



COMMISSION MEETING

April 30, 2007

Texas Alcoholic Beverage Commission
5806 Mesa Drive
Austin, Texas 78731

*John T. Steen, Jr., Chairman
San Antonio*

*Gail Madden, Member
Dallas*

*José Cuevas, Jr., Member
Midland*

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Agenda--TABC Commission Meeting – April 30, 2007..... | 1 |
| Minutes--TABC Commission Meeting – April 30, 2007 | 2 |
| Attachment 1: Marketing Practices Bulletin “Retailer Advertising Specialties” | |
| Attachment 2: Internal Audit of the Ports of Entry Operations | |
| Attachment 3: 2007 EUDL (Enforcing Underage Drinking Laws) Grant Awards | |
| Attachment 4: Region 4 Update | |
| Certification of Minutes | 11 |



AGENDA

REGULAR COMMISSION MEETING

10:00 a.m. – April 30, 2007

5806 Mesa Drive
Austin, Texas 78731



Alan Steen
Administrator

TEXAS ALCOHOLIC BEVERAGE COMMISSION
5806 Mesa Drive, Suite 185
Austin, Texas 78731

John T. Steen, Jr.
Chairman-San Antonio

Gail Madden
Member-Dallas

José Cuevas, Jr.
Member-Midland

Monday, April 30, 2007
10:00 a.m.

AGENDA

| | |
|--|--------------------------------------|
| 1. Call to Order | John T. Steen, Jr. |
| 2. Approval of Commission Meeting Minutes of March 23, 2007 | John T. Steen, Jr. |
| 3. Administrator's Report: Administrator and Agency Activities, Budget Issues, Staff Achievements | Alan Steen |
| 4. Approval of Internal Audit of the Ports of Entry Operations | Russell Gregorczyk |
| 5. 2007 EUDL (Enforcing Underage Drinking Laws) Grant Awards Announcement | Deborah Dixon |
| 6. Region 4 Update | David Ferrero Gene Bowman |
| 7. Future Commission Meeting Dates: Discussion, Comment, and Possible Vote | John T. Steen, Jr. |
| 8. Public Comment | John T. Steen, Jr. |
| 9. Executive Session to Consult with Legal Counsel Regarding Pending and Anticipated Litigation Against the Agency and to Discuss the Duties, Responsibilities, and Evaluation of the Administrator (Govt. Code §551.071, §551.074) | John T. Steen, Jr. |
| 10. Adjourn | John T. Steen, Jr. |

- Note:*
- Items may not necessarily be considered in the order they appear on the agenda.
 - Executive session for advice of Counsel (pursuant to §551.071 of the Government Code) may be called regarding any agenda item.
 - Action may be taken on any agenda item.

NOTICE OF ASSISTANCE AT PUBLIC MEETINGS

Persons with disabilities who plan to attend this meeting and who may need auxiliary aids or services (such as interpreters for persons who are deaf, hearing impaired readers, large print, or Braille) are requested to contact Renee Johnston at (512) 206-3217 (voice) (512) 206-3203 (fax), or (512) 206-3270 (TDD), at least three (3) days prior to the meeting so that appropriate arrangements can be made.



MINUTES

REGULAR COMMISSION MEETING

10:00 a.m. – April 30, 2007

5806 Mesa Drive
Austin, Texas 78731



COMMISSION MEETING MINUTES

April 30, 2007

The Commissioners of the Texas Alcoholic Beverage Commission (TABC) met in Regular Session on Friday, April 30, 2007, at the Texas Alcoholic Beverage Commission, 5806 Mesa Drive, Suite 185, Austin, Texas.

PRESIDING: John T. Steen, Jr., Chairman

**COMMISSIONERS
PRESENT:** José Cuevas, Jr.

STAFF PRESENT: Alan Steen, Administrator
Glenda Baker, Assistant Chief of Enforcement
Carolyn Beck, Public Information Officer, Executive
Gene Bowman, Regional Compliance Supervisor,
Region 4
Lou Bright, General Counsel, Legal Services
Sherry Cook, Director of Information Resources
Deborah Dixon, Director of Education and Prevention
Loretta Doty, Director of Human Resources
David Ferrero, Captain, Region 4
Jeannene Fox, Assistant Administrator
Buck Fuller, Director of Compliance
Russell Gregorczyk, TABC Contracted Internal
Auditor
Amy Harrison, Director of Licensing
Gary Henderson, Enterprise Operations Team
Leader, Information Resources
Linda Jackson, Administrative Assistant, Executive
Renee Johnston, Executive Assistant, Executive
Charlie Kerr, Director of Business Services
Joel Moreno, Acting Chief of Enforcement
Rod Venner, Deputy Assistant Chief of Enforcement

GUESTS PRESENT: Kimberly Frost

CALL TO ORDER

Chairman John T. Steen, Jr., called the meeting of the Texas Alcoholic Beverage Commission to order. He stated that Commissioner Gail Madden would not be able to attend the meeting.

APPROVAL OF COMMISSION MEETING MINUTES OF MARCH 23, 2007

There being no additions or corrections, Commissioner José Cuevas moved that the minutes of March 23, 2007, be approved as presented. Chairman Steen seconded. The motion carried.

ADMINISTRATOR'S REPORT

Chairman Steen called upon Administrator Alan Steen to provide the Administrator's report on Administrator and agency activities, budget issues, and staff achievements. Administrator Steen reported the following activities:

Sunset Bill and Other Legislative Activities

- Administrator Steen stated that he was very pleased that the agency's Sunset bill was progressing well. He explained that the bill had passed through the Senate. The bill was presented on the House floor last Monday; however, a point of order related to a technical issue on the bill analysis kept it from being voted on. However, the analysis was rewritten, and the bill was voted out of the Licensing and Administrative Procedures Committee. The bill goes through the third and final reading in the House today.
- Staff have attended several legislative meetings including the Senate Business and Commerce Committee, House Licensing and Administrative Procedures Committee, Senate Transportation and Homeland Security, House Law Enforcement Committee, and the full House and Senate sessions.

Budget

- Administrator Steen stated that he had earlier reported that the agency was looking at a potential \$300,000 deficit at the beginning of the fiscal year but had measures in place to reduce it to zero. At the last Commission meeting, he reported that the deficit had been reduced to \$125,000. He stated that it is projected that there should not be a deficit by the end of the fiscal year.
- With regard to the 2008-2009 biennium budget, Administrator Steen announced that the Senate conferees have been named. The House conferees had already been named, and the conferees should be meeting on the agency's appropriations in the near future. There is a difference between the Senate and House versions for TABC's appropriations; however, staff are working with the conferees for a middle ground to include some public safety

equipment and technology exceptional item requests. He assured the Commissioners that staff are closely monitoring this.

Marketing Practices Bulletin

- Administrator Steen discussed Marketing Practices Bulletin #22, which was distributed to the industry last month concerning "Retailer Advertising Specialties" (Attachment 1).

Agent Postings

- Administrator Steen stated that 13 Agent Trainee vacancies were posted on April 9, 2007. Recruitment advertising included 18 law enforcement associations/organizations, three minority organizations, seven law enforcement employment sites, 15 area newspapers and 25 college and university career centers. The postings close by the end of the day; at this time, the agency has received 228 applications. The target employment date for the Agents is September 4, 2007.

Lieutenant Promotional Process

- Administrator Steen reported that there are two vacant Lieutenant positions—one in Lubbock and one in McAllen. Headquarters and Field Enforcement, Human Resources, and Legal Services staff are developing a consistent promotional process prior to filling the vacancies. The first eligibility testing should occur by July 30th.

At the conclusion of Administrator Steen's report, Commissioner Cuevas congratulated staff for their efforts on the agency's Sunset bill. Chairman Steen referred to a letter sent by Assistant Administrator Jeannene Fox that provided a status of implementation of audit recommendations. He stated he was very impressed with the update and its format. Ms. Fox explained that the Commissioners would be receiving a written monthly update of the implementation status of audit recommendations. Russell Gregorczyk, TABC's contracted Internal Auditor, noted that the implementation status report assists him in doing his own tracking of the audit recommendations. Administrator Steen added that once the Sunset bill is approved, the Sunset recommendations and implementation status would be added into the update.

Chairman Steen called upon Charlie Kerr, Director of Business Services, to provide assurance that the budget deficit was handled. Mr. Kerr explained that this year was somewhat unusual because of the costs of the programming hours of the reengineering project. This, however, is being made up from lapsed salaries of vacancies throughout the year. At this time, barring no major unexpected costs (such as unexpected judgments or unanticipated retirements), the budget situation should be fine by the end of the fiscal year.

APPROVAL OF INTERNAL AUDIT OF THE PORTS OF ENTRY OPERATIONS

Chairman Steen called upon Russell Gregorczyk, TABC's contracted Internal Auditor. Mr. Gregorczyk presented the audit of the Ports of Entry operations (Attachment 2), briefly reviewing some of the recommendations, noting that most of them involved minor issues.

Chairman Steen asked what type of cost-benefit analysis was being done regarding the determination of staffing patterns and revenue, specifically citing the key audit observation on staffing at the Falcon Dam Bridge. Ms. Fox explained that there are several factors involved in determining revenue, such as the locations of the bridges, infrastructures around the bridges, and hours of operation. She explained that staff spot-check bridges to ensure that they are appropriately manned at the best times of operation.

Chairman Steen asked why the Falcon Dam Bridge was cited. Ms. Fox responded that staff were spot-checking the bridge and do staff any of the bridges when needed. Chairman Steen asked Buck Fuller, Director of Compliance, for his thoughts. Mr. Fuller explained that the bridges are looked upon as a revenue business, and the general decision to man a bridge is when it can bring in at least \$125 of revenue a day, which warrants the staffing. In response to Commissioner Cuevas' question, Mr. Fuller explained that it would be \$125 for an eight-hour shift. Mr. Fuller also discussed some of many variables—such as duty-free stores and tourist bus schedules—that are looked at to ensure appropriate staffing at the bridges. He stated that staff continually spot-check unmanned crossings from El Paso to Los Ebanos. Commissioner Cuevas stated that the Falcon Dam Bridge was pointed out because of the cigarette tax increase. Mr. Gregorczyk concurred that the cigarette tax increase was the reason, and Mr. Fuller added that staff were aware of the possibility to change the staffing at this bridge and continue to spot-check the bridge.

Chairman Steen called for a motion to approve the internal audit report of the Ports of Entry operations. Commissioner Cuevas so moved, and Chairman Steen seconded. The motion carried.

2007 EUDL (ENFORCING UNDERAGE DRINKING LAWS) GRANT AWARDS

Chairman Steen called upon Deborah Dixon, Director of Education and Prevention. With Commissioner Madden unable to attend the meeting, Chairman Steen asked if this agenda topic could be held until the next Commission meeting. It was explained that the grantees' training session needed to be held soon because the official grant cycle would begin June 1st; therefore, the grant award announcements needed to be done at the current meeting.

Ms. Dixon reported that the agency received 15 applications and recommended eight grants to be awarded for a total of approximately \$250,000. She briefly reviewed each of the eight grant awards (Attachment 3). Following her report, **Chairman Steen called for a motion to approve the grant awards. Commissioner Cuevas so moved, and Chairman Steen seconded. The motion carried.**

REGION 4 UPDATE

Chairman Steen then called upon Captain David Ferrero and Regional Compliance Supervisor Gene Bowman. Captain Ferrero and Mr. Bowman utilized a PowerPoint presentation for their updates of Region 4 (Attachment 4).

Captain Ferrero presented the Region 4 Enforcement activities from September 2006 through February 2007. Highlights from the presentation included the following:

- Captain Ferrero discussed the many inspections that were conducted in the region, including Minor Stings, Prohibited Hours, Operation Fakeout, Cops in Shops, Special Events, Priority Inspections, and Unique Inspections.

Chairman Steen asked what the criteria are for a Special Event. Captain Ferrero responded that it is typically a unique event, such as once-a-year activities, such as motorcycle rallies, rodeos, and large concerts. It could also include a large university athletic event.

Chairman Steen asked about Operation Fakeout for identifying fake IDs. Captain Ferrero explained that TABC coordinates with local law enforcement to saturate a particular area on a particular night in an effort to assist retailers in identifying fake IDs. Some of the TABC agents may be open or undercover. Chairman Steen asked how young people obtain fake IDs; Captain Ferrero stated that they could go to the Internet to find organizations that produce the fake IDs. Chairman Steen then inquired as to the agency's efforts in stopping the manufacturers of fake IDs. Captain Ferrero explained that TABC works as the "grass roots" part of the process, providing the information from the scene directly to the Department of Public Safety (DPS) or the Secret Service. Chairman Steen asked whether the agency's mission was involved in this part of the process after the information was given over to the appropriate authorities. Captain Ferrero stated that TABC's mission is to deter underage drinking, and one way the agency accomplishes this is at the front end of the process by providing assistance to other law enforcement agencies. He added that DPS devotes a tremendous amount of resources on the Texas ID documents, and TABC provides assistance to DPS whenever possible.

- Captain Ferrero discussed some regional initiatives:
 - Austin agents are involved in a program called P.A.C.E., or the Public Assembly Code Enforcement. Because a large gathering of people can lead to public safety issues, the city--through the Austin Fire Department--adopted a code to require a temporary "change of use" permit whenever there is a gathering of 50 or more people in the city of Austin.
 - TABC has worked out an agreement with the civilian Fort Hood Police Department. If an active member of the military is found intoxicated in a licensed premises, he or she will be released to military personnel instead of taken to the local jail.
 - TABC staff in Wharton responded to an active shooter incident.
 - Region 4 staff have attended ALERT, or Advanced Law Enforcement Rapid Response Training. This is an intense two-day training free to all enforcement personnel and is sponsored and funded by the Texas State University, Texas Department of Homeland Security, and Office of the Governor Criminal Justice Division.

- Captain Ferrero discussed some recent investigations. He discussed two fraternity situations, both involving a death and multiple criminal charges. Chairman Steen asked what proactive efforts TABC makes at fraternities and sororities to prevent alcohol tragedies. Captain Ferrero stated that staff talk with fraternities and sororities about alcohol laws approximately once a year unless there has been an incident, which would involve follow-up visits. **Chairman Steen stated he would like to see more proactive visits and activities with the fraternities and sororities to reduce alcohol-related tragedies; Captain Ferrero concurred.** Also, it was discussed that the EUDL grants also address these issues, such as in the college symposiums.

Mr. Bowman then presented Region 4 Compliance activities:

- Mr. Bowman stated that most of the goals for Compliance activities—such as various audits, analyses, and inspections—are doing well. However, the goal for "Inspections-Other," such as special inspections, is slightly behind. He stated that staff are attempting to attain at least 50% of the goal this year. He attributed this in part to a personnel issue, as Region 4 Compliance was not fully staffed for a while until two weeks ago; thus, some of the staff are still in training.

- Mr. Bowman then reviewed the time allocation of the Compliance Auditors. He noted that a large portion of staff time is under the category of "Administrative/Supervision/Training," which includes data entry, filing, training

for the new Workflow system, and staff vacation and sick leave. He stated that staff perform about 20% of their time on audits and inspections, a little over 3% on unlicensed inspections, and a little over 1% on investigations. The "Instruction" category is mainly telephone and counter work; Compliance staff perform over 6% in this area. Mr. Bowman reviewed other areas of the time allocation chart.

- Mr. Bowman reviewed information on immediate and future impediments to customer service for Region 4 Compliance. He discussed the geographical logistics, growth corridors, and personnel issues. Because there is only one Accounts Examiner or Auditor in some of the offices, it is a challenge to ensure enough adequately trained staff. He also cited facility space for some of the offices as a challenge, because some offices are located in free-of-charge space in county sheriffs' offices, which are not always conducive to receiving the public in an efficient manner. There are also other offices with cramped space for the number of staff.

Chairman Steen asked what was being done to resolve these issues. Mr. Bowman stated that more people cannot be hired because there are no available positions. With regard to facility space, Jeannene Fox stated that TABC is fortunate to have free space with local county offices in some of the remote outposts, as funds for leased space are limited. Commissioner Cuevas asked how the amount of money for leased space could be increased. Charlie Kerr explained that the agency is limited based on the money on rent that is currently budgeted. He explained that there is enough money in the budget to lease spaces for the agency's current offices and to cover CPI increases expected in FY2008 and FY2009.

Chairman Steen noted that Mr. Bowman was pointing out an undesirable situation and asked who decides to rent space. It was explained that it goes through the supervisory chain of command with Mr. Kerr determining whether the funds were available; then, the ultimate decision would be with the Administrator. Mr. Kerr discussed the difficulty of leasing space for a few employees, as there are few companies willing to lease out a small square footage of space. Mr. Cuevas asked what could be done to make sure landlords were aware that they would need to place a bid when the agency was seeking leased space. Mr. Kerr stated that TABC would go through the electronic "Business Daily" that landlords review; in addition, local staff can make landlords aware that they may submit a request for proposal if they are interested. Mr. Bowman stated that he is working with the county on one location that will be relocating and is working with Mr. Kerr and Buck Fuller on other offices.

- Mr. Bowman reviewed licensing applications by location, noting staffing challenges. Commissioner Cuevas asked what could be done to address the

issues. Ms. Fox stated that the agency is fully staffed and there are no available FTEs. As a result, workloads are constantly being reviewed and staff are cross-trained. In all regions, staff are brought in from other offices to assist those offices with work overloads. Chairman Steen asked if the regional lines were being reviewed. Ms. Fox stated that staff constantly look at population, the number of retailers, and square footage to determine region lines and staffing. She noted that this is looked at in terms of both Enforcement and Compliance, as the regions for both need to be the same to ensure continuity. **Commissioner Cuevas agreed that staff needed to revisit these issues in an ongoing manner to address needs.**

Commissioner Cuevas asked why there were more criminal cases than administrative cases, noting that it was about three to one. He also noted that it is not just Region 4, but there are more criminal than administrative cases statewide. Staff discussed the fact that incidents that are linked with a licensed premises could result in multiple criminal citations for various people involved, but only one administrative case against the permit holder. Also, enforcement activities dealing with underage drinking are frequently taking place somewhere other than at a licensed establishment. These incidents could result in multiple criminal citations but no administrative action against a permit holder. Amid the discussion about administrative actions, Chairman Steen asked about Safe Harbor and the percentage of licensed establishments that require their employees to be TABC certified. Ms. Fox responded that it depends upon the type of license; however, statewide, it would be approximately 60%.

FUTURE COMMISSION MEETING DATES: DISCUSSION, COMMENT, AND POSSIBLE VOTE

Chairman Steen announced that the next Commission meeting was scheduled for Thursday, May 31, 2007. He requested that meeting dates be planned and agreed upon for the future. It was explained that the fourth Friday of each month had been the general target date to hold the meetings; however, there had been some last minute conflicts in some of the Commissioners' schedules.

PUBLIC COMMENT

As no one registered or expressed a desire to provide public comment, Chairman Steen began the announcement for the executive session.

EXECUTIVE SESSION

Chairman Steen announced that the regular open session of the Texas Alcoholic Beverage Commission would be recessed, the time being 11:33 a.m. on April 30, 2007, and an executive session would be held to consult

with Legal Counsel regarding pending and anticipated litigation against the agency and to discuss the duties, responsibilities, and evaluation of the Administrator, pursuant to Texas Government Code, §§551.071 and 551.074.

Chairman Steen announced that the Texas Alcoholic Beverage Commission had concluded its executive session and was in open session, the date being April 30, 2007, and the time, 1:40 p.m. No final action, decision, or vote was made in the executive session.

ADJOURNMENT

Chairman Steen then called for a motion to adjourn. Commissioner Cuevas moved that the meeting adjourn. Chairman Steen seconded. The motion carried, and Chairman Steen announced that the meeting was adjourned.

Attachment 1

**Marketing Practices Bulletin
“Retailer Advertising Specialties”**



Alan Steen
Administrator

John T. Steen, Jr.
Chairman - San Antonio

Gail Madden
Member - Dallas

José Cuevas, Jr.
Member - Midland

March 16, 2007

MARKETING PRACTICES BULLETIN –MPB 022
“Retailer Advertising Specialties”

To: Alcoholic Beverage Industry

This bulletin is intended to clarify the application of the “per brand” cost limitation to Advertising Specialties. We have been petitioned to consider the legality of a liquor manufacturer providing an advertising specialty item that advertises multiple brands [rather than a single brand], having an aggregate value in excess of \$101.00, but equal to or less than that amount [\$101.00] multiplied by the number of brands advertised on or by it.

Pursuant to 102.07 (b) of the Alcoholic Beverage Code (“Code”) & 16 TAC 45.117 (c), a permittee [inclusive of a distiller, brewer, rectifier, wholesaler, class B wholesaler, winery, or wine bottler, and the agent, servant, or employee of such a person] covered by subsection (a) of 102.07 of the Code, may furnish to a retailer without cost advertising specialties showing the name of the product advertised. The total value of all advertising specialties for any one brand furnished to a retailer in any one calendar year may not exceed \$101.00. Permittees covered by subsection (a) of this section may not pool or combine their dollar limitations to provide a retailer with advertising specialties valued in excess of the maximum permitted.

Upon thorough consideration, it is our opinion that the legislative phrase “may not pool or combine” was intended to restrict upper tier members [permittees covered by subsection (a) of 102.07 of the Code] from joining together to combine their financial resources in an effort to provide a retailer with an advertising specialty with a value in excess of the maximum amount permitted. However, we believe that this language was not intended to prevent a single upper tier member from advertising a number of its brand on or by way of a single advertising item that may have a value of up to \$101.00 per brand advertised. Thus, it is the Commission’s opinion that nothing shall preclude a permittee covered by subsection (a) of 102.07 of the Code from furnishing, in a calendar year, an advertising specialty that advertises multiple brands provided the aggregate value of the advertising specialty does not exceed \$101.00 per brand advertise on the advertising specialty item. For example a Liquor Manufacturer may furnish a retailer with an advertising specialty, that advertises exactly one brand, not exceeding \$101.00, per calendar year, or the Liquor Manufacturer may furnish a retailer an advertising specialty that advertises multiple brands [e.g., six brands] so long as the aggregate value of this advertising specialty item does not exceed \$101.00 per brand advertised [e.g., for six brands advertised on a single advertising specialty item, the value of the item may not exceed \$606.00 (6 brands x \$101.00 or less per brand)].

Nothing in this opinion shall be construed as authorizing a permittee covered by subsection (a) to combine its dollar limitations with another permittee’s dollar limitations to provide a retailer with an advertising specialty in excess of \$101.00. Finally, an advertising specialty does not include equipment, fixtures or supplies to be used in the selling or dispensing of alcoholic beverages [such items are prohibited by 102.07 (a)(5)].

Marketing Practices Bulletin
Retailer Advertising Specialty
MPB 022
Page 2 of 2
03/16/2007

This opinion is of the staff of the Commission, and it should be noted that any permittee/licensee may pursue a different opinion through administrative proceedings with the State Office of Administrative Hearings. We hope this opinion will assist you in your promotional endeavors. Please feel free to contact us at any time should other questions arise. We will monitor these events and make necessary regulatory changes as applicable. If you would like additional information or have questions regarding this bulletin, you may contact me in writing at P.O. Box 13127, Austin, TX 78711, by email at marketing.practices@tabc.state.tx.us, by phone at 512-206-3411 or by facsimile at 512-206-3203.

Kind Regards,

A handwritten signature in black ink, appearing to read "Dexter K. Jones". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Dexter K. Jones
Director of Marketing Practices

CC: Alan Steen, Administrator
Jeannene Fox, Assistant Administrator
Executive Management
Regional Personnel

Attachment 2

Internal Audit of the Ports of Entry Operations

**Texas Alcoholic Beverage Commission
Internal Audit of the
Ports of Entry Operations**

Final Draft Report

April 25, 2007

As Prepared by
Jansen & Gregorczyk
Certified Public Accountants

TABLE OF CONTENTS

Auditor's Transmittal Letter 1

Executive Summary 2

Audit Purpose and Scope 2

Audit Results and Recommendations3

**Texas Alcoholic Beverage Commission Internal Audit of the Ports of Entry Operations
Final Draft Report - April 25, 2007**

Jansen & Gregorczyk
Certified Public Accountants

**Telephone
(512) 268-0070**

**P. O. Box 601
Kyle, Tx. 78640**

April 25, 2007

Commission Members
Texas Alcoholic Beverage Commission

The following report provides the results and recommendations noted during the internal audit of the Ports of Entry Operations (POE).

The internal audit was conducted in accordance with generally accepted government auditing standards and *Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

Jansen & Gregorczyk
Certified Public Accountants

EXECUTIVE SUMMARY

Audit Purpose

The primary purposes of the internal audit were to evaluate the adequacy of:

- controls and procedures for issuing tax stamps and collecting taxes at Ports of Entry stations;
- safety practices and resources at Ports of Entry;
- management reporting system for the Ports of Entry program; and
- supervision and hiring practices for the Ports of Entry program.

Key Audit Observations

- The agency has effective procedures and adequate internal controls over the collection of taxes and issuance of tax stamps.
- With the significant increase in cigarette taxes as of January 1, 2007 to \$15 per carton, there may be a sufficient number of persons using the Falcon Dam Bridge to cross into Texas with unstamped cigarettes to justify manning the bridge on weekends.
- The controls and procedures established regarding confiscation of liquor and/or cigarettes are adequate and effective.
- The TABC Ports of Entry appear to accurately report tax collection and stamp sales information on weekly reports.

- The Ports of Entry have established adequate internal controls over the funds deposited in local banks and subsequently transferred to the State Treasury.
- TABC has developed effective procedures and practices for ensuring the safety of employees at the Ports of Entry.
- The Ports of Entry appear to be reasonably staffed to man the bridges that produce the most revenue for the state. The six POEs currently include 26 international bridges; 19 manned, four unmanned, and three manned on a spot check basis.
- Having unmanned bridges and some bridges where only spot checks are conducted does allow some state revenue to be lost.
- The supervision at the POEs is adequate and meets the needs of the Taxpayer Compliance Officers (TCOs).
- Vacancies can pose a difficulty for some of the POEs. The average number of TCO vacancies for the period September 2004 – January 2007 was 3.2 across all POEs
- A review of the POE hirings conducted in FY 2006 and FY 2007 found all of the files to be complete and accurate with the exception of one missing reference check form.

Significant Recommendations

- Management should consider staffing the Falcon Dam Bridge on weekends in order to “plug” a hole that allows unstamped liquor and cigarettes to cross into Texas.
- The actual amount of cash should be reported at the end of each shift by all TCOs, irrespective of whether it balances, is short, or is over. The practice of using personal funds to make up shortages should be eliminated.
- POE management should review the established practices for reporting malfunctioning equipment or safety concerns to determine if any changes are needed to quickly identify and fix safety issues.
- Management should conduct analyses, on at least an annual basis, using available data, to ensure staffing at the various POEs remains appropriate. Documentation of all analyses conducted should be maintained.
- Management should consider using a uniform rental company for obtaining TCO uniforms.

- POE management and the Human Resources Division should establish a process that will minimize the time it takes to fill vacancies at all POEs, but particularly those with the most frequent vacancies, like El Paso and Hidalgo. This process should consider the feasibility of maintaining an active eligible candidate list at each of the major POE regions by having an “open” posting for TCOs every four to six months.

Management's Response

Management concurs with all recommendations made in the report and has established timeframes for implementation. For one recommendation, management does not believe implementation is possible due to budgetary constraints as noted in the management response.

AUDIT PURPOSE AND SCOPE

The primary purposes of the internal audit were to evaluate the adequacy of internal controls and the effectiveness of procedures for issuing tax stamps and collecting taxes at Ports of Entry stations. Other purposes were to assess the adequacy of health and safety practices at POEs, evaluate the effectiveness of the POE management reporting system, and assess the effectiveness of supervision and hiring practices for the Ports of Entry program.

Work was performed at TABC headquarters, with field visits to seven Ports of Entry stations between Brownsville and Laredo. The scope of internal audit work included review, analysis, and/or testing of the following areas:

- controlling tax stamp inventories;
- collecting and depositing taxes;
- dealing with confiscated liquor and cigarettes;
- POE reports;
- safety practices and crime issues;
- staffing and resource issues; and
- supervision and hiring practices.

Specific audit objectives for each of these audit areas were developed and coordinated with TABC management.

AUDIT RESULTS AND RECOMMENDATIONS

The results and recommendations of the internal audit work are presented in this section for each of the eight audit objectives that were established and coordinated with TABC management.

***Audit Objective 1:** Determine if there are effective procedures and adequate internal controls over the collections of taxes and issuance of stamps at Ports of Entry stations and if stamp inventories are monitored and controlled.*

The agency has procedures and internal controls over the collection of taxes and issuance of tax stamps that are as effective as possible in a diversified Ports of Entry (POE) system. Each tax stamp has an assigned value which guides the tax collected by the Tax Compliance Officers (TCOs) at the POEs. TCOs are responsible for placing stamps on all taxed items, liquor and cigarettes, and collecting the correct amount of tax. Additionally, they are responsible for ensuring the laws related to the possession of alcohol or cigarettes by underaged persons are fully complied with at all times.

**Texas Alcoholic Beverage Commission Internal Audit of the Ports of Entry Operations
Final Draft Report - April 25, 2007**

TCOs obtain taxes based on self-declaration of the taxable products being brought into Texas from Mexico by persons crossing international bridges at the various bridges from Brownsville to El Paso. Each TCO is provided a set of the stamps needed for the various liquors being taxed and cigarettes. In addition, each TCO is provided a cash box with a defined amount of beginning cash. The TCO's responsibility is to issue the correct stamps for all declared products, collect the correct amount of tax, and balance at the end of each shift. The reports prepared by each TCO at the end of each day's work are designed to provide reconciliation between the value of stamps used and the funds received. Unannounced cash and stamp audits are conducted by POE supervisors in order to ensure compliance with established cash/stamp procedures. The agency is currently looking into the automation of some of the cash and stamp handling that would allow cash audits on a more frequent basis without disrupting the flow of work at the POEs.

Various physical controls are in place to minimize the risk of cash and/or stamp loss. Each TCO is issued a lockable cash box. Lockable lockers are provided for each TCO where their cash boxes can be placed during

off-hours. Personally preparing closeout reports and reconciliation of stamps and funds ensures the TCO is aware whenever a variance exists. Cash is dropped into a locked safe at the end of each shift by each TCO. These funds are in sealed envelopes and remain unopened until opened at the bank as part of the deposit process.

Management controls include a review of weekly reports submitted for each POE and a monthly analysis of information on POE operations at each location. Management analyzes and documents the reasons for increases and decreases at particular bridges when they are known.

In order to validate, test and observe POE procedures, a trip was conducted covering bridges from Brownsville to Laredo. The bridges visited were: (1) Brownsville – Gateway, (2) Los Indios, (3) Progreso, (4) Hidalgo, (5) Roma, (6) Laredo – Bridge II, and (7) Laredo – Bridge I. Procedural testing was conducted at the Brownsville – Gateway Bridge, Progreso Bridge, and Laredo – Bridge I. The tests were conducted by crossing into Mexico to purchase liquor and return to Texas. The procedures in place were observed as each TCO properly stamped the product returned, collected the correct amount of tax, and provided education regarding the

Texas Alcoholic Beverage Commission Internal Audit of the Ports of Entry Operations
Final Draft Report - April 25, 2007

amount of liquor that could be brought back into Texas. Results of the visits found the agents to be neatly dressed, courteous, and helpful. They were attentive to customers as they drove up at the vehicular bridges. Significant efforts were made to minimize the amount of time any customer had to wait to receive service.

Interviews were conducted with several of the TCOs on duty at the various bridges. Several issues were noted based on discussions with the POE staff members. One issue noted related to lost revenues at the Falcon Dam Bridge. This is an unmanned bridge near Roma. The bridge has not had sufficient traffic in the past to warrant full-time manning. Historically, the bridge was manned during holidays and special events. However, with the significant increase in cigarette taxes as of January 1, 2007 to \$15 per carton, there may be a sufficient number of persons using the Falcon Dam Bridge to cross into Texas with unstamped cigarettes to justify manning the bridge on weekends.

An issue related to the "TCO culture" was revealed during the visits. Since TCOs are responsible for the cash they handle, a long-term culture has developed where they are expected to balance at the end of each day even if

they have to place personal funds into the till. With this practice, frequent small shortages are not identified as a performance issue because the shortages are never known. Additionally, a large shortage may go undiscovered. This practice probably results in some TCOs pocketing overages since they know they will need to make up for shortages at some point. The actual cash at the end of each day should be reported on the TCO Daily Reports, whether it balances with the stamps issued, or is short or over. This will enable management to track those TCOs who consistently are not able to balance cash collections with stamps issued.

***Recommendation 1:** Management should consider staffing the Falcon Dam Bridge on weekends in order to "plug" a hole that allows unstamped liquor and cigarettes to cross into Texas. If it is determined that the cost of staffing the bridge cannot be supported by tax collection, the staffing could be eliminated and the current practice reinstated.*

TABC Management Response: As per the POE procedures manual we currently spot-check the Falcon Dam Bridge crossing. It has not been determined that the cost of staffing this crossing will be supported by the tax collected. We will continue to spot check all crossings to determine

staffing needs. In previous years there has been an insignificant amount of revenue collected at the Falcon Dam crossing to have it manned full time.

***Recommendation 2:** The actual amount of cash should be reported at the end of each shift by all TCOs, irrespective of whether it balances, is short, or is over. The practice of making up shortages should be eliminated. If an agent has frequent or significant cash variances, the problem should be considered as a performance issue.*

TABC Management Response: The current POE policy manual will be changed to reflect this recommendation. The practice of making up shortages by each TCO will be eliminated by June 1, 2007.

***Audit Objective 2:** Determine if there are adequate controls and effective procedures for dealing with liquor and cigarettes confiscated at Ports of Entry stations for failure to pay taxes due.*

The controls and procedures established regarding confiscation of liquor and/or cigarettes are adequate and effective to the extent possible in a much diversified system. The controls include sign notifications of liquor limits and signs that notify

customers they should receive a receipt for any confiscated liquor. Upon confiscation, the TCO should pour the liquor out or cut the cigarettes in half, complete a confiscation form and ask the customer to certify the confiscation and destruction of the item by signing the confiscation form. One copy of the form is attached to the empty bottle or cut-up cigarettes and a second copy is provided to the customer. In some instances, customers do not want to wait for the confiscated product to be destroyed or believe the receipt is some type of ticket. If confiscation is due to an inability to pay the tax due, items may be held by the POE for up to 30 days for the customer to return and pay the necessary taxes. If the customer does not return within the established timeframe, the confiscated product is then destroyed in accordance with current procedures. Confiscated items are reported to headquarters as part of the weekly reporting currently in place.

Management conducts a monthly analysis of confiscated items. The number of items confiscated varies significantly from bridge to bridge and at different times throughout the year. Activities affecting confiscations, Spring Break, holidays, etc., are used to provide a basic analysis based on historical

knowledge. Reports of illegal activities by TCOs related to confiscations have been relatively few in the last few years.

An e-mail survey conducted of the TCOs found the agents were aware of the procedures for handling confiscated items and the consequences for not complying with those procedures. None of the respondents had any suggestions for improving the controls related to confiscated items.

A trip to several POEs substantiated the survey responses regarding confiscated items. The trip provided one opportunity to witness a confiscation. All of the established procedures were followed and the confiscation was handled professionally and without incident. Other indications of proper procedures were identified during the visits, including the review of completed confiscation reports and tagged empty bottles awaiting destruction by the supervisor.

Recommendations: None.

Audit Objective 3: Determine if Ports of Entry stations accurately report tax collection information and if there is an effective process for reviewing and acting upon information in these reports.

The TABC Ports of Entry appear to accurately report tax collection and stamp sales information on weekly reports. The reports provide information regarding the sales volume for each type of stamp issued, the revenue obtained from the sales, and deposit information. The reconciliation of revenue to stamps sold is made simple by the fact that each stamp has an assigned value. The accuracy of the stamps sold information creates the revenue information.

POE Supervisors are responsible for ensuring the accuracy of stamp sales by conducting periodic audits of cash and stamps. These audits are generally unannounced and constitute one of the internal controls in place to ensure accuracy of sales information.

The weekly sales reports generate a variety of information, some of which is used for analysis by POE management. While analysis may not provide definitive conclusions regarding variances in sales revenue and sales volume, it does provide the

**Texas Alcoholic Beverage Commission Internal Audit of the Ports of Entry Operations
Final Draft Report - April 25, 2007**

basis for investigating significant variances and trends. Samples of two analyses conducted as part of the internal audit were provided to POE management for possible use on an ongoing basis. POE management makes attempts to determine reasons for significant variances in sales and volume when they are identified. Additionally, management works diligently to track situations along the border that might influence sales – Spring Break, Christmas and New Years holidays, Winter Texans, etc.

Recommendations: None.

Audit Objective 4: Determine if there are adequate internal controls over the funds deposited in local banks by the Ports of Entry stations and if all funds collected at Ports of Entry stations are deposited in local banks and transferred to the State Treasury in a timely manner.

The Ports of Entry have established adequate internal controls over the funds deposited in local banks and subsequently transferred to the State Treasury. Revenues received each day are reported on the Tax Compliance Officer's (TCO) daily report. The funds are counted and sealed in an envelope at the end of each shift and deposited in the POE safe by each TCO. Deposits are made

the next working day by the POE Supervisor. The Supervisor ensures all envelopes are accounted for and completes the bank deposit slip without opening the cash envelopes prepared by the TCOs. The deposit is validated by the bank teller upon receipt. The local bank accounts are "swept" approximately every two weeks by the State Comptroller's Office to the Treasury. This sweep is part of the reconciliation process conducted in the Revenue Processing Section.

The deposited funds are reconciled by headquarters' staff to the Master Weekly Reports submitted by each POE. The funds are then reconciled again upon receipt of each month's bank statement for each POE. The reconciliation ensures all funds reported have been deposited in a timely manner.

Recommendations: None.

Audit Objective 5: Determine if there are effective procedures in place for dealing with safety practices and crime issues.

TABC has developed effective procedures and practices for ensuring the safety of employees at the Ports of Entry. Written procedures in the *POE Procedures Manual* address

**Texas Alcoholic Beverage Commission Internal Audit of the Ports of Entry Operations
Final Draft Report - April 25, 2007**

important safety issues including how to handle intoxicated persons, bomb threats, physical threats, robbery attempts, and fire emergencies. The procedures prohibit the possession of concealed handguns/weapons at the POEs. The safety of the employee is stressed in the general safety procedure contained in the manual.

No crimes have been reported at any of the POEs in the last several years. The proximity to U.S. Customs Offices, in most cases appears, to be a contributing and significant factor. U.S. Customs officers carry firearms and provide a deterrent for any attempted robberies or thefts.

A review of Workers' Compensation claims filed by POE personnel found the percentage of claims to be lower than with the agency's other personnel, thereby indicating a relatively safe work environment. All of the POE claims were considered relatively minor and were addressed through simple work duty modifications.

A survey of POE employees found that most of them could identify a number of safety practices, procedures, and devices used to ensure safety at the individual POEs. Eighty-six percent of the POE employees responding to the survey felt there are adequate safety

precautions in place to ensure their personal safety. The Los Indios Bridge reported in the survey that the exterior lighting was inadequate and the booth alarm didn't work. Both of these situations were verified during the visit. The nearest light at the front of the booth is approximately 75 – 80 feet from the booth. It is a single directional light that is not intended to broadcast light a significant distance. TABC management indicates that they are aware of the lighting situation at Los Indios and have been working to install adequate lighting.

Recommendation 3: *POE management should review the established practices for reporting malfunctioning equipment or safety concerns to determine if any changes are needed to quickly identify and fix safety issues.*

TABC Management Response: Current practices for reporting safety issues will be reviewed. The Los Indios alarm is an isolated incident and has been repaired. The manual will be updated with any new procedures by May 15, 2007.

Audit Objective 6: Determine if the Ports of Entry stations have adequate resources and staffing for performing their duties.

The Ports of Entry appear to be reasonably staffed to man the bridges that produce the most revenue for the state. The six POEs currently include 26 international bridges; 19 manned, four unmanned, and three manned on a spot check basis. The agency operates the POEs with 101 full-time Tax Compliance Officers stationed throughout the international bridges bordering Mexico. The various bridges have differing operating hours based on staff availability and general traffic patterns. Bridges that are spot-checked are most frequently manned on weekends and during holidays. The manning of these bridges, however, is dependent on available manpower. The supervisors at each of the six POEs have significant flexibility to shift personnel where needed to maximize bridge coverage, both in terms of hours open and simply being manned. Having unmanned bridges and some bridges where only spot checks are conducted does allow some state revenue to be lost.

The cost benefit of manning these bridges must be constantly monitored to ensure TABC is maximizing its

resources. A number of factors have been used to determine the staffing levels at the various POEs, including: (1) number of bridges within the POE district, (2) bridge hours, (3) revenue collected, (4) overall traffic patterns, (5) seasonal fluctuations, and (6) locale. Analysis and documentation of the data available to management has not been formally used to determine the adequacy of staffing at the various POEs.

One resource issue identified during the interviews with POE staff onsite related to the TCO uniforms. The agency has legislative authority to purchase uniforms for TCOs. The current practice is to purchase five shirts and three pairs of pants every two years. The discussions with the TCOs revealed they would like to have uniforms provided by a rental service. Various reasons were identified, including change in size requirements, tears and fading of clothing, and insufficiency in the number of items provided. The TCOs interviewed indicated they would be willing to participate in the cost of uniform rental if necessary.

Recommendation 4: Management should conduct analyses, on at least an annual basis, using available data, to ensure staffing at the various POEs remains appropriate. Documentation

of all analyses conducted should be maintained.

TABC Management Response: Management conducts periodic reviews of staffing needs and will begin documenting such reviews immediately. Staffing needs are determined at various bridges with reference to bridge operation hours, hours of duty-free stores, tourist attractions, vehicular traffic volume, pedestrian traffic volume, bus traffic volume, and proximity to CBP.

Recommendation 5: *Management should consider using a uniform rental company for obtaining TCO uniforms. This would eliminate the need for purchasing uniforms that may be used for only short periods of time or problems that arise when uniforms are damaged or don't continue to fit over time.*

TABC Management Response: Management has been proactive and has surveyed employees, have met with purchasers and vendors concerning contracting with uniform rental companies within the last year. However, budgetary constraints have prevented us from doing so at this time.

***Audit Objective 7:** Determine if there are effective procedures for supervising the Ports of Entry stations.*

The supervision at the POEs is adequate and meets the needs of the TCOs. POE supervisor's performance is monitored by management using a variety of criteria, including: (1) the quality of work compared to each other, (2) the quantity of work performed, (3) dependability, (4) initiative, and (5) the number of complaints from customers, employees, or U.S. Customs' staff.

According to a survey conducted with the POE staff, supervisors provide a significant portion of the training received by TCOs. Twenty-one of 24 survey respondents identified the supervisor as a major source of training. Twenty-one of 23 survey respondents stated they had received adequate training to conduct all of their job responsibilities.

The number of disciplinary actions for POE staff and grievances filed by POE staff are comparable to the agency as a whole. TCO performance evaluations are relatively current with only five evaluations minimally past due at the time audit fieldwork was conducted.

**Texas Alcoholic Beverage Commission Internal Audit of the Ports of Entry Operations
Final Draft Report - April 25, 2007**

Recommendations: None.

Audit Objective 8: *Determine if adequate hiring practices are in place and adhered to in filling Ports of Entry positions.*

TABC has a well-developed process for hiring employees for the Ports of Entry. The Human Resources Division oversees the process as it does for all agency employees. The process used for POE hiring is substantially the same as that used for all other hiring. The only addition to the normal process is that POE hiring allows an eligibility list to be established for each regular job posting. The eligibility list is valid for six months following the posting.

Once available positions are filled for a job posting, all remaining acceptable applicants are sent notification letters informing them of their placement on the eligibility list and their respective ranking on that list. If another position becomes available during the effective period of the eligibility list, a reference check is conducted for the highest ranked applicant and he/she is notified of the job opportunity. If the applicant declines the position or cannot be reached, the Human Resources Division continues down

the list, according to ranking, until the position is filled.

A review of the POE hirings conducted in FY 2006 and FY 2007 found all of the files to be complete and accurate with the exception of one missing reference check form. Notations indicated the reference check had been conducted.

Vacancies can pose a difficulty for some of the POEs. The average number of TCO vacancies for the period September 2004 – January 2007 was 3.2 across all POEs. However, review of the vacancies found they did not occur evenly across the state. During the period December 2005 – January 2007, the El Paso POE had at least one vacancy in 12 of the 14 months; the Hidalgo POE had at least one vacancy in 10 of the 14 months; both the Laredo and Brownsville POEs had at least one vacancy in four of the 14 months. During the 12 months that El Paso had a vacancy, three of the months had vacancies of two or more. Both Hidalgo and Laredo had two vacancies each in one month of the review period.

The agency allows waiting lists to be maintained for six months following a posting. However, on occasion, the waiting list expires before a new TCO is needed. In those cases a new

posting has to be issued. The hiring of TCO replacements was identified as being lengthy at times if no eligible applicants were available on the eligibility list and a posting was necessary.

Recommendation 6: *POE management and the Human Resources Division should establish a process that will minimize the time it takes to fill vacancies at all POEs, but particularly those with the most frequent vacancies, like El Paso and Hidalgo. This process should consider the feasibility of maintaining an active eligible candidate list at each of the major POE regions by having an "open" posting for TCOs every four to six months. The postings should be staggered to ensure no lapse in the eligibility list.*

TABC Management Response: Management will consider the feasibility of establishing a hiring process of maintaining an active eligible-candidate list for each major POE region.

This will require FSD and HRD to change their current process. This will be reviewed by August 1, 2007 by the POE management and the Human Resources Department.

Attachment 3

**2007 EUDL (Enforcing Underage Drinking Laws)
Grant Awards**

City of Austin - Austin Police Department's Alcohol Control Team
Project Title: City of Austin EUDL Project
\$35,000

Goal: The goal of the City of Austin EUDL program is to enforce underage drinking laws with targeted enforcement and increased contact with minors and hosts as well as to provide education on the dangers of underage drinking.

Main Grant Activities:

- Increase number of sting operations.
- Focus on establishments that are historically not in compliance.
- Focus educational efforts to college student organizations that provide alcohol to their members.
- Partner with City of Austin Student Safety Coalition, Regional Alcohol Issues Network and Travis County Underage Drinking Prevention Programs.
- Hold a total of 10 related media events.
 - Press releases
 - Letters to editor
 - Grant-related articles in print media
 - Press conferences

*Bay Area Council of Drugs and Alcohol
Project Title: Brazoria County Coalition EUDL Project
\$31,500

Goal: The goal of the Bay Area Council of Drugs and Alcohol EUDL program is to decrease youth access through increased enforcement and community support of law enforcement in Brazoria County.

Main Grant Activities:

- Conduct quarterly compliance stings in areas identified as hot spots.
- Collaborate efforts between the coalition and city and county law enforcement by “utilizing evidence-based strategies to enhance enforcement, increase awareness, and build the capacity of the community to reduce underage drinking.”
- Hold 24 related media events.
 - Press releases
 - Letters to editor
 - Radio/TV interviews
 - Grant related articles in print media
 - Press Conferences

* indicates new grantee

City of Corpus Christi - Police Department
Project Title: Enforcing Underage Drinking Laws
\$35,000

Goal: The goal of the Corpus Christi Police Department EUDL program is to reduce underage drinking law violations by increasing enforcement activities regarding the sale of alcohol to minors, increase publicity about underage drinking laws, and enhance awareness of personal liability in regards to adults providing alcohol to underage drinkers.

Main Grant Activities:

- Minor Stings
- Party Patrols
- Community group involvement
 - Campus Crime Stoppers
 - Texas A&M- Corpus Christi
 - Youth Continuum of Care Coalition
 - Operation Graduation
 - Corpus Christi Youth Advisory Committee
 - Intergovernmental Commission on Drug and Alcohol Abuse
- Hold media events:
 - Public Service Announcements
 - Press Conferences

City of Midland

Project Title: Enforcing Underage Drinking Laws Program
\$35,000

Goal: The goal of the city of Midland EUDL program is to discourage and decrease the use of alcohol by the young people of their community through education, prevention, and law enforcement.

Main Grant Activities:

- Minor stings
- DWIs and parties in progress
- Conduct educational programs geared to the effects of underage drinking
- Work with Midland Coalition to provide education and public awareness
- Hold 13 media events
 - Press Releases
 - Letter to Editor
 - Radio/TV Interviews
 - Op Ed articles
 - Grant Related Articles in Print Media
 - Press Conferences

* indicates new grantee

*City of Waco – Police Department
Project Title: Waco EUDL Project
\$42,500

Goal: The goal of the city of Waco EUDL program is to decrease alcohol use by minors in the community through law enforcement, education, and prevention.

Main Grant Activities:

- Minor stings
 - Party patrols
 - Inform property owners of the consequences of allowing “parties” to continue and seek cooperation.
 - Offer education opportunities to Baylor students and staff on the risks of underage drinking.
 - Identify and form a coalition
 - Hold 19 media events
 - Public Service Announcements
 - High School and College media outlets
 - Other media forms
-

*University of Houston
Project Title: Club U: Preventing Underage Drinking
\$35,000

Goal: The goal of the University of Houston EUDL program is to reduce underage drinking, increase compliance with underage drinking laws, and strengthen campus-community coalitions.

Main Grant Activities:

- Target students who are at-risk for underage drinking (specifically first year students, Greeks, athletes, and those who violate university alcohol policies); the student body as a whole; and the surrounding community.
 - Work closely with area coalitions
 - UMADD
 - Southeast Harris Community Coalition
 - Cougar Peer Educators
 - Create a coalition with Rice University, The University of St. Thomas, North Harris Montgomery Community College District and Houston Community College.
 - Hold 9 media events
 - Press releases
 - Letters to editor
 - Op Ed Articles
 - Grant Related articles in print media
-

* indicates new grantee

*Drug Prevention Resources
Project Title: IMPACT Arlington
\$25,500

Goal: The goal of the Drug Prevention Resources EUDL program is to reduce commercial and social access to alcohol for University of Texas Arlington students under the age of 21 by increasing enforcement and publicity of minimum age drinking laws in the City of Arlington.

Main Grant Activities:

- Engage in screening and education for UTA students.
- Reduce access to alcohol and increase enforcement of underage drinking violations.
- Garner community support for underage drinking laws.
- Facilitate the formation of a campus community coalition.
- Hold 26 media events
 - Press releases
 - Letters to editor
 - Radio/TV interviews
 - Op Ed Articles
 - Grant related articles in print media
 - Press Conferences
 - Radio/TV PSAs
 - Paid Newspaper Ads

*Travis County – Sheriff's Office
Project Title: Enforcing the Underage Drinking Laws Block Grant
\$20,000

Goal: The goal of the Travis County EUDL program is to increase enforcement efforts and to enhance the educational efforts aimed at youth aged 16-21, in order to address the problem of underage drinking.

Main Grant Activities:

- Target areas that has been identified as having a large number of underage alcohol violations.
- Minor Stings
- Pay overtime to officers for additional stings and patrols.
- Educate youth on the dangers of drinking under age.
- Work with community groups and coalitions
 - Travis County Underage Drinking Task Force
 - Lower Colorado River Authority
 - Travis County Parks Department
- Hold 9 media events
 - Press releases
 - Radio/TV interviews
 - Press Conference

* indicates new grantee

Attachment 4

Region 4 Update

Region Four

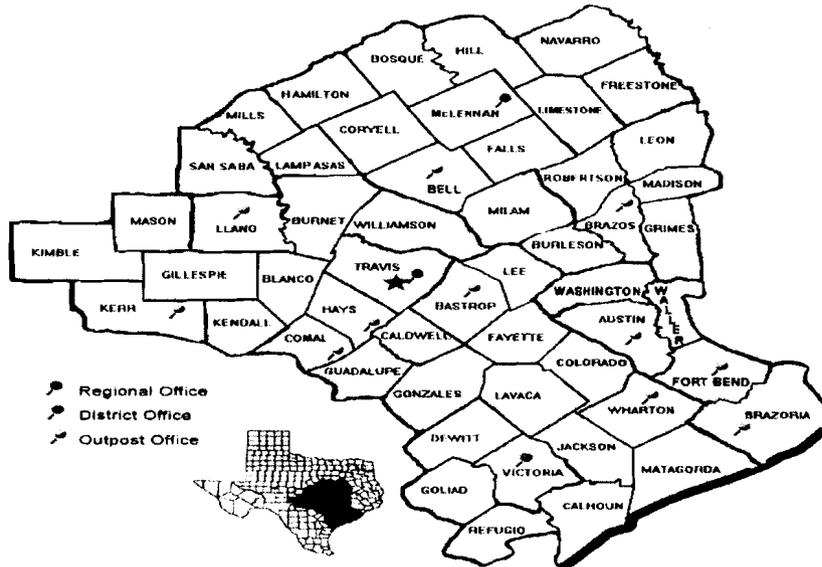
David Ferrero
and
Gene Bowman

Staffing Information

- 1 Captain
- 3 Lieutenants
- 5 Sergeants
- 45 Agents
- 2 Clerical Support
- 1 Compliance Supervisor
- 1 Assistant Supervisor
- 9 Auditors
- 8 Accounts Examiners
- 1 Clerical Support



53 COUNTY AREA – 46,526 sq. miles
3.9 Million Population - 9,020 Licensed Locations



INSPECTIONS

Sept 06 through Feb 07

- **Minor Stings** Goal: 3200 To Date: 1540
- **Prohibited Hrs** Goal: 400 To Date: 423
- **Fakeout** Goal: 16 To Date: 7
- **Cops in Shop** Goal: 100 To Date: 53
- **Special Events** Goal: 189 To Date: 65
- **Priority** Goal: 2984 To Date: 3303 (2518)
- **Unique** Goal: 4025 To Date: 4903 (3745)

MEASURES

- **Educated–Goal: 21,006**
To Date: 29,996 (23,510)
- **Shattered Dreams--8 done, 9 to go**
- **Criminal Cases--1688 (2293)**
- **Administrative Cases--350(422)**

REGIONAL INITIATIVES

- **P.A.C.E.**
- **Fort Hood with intoxication**
- **Active shooter from Wharton incident**

INVESTIGATIONS

- **Two fraternity sources—Austin. Both had a death involved and resulted in multiple criminal charges for Alcoholic Beverage Code violations.**
- **Bribery Case—Waco. Permittee attempted to bribe TABC employees. Utilized cooperative effort between District Attorney, Texas Rangers and TABC.**
- **Beer theft with Distributor employee in Bryan/College Station. Coordinated effort with Distributor, County Attorney and TABC.**

| COMPLIANCE - REGION IV | | | | | |
|-------------------------------------|-------------|------------------------------------|------------------------------------|-------------------------------|---------------------------------|
| Activity | Goal | Completed thru 03/31/07 | Submitted thru 03/31/07 | Percentage of Goal | Percentage of Actual |
| Excise Tax Audits | 23 | 19 | 17 | 82.61% | 73.91% |
| Private Club Analyses | 39 | 19 | 19 | 48.72% | 48.72% |
| Food & Beverage Analyses | 136 | 103 | 97 | 75.74% | 71.32% |
| Food & Beverage Inspections | 87 | 229 | 210 | 263.22% | 241.38% |
| New Location Inspections - Estimate | 634 | 381 | 381 | 60.09% | 60.09% |
| Full Open Inspections - Unique | 3,029 | 2,339 | 2,339 | 77.22% | 77.22% |
| Inspections - Other | 2,372 | 404 | 404 | 17.03% | 17.03% |
| Investigations | 8 | 19 | 19 | 237.50% | 237.50% |

| REGION IV | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Compliance Auditors Time Allocation | | | | | | | | | |
| Category | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Totals | % |
| Audits and Inspections | 194.25 | 385.50 | 280.50 | 354.50 | 309.50 | 212.50 | 459.75 | 2196.50 | 19.52% |
| Unlicensed Inspections | 26.75 | 91.50 | 58.25 | 55.00 | 51.50 | 59.95 | 56.50 | 399.45 | 3.55% |
| Investigations | 16.00 | 10.75 | 16.50 | 31.15 | 19.25 | 28.25 | 27.75 | 149.65 | 1.33% |
| Instruction (Phone/Counter) | 134.75 | 144.75 | 108.75 | 81.16 | 95.35 | 69.67 | 77.60 | 712.03 | 6.33% |
| Marketing Practices Inquiries | 14.50 | 27.00 | 15.30 | 9.75 | 12.60 | 6.24 | 14.65 | 100.04 | 0.89% |
| Cash & Credit Law | 78.25 | 89.75 | 82.35 | 56.25 | 75.75 | 60.50 | 53.50 | 496.35 | 4.41% |
| Licensing Duties | 401.25 | 336.50 | 251.75 | 225.10 | 189.10 | 186.50 | 241.10 | 1831.30 | 16.28% |
| Administrative/Supervision/Training | 363.00 | 391.25 | 526.65 | 571.75 | 658.70 | 679.10 | 549.65 | 3740.10 | 33.24% |
| Confiscated Property/Capital Equip. | 98.75 | 67.00 | 51.65 | 73.25 | 100.00 | 74.41 | 105.50 | 570.56 | 5.07% |
| Auditor Training | 128.00 | 231.00 | 239.80 | 56.09 | 76.75 | 186.38 | 138.00 | 1056.02 | 9.39% |
| Total Hours | 1,455.50 | 1,775.00 | 1,631.50 | 1,514.00 | 1,588.50 | 1,563.50 | 1,724.00 | 11252.00 | 100.00% |
| Supervision | 57.00 | 61.75 | 126.25 | 44.75 | 188.35 | 57.70 | 166.75 | 696.55 | |
| Vacation/Sick Leave/Comp | 82.00 | 67.00 | 90.00 | 229.00 | 149.50 | 225.00 | 115.80 | 967.50 | |
| Workflow Manager Testing | | | | | 89.5 | 106.63 | | 196.13 | |

Compliance – Region IV

**Immediate and Future
Impediments to
Customer Service**

- Geographical Logistics
- Growth Corridors
- Facilities
- Personnel



REGION IV
LICENSING APPLICATIONS - 2007

| Location | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Total |
|---------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| Austin | 44 | 43 | 59 | 41 | 51 | 38 | 45 | 321 |
| San Marcos | 38 | 22 | 15 | 10 | 14 | 28 | 18 | 145 |
| Victoria | 14 | 37 | 15 | 16 | 27 | 12 | 22 | 143 |
| Richmond | 26 | 26 | 25 | 17 | 19 | 21 | 29 | 163 |
| Waco | 7 | 19 | 9 | 17 | 8 | 6 | 5 | 71 |
| Bryan | 9 | 10 | 13 | 14 | 9 | 10 | 15 | 80 |
| Belton | 14 | 19 | 12 | 13 | 11 | 13 | 14 | 96 |
| Totals | 152 | 176 | 148 | 128 | 139 | 128 | 148 | 1,019 |



CERTIFICATION

REGULAR COMMISSION MEETING

10:00 a.m. – April 30, 2007

5806 Mesa Drive
Austin, Texas 78731



STATE OF TEXAS

COUNTY OF TRAVIS

This certifies that the attached is a true copy of the proceedings of the Texas Alcoholic Beverage Commission meeting held on April 30, 2007.

Alan Steen
Administrator

Sworn and subscribed before me this the 18th day of May 2007.

Renee G. Johnston
Notary in and for Travis County

