><b>Implementation Date:</b> October 2021</p>
<p><b>Recommendation 3: We recommend that the Police Chief enforce investigators' use of worklogs to record assigned tasks and Unit sergeant supervisory review of worklogs weekly as outlined in the Unit's standard operating procedures.</b></p>		
<p><b>Proposed Action:</b> We agree with the above listed recommendation.</p>		<p><b>Response:</b> Agree</p>
<p><b>Person Responsible:</b> Mark Cotter, Lieutenant</p>		<p><b>Implementation Date:</b> May 2021</p>
<p><b>Recommendation 4: We recommend that the Police Chief update the standard operating procedures to provide a process for checking food and liquor sales of establishments at the time for renewal to ensure establishments continue to meet city code requirements for distance exemptions.</b></p>		
<p><b>Proposed Action:</b> We agree with the recommendation.</p>		<p><b>Response:</b> Agree</p>
<p><b>Person Responsible:</b> Captain Wagaman, Strategy and Special Projects</p>		<p><b>Implementation Date:</b> June 2021</p>

<b>Recommendation 5: We recommend that the Police Chief coordinate with the Chief Financial Officer to use Finance’s forensic audits to assess alcohol license qualifications for establishments at the time of renewal.</b>	
<b>Proposed Action:</b> APD will request Finance’s forensic audit data in the renewal process.	<b>Response:</b> Agree
<b>Person Responsible:</b> Mark Cotter, Lieutenant	<b>Implementation Date:</b> May 2021
<b>Recommendation 6: We recommend that the Police Chief revise the Unit’s website and forms to be consistent with city code requirements and train newer staff on procedures to limit public confusion about the process.</b>	
<b>Proposed Action:</b> We agree with the above listed recommendation.	<b>Response:</b> Agree
<b>Person Responsible:</b> Senior Police Officer Robert Stanionis, Public Affairs	<b>Implementation Date:</b> July 2021
<b>Recommendation 7: We recommend that the Police Chief direct applicants to pay all fees through EnerGov or directly to the Office of Revenue at City Hall.</b>	
<b>Proposed Action:</b> APD will request that all fees are paid through EnerGov. APD will no longer accept direct payments.	<b>Response:</b> Agree
<b>Person Responsible:</b> Mark Cotter, Lieutenant	<b>Implementation Date:</b> December 2021
<b>Recommendation 8: We recommend that the Chief Financial Officer work with Law to prepare for City Council consideration amendments to city code to clarify fee handling requirements.</b>	
<b>Proposed Action:</b> The Chief Financial Officer will work with Law to prepare a consideration amendment to city code to add language to Chapter 10 Section 10-46 that clarifies fee payment handling to encourage electronic payments and eliminate cash as a payment option. Finance agrees that policies should be established citywide to mitigate the risk associated with cash handling.	<b>Response:</b> Agree
<b>Person Responsible:</b> Chief Financial Officer Roosevelt Council	<b>Implementation Date:</b> June 2021
<b>Recommendation 9: We recommend that the Police Chief rank licensed establishments by risk and inspect high-risk establishments until sufficient staff is assigned to the Unit and can inspect each licensed establishment on a rotating basis at least once annually.</b>	
<b>Proposed Action:</b> We agree with the above recommendation.	<b>Response:</b> Agree
<b>Person Responsible:</b> Mark Cotter, Lieutenant	<b>Implementation Date:</b> June 2021

**Recommendation 10: We recommend that the Police Chief establish detailed procedures for documenting, conducting, and supervising compliance inspections.**

**Proposed Action:** We agree with the above recommendation.

**Response:**

Agree

**Person Responsible:** Mark Cotter, Lieutenant

**Implementation Date:**

April 2021

**Recommendation 11: We recommend that the Police Chief develop procedures for follow-up inspections for establishments that have documented violations of Chapter 10 of city code.**

**Proposed Action:** We agree with the above recommendation.

**Response:**

Agree

**Person Responsible:** Mark Cotter, Lieutenant

**Implementation Date:**

April 2021

**Recommendation 12: We recommend that the Police Chief develop explicit procedures for documenting, assigning, and resolving complaints, to include prioritizing complaints based on risk and investigating all medium/high risk complaints.**

**Proposed Action:** We agree with the above recommendation.

**Response:**

Agree

**Person Responsible:** Deputy Chief Charles Hampton

**Implementation Date:**

October 2021

**Recommendation 13: We recommend that the Police Chief standardize enforcement by determining and documenting which infractions should result in due cause packages.**

**Proposed Action:** We agree with the recommendation.

**Response:**

Agree

**Person Responsible:** Mark Cotter, Lieutenant

**Implementation Date:**

April 2021

## Appendix B: Mandatory Progressive Fines for Violating Alcohol License Code Provisions

Violations	Any Violation May Result in Penalties/Fines Below
(1) Soliciting patrons to buy drinks for licensee or employees	Revocation
(2) Selling or serving liquor to person under 21 years of age	Suspension
(3) Felony conviction related to licensee's ability to operate premises	Refusal to renew
(4) Violation of state liquor law	Maximum fine of \$2,500 in lieu of revocation
(5) Violation of OCGA 10-1-15-1: (deceptive or unfair trade practices)	Refusal to consider licenses for the location for 12 months
(6) Permitting the solicitation of prostitution or other unlawful acts	
(7) Serving intoxicated persons	<b>Progressive Fines (Sec. 10-109.1)</b>
(8) Failure to comply with federal, state, and local laws	<b>Retailer</b>
(9) Failure to furnish all data related to establishment	1 <sup>st</sup> violation: 5- to 60-day suspension and \$1,000 fine
(10) Failure to maintain general license qualifications	2 <sup>nd</sup> violation: 30- to 180-day suspension and \$1,000 fine
(11) Failure to obtain approval before changing establishment type	3 <sup>rd</sup> violation: revocation
(12) Failure to supervisor employees' and patrons' conduct to protect the safety and well-being of the general public using the premises	
(13) Violation of Chapter 94 (findings of discrimination)	<b>On-Premises Consumption</b>
(14) Violations of regulations governing operation of establishments	1 <sup>st</sup> violation: 5- to 60-day suspension and \$2,500 fine
(15) Failure to maintain public street/sidewalk outside establishment	2 <sup>nd</sup> violation: 30- to 180-day suspension and \$2,500 fine
(16) Violations pertaining to posting signage or banners	3 <sup>rd</sup> violation: revocation
(17) Violation of noise ordinance	
(18) Failure of licensee to provide CPA statement	<b>State Fines/Penalties §3-3-2.1-§3-3-2.2</b>
(19) Permitting the sale of illegal drugs	\$750/\$2,500 (on premises); revocation for subsequent violations within 3 years

**Source:** Developed by auditors based on Chapter 10 of city code and Title 3 of the Official Code of Georgia Annotated



### Appendix C: Mayoral Sign-Off of Due Cause is Inconsistent

Establishments with Due Cause Packages				
License Review Board Hearing Date	Trade Name	Address	Violations	Mayor Sign-Off
6/4/2019	The Ivory (Restaurant)	599 Whitehall St SW	Hours of operation 10-209(d)(1) (May. 2018)	Yes (Jan. 2020)
			Failure to supervise 10-109(a)(12) (June 2018)	
8/20/2019	Level 5 The Loft (Restaurant)	2101 Tula St	Hours of operation 10-209(d)(1) (Sept. 2019)	Yes
8/20/2019	Voo 2 (Restaurant)	2997 Campbellton Rd	Failure to supervise 10-109(a)(12) (June 2018)	Yes
			Compliance w/ chapter 10-3 (June 2018)	
			Hours of operation 10-209(d)(1) (June 2018)	
			Failure to supervise 10-109(a)(12) (Apr. 2019)	
			Compliance w/ chapter 10-3 (Apr. 2019)	
			Hours of operation 10-209(d)(1) (Apr. 2019)	
11/12/2019	Area 4 (Restaurant)	2885 Greenbriar Pkwy SW	Hours of operation 10-209(d)(1) (Aug. 2019)	Yes
			Compliance w/ chapter 10-3 (Aug. 2019)	
11/12/2019	Fellini's Pizza (Restaurant)	909 Ponce de Leon Ave	Furnishing liquor to minors 10-10 (Sept. 2019)	No
			Failure to supervise 10-109(a)(12) (Sept. 2019)	
11/12/2019	Kiss Lounge (Restaurant)	495 Whitehall St SW	Hours of operation 10-209(d)(1) (June 2018)	No
			Hours of operation 10-209(d)(1) (Apr. 2019)	
11/19/2019	Voo 2 (Restaurant)	2997 Campbellton Rd	Hours of operation 10-209(d)(1) (Aug. 2019)	No
			Hours of operation 10-209(d)(1) (Oct. 2019)	
			Compliance w/ chapter 10-3 (Oct. 2019)	
12/10/2019	Diamond Club	1715 Northside Dr	No staff fingerprints at adult location 10-206 (Aug. 2019)	No
12/17/2019	Allure	2284 Cheshire Bridge Rd	Hours of operation 10-209(d)(1) (Sept. 2019)	Yes
2/25/2020	Kabob Land (Restaurant)		Furnishing liquor to minors 10-10 (Oct. 2019)	No

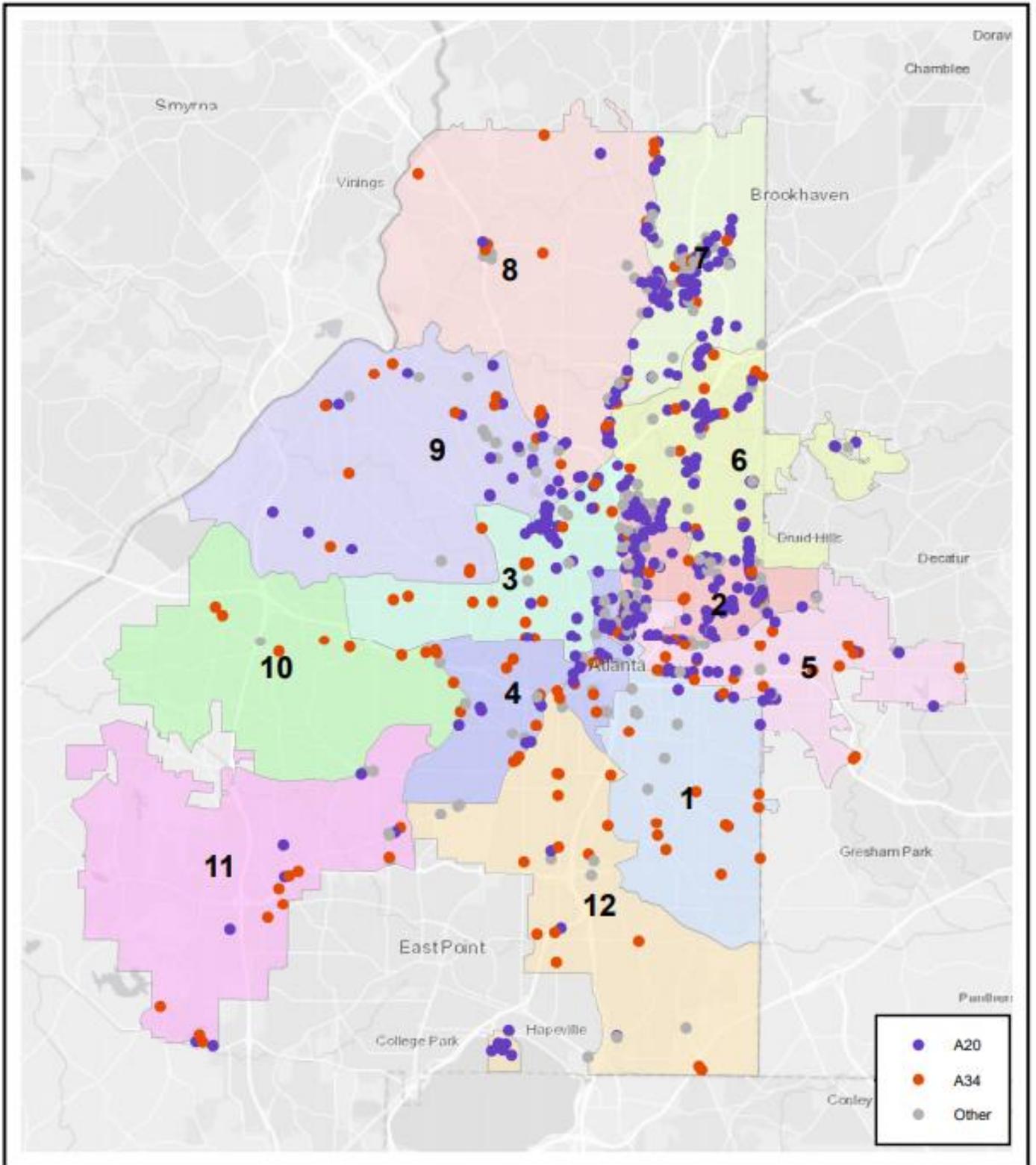
Establishments with Due Cause Packages				
		3135 Piedmont Rd NE	Failure to supervise 10-109(a)(12) (Oct. 2019)	
3/5/2020	County Line Bottle Shop	4520 Campbellton Rd	Furnishing liquor to minors 10-10 (Jan. 2020)	Yes
			Failure to supervise 10-109(a)(12) (Jan. 2020)	
3/5/2020	Quick Pick	215 Forsyth St NW	Furnishing liquor to minors 10-10 (Nov. 2019)	Yes
			Failure to supervise 10-109(a)(12) (Nov. 2019)	
3/5/2020	Speed Zone Shell	1720 MLK, Jr Dr NW	Furnishing liquor to minors 10-10 (Nov. 2019)	No
			Failure to supervise 10-109(a)(12) (Nov. 2019)	
3/5/2020	Westview Grocery	1083 Westview Dr SW	Furnishing liquor to minors 10-10 (Nov. 2019)	No
			Failure to supervise 10-109(a)(12) (Nov. 2019)	
3/9/2020	Hungry Ghost (Restaurant)	345 Edgewood Ave	Hours of operation 10-209(d)(1) (Dec. 2019)	Yes
			Compliance w/ chapter 10-3 (Dec. 2019)	
			Cover Charge Sign Posted 10-224(b) (Dec. 2019)	
10/23/2020	Zari's Cafe (Restaurant)	24 Bennett St	Failure to supervise 10-109(a)(12) (Oct. 2020)	Yes

Establishments with Violations but No Due Cause Package				
	Chevron Food Mart	2959 Campbellton Rd	Size limitation malt beverage 10-74 (Oct. 2018)	
	Blue	262 Pharr Rd	Compliance with chapter 10-3 (Nov. 2018)	
	Fado's Pub	273 Buckhead Ave	Add'l Facility license required 10-46 (Nov. 2018)	
	Bulla Gastro Bar	60 11th St Ste 2	Add'l Facility 10-46 (Jan. 2019)	

**Source:** Developed by auditors based on our review of due cause packages issued in 2019 and 2020



## Appendix D: 1,853 Licensed Establishments in Atlanta



**Source:** Developed by Planning's GIS team based on Police Central data

