



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

COMMISSION MEETING

November 24, 2009

Texas Alcoholic Beverage Commission
5806 Mesa Drive
Austin, Texas 78731

*José Cuevas, Jr., Presiding Officer
Midland*

*Steven M. Weinberg, MD, JD, Member
Colleyville*

*Melinda Fredricks, Member
Conroe*

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AGENDA

REGULAR COMMISSION MEETING

9:30 a.m. – November 24, 2009

5806 Mesa Drive
Austin, Texas 78731



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

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José Cuevas, Jr.
Presiding Officer-Midland

Steven M. Weinberg, MD, JD
Member-Colleyville

Melinda S. Fredricks
Member-Conroe

Alan Steen
Administrator

Tuesday, November 24, 2009 – 9:30 a.m.

AGENDA

1. Call to Order	José Cuevas, Jr.
2. Approval of Commission Meeting Minutes of October 27, 2009	José Cuevas, Jr.
3. Administrator's Report on Selected Trends: Label Applications and Excise Tax Revenues	Alan Steen
4. TABC Quality Assurance Review Report on Internal Audit Activity	Russell Gregorczyk
5. Internal Audit Annual Report for FY 2009	Russell Gregorczyk
6. Report on Excise Tax Collection Process Audit Conducted by the State Auditor's Office	Sherry Cook
7. Annual Report on Agency Recruitment and Hiring Policies	Loretta Doty
8. Update on Two-Year License/Permit Renewals	Amy Harrison
9. IT Initiatives Update	Jay Webster David Brandon
10. Update on FY 2009 Fourth Quarter Performance Measures and FY 2010 to Date Performance Measures	Sherry Cook Joel Moreno
11. Enforcement Manual Update	Rod Venner Hank Blanchard
12. Public Comment	José Cuevas, Jr.
13. 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)	José Cuevas, Jr.
14. Next Meeting Dates: Tuesday, January 26, 2010 Tuesday, February 23, 2010	José Cuevas, Jr.
15. Adjourn	José Cuevas, Jr.

MINUTES

REGULAR COMMISSION MEETING

9:30 a.m. – November 24, 2009

5806 Mesa Drive
Austin, Texas 78731



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COMMISSION MEETING MINUTES

November 24, 2009

The Commissioners of the Texas Alcoholic Beverage Commission (TABC) met in Regular Session on Tuesday, November 24, 2009, at the Texas Alcoholic Beverage Commission, 5806 Mesa Drive, Suite 185, Austin, Texas.

PRESIDING

OFFICER:

José Cuevas, Jr.

COMMISSIONERS

Melinda Fredricks

PRESENT:

Steven M. Weinberg, MD, JD

STAFF PRESENT:

Alan Steen, Administrator

Joan Bates, Deputy General Counsel, Legal Services

Carolyn Beck, Director of Communications and
Governmental Relations

Hank Blanchard, Captain, Region 1, Amarillo District

David Brandon, Enterprise Development Manager,
Information Resources Division

Lou Bright, General Counsel, Legal Services

Mindy Carroll, Assistant Director, Education and Prevention

Cathleen Cavazos, Sergeant, Region 1, Odessa District

Joe E. Cavazos, Sergeant, Region 5, McAllen District

Sherry Cook, Assistant Administrator

Darryl Darnell, Agent/TABCOA President

Loretta Doty, Director, Human Resources Division

Shelby Eskew, Budget Analyst, Business Services Division

Diana Gonzalez, Director of Tax and Education Division

Kathy Gersbach, Executive Assistant, Executive

Thomas Graham, Marketing Practices

Steve Greinert, Accounts Examiner, Tax Division

Amy Harrison, Director, Licensing Division

Tanya Jimenez, Administrative Assistant, Executive

Renee Johnston, Executive Assistant, Executive

Joel Moreno, Chief of Field Operations
Earl Pearson, Chief of Staff
Gloria Darden Reed, Executive Assistant, Executive
Santos Saldana, Assistant Director, Ports of Entry
Harold Schreffler, Lieutenant, Region 3, Houston District
Loretta Smith, Accounting Manager, Business Services
Division
Jeff Taylor, Sergeant, Region 4, Longview District
Rod Venner, Assistant Chief of Enforcement, Enforcement
Division
Jay Webster, Director, Information Resources Division

**GUESTS
PRESENT:**

Doug DuBois, Director of Government Relations,
Texas Petroleum Marketers and Convenience
Store Association (TPCA)
Alan Gray, Executive Director, Licensed Beverage
Distributors
Steve Koebele, Attorney at Law, Greater Houston Retailers
Association; Northern Texas Trade Association; South
Texas Merchants Association
Russell Gregorczyk, internal Auditor, Jansen & Gregorczyk
Certified Public Accountants
Lance Lively, Executive Director, TPSA
Jack Martin, Attorney, Jack Martin and Associates
Fred Marosko, Executive Director, Texas Package Stores
Association
Mignon McGarry, Consultant, Republic Beverage
Randy Yarbrough, Wholesale Beer Distributors of Texas

CALL TO ORDER

The meeting of the Texas Alcoholic Beverage Commission was called to order at 9:39 a.m. by Presiding Officer José Cuevas.

APPROVAL OF COMMISSION MEETING MINUTES OF OCTOBER 27, 2009

Presiding Officer José Cuevas called for approval of the Commission meeting minutes of October 27, 2009. Commissioner Steven Weinberg so moved to approve the minutes as written, and Commissioner Melinda Fredricks seconded. The motion carried.

ADMINISTRATOR'S REPORT ON SELECTED TRENDS: LABEL APPLICATIONS AND EXCISE TAX REVENUES

Presiding Officer José Cuevas called upon Administrator Alan Steen to give his report. Administrator Steen's report included a Power Point presentation on selected trends on label applications and excise tax revenues. (Attachment 1)

After welcoming the Commissioners back to Austin, Administrator Steen began his report on selected trends with label approval revenues. He explained that the label approval fees collected by TABC had declined from \$373,115 in the fiscal year of 2007 to \$320,450 in fiscal year 2009. Administrator Steen attributes the decrease for the following reasons:

1. Prior to March 1, 2008, government statute required that each bottle size of liquor labels had to be registered and approved by specific established guidelines;
2. Impact of a slow 2009 economy has caused a delay in the introduction of new beverage products by some companies.

Administrator Steen anticipates that when the economy gets better, the Agency should see a more favorable increase in label applications as companies will introduce new beverage products to the market.

In reviewing the Power Point slide of excise tax revenues, Administrator Steen briefed the Commissioners on an increase of revenues collected in the years from November 2007 through October 2008 to November 2008 through October 2009. He also noted the significant percentage of change in excise tax revenues in the different class of beverages such as distilled spirits, wine, beer, and ale.

Before the conclusion of Administrator Steen's report, Steve Greinert, Tax Division Accounts Examiner, briefed the Commissioners on new products appearing in the market. Mr. Greinert stated that these are craft brews and have been popular in larger cities in New York and Colorado. The craft brews contain higher alcohol content and are classified as ale. He stated that smaller breweries in Texas are marketing the ale products.

Commissioner Fredricks asked Administrator Steen if the excise tax rates per gallon are set by the legislature. Administrator Steen answered affirmatively, it is set by statute.

TABC QUALITY ASSURANCE REVIEW REPORT ON INTERNAL AUDIT ACTIVITY

Presiding Officer José Cuevas called upon Russell Gregorczyk, TABC's contracted Internal Auditor, to discuss the TABC quality assurance review report on internal audit activity. (Attachment 2)

Mr. Gregorczyk stated that as required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.), the Institute of Internal auditor's (11A) *International Standards for the Professional Practice of Internal Auditing*, (Standard 1312 – External Assessments), and the Government Accountability Office's (GAO) *Government Auditing Standards*, an external quality assurance review (QAR) was conducted of the internal audit activity of the Texas Alcoholic Beverage Commission (TABC). The Texas Internal Auditing Act requires that internal auditors, for agencies meeting the requirements of the Act, conduct a comprehensive external peer review, also known as a quality assurance review, every three years. An external quality assurance review, as part of a quality assurance program, is intended to provide reasonable assurance that internal audit work is being conducted in accordance with professional standards.

Mr. Gregorczyk stated that the principal objectives of the review were to assess whether or not the internal audit activity at the Agency conforms to the Texas Internal Auditing Act and whether or not the Contractor- Certified Public Accountants, Jansen & Gregorczyk, is performing the work in compliance with professional standards. This audit would also identify the need to enhance the audit process and/or improve the value of the internal auditing activity at TABC.

The Quality Assurance Review Report highlighted areas such as:

SCOPE

- An examination of existing internal auditing policies, procedures, and audit project work paper files;
- Interviews with the Administrator who functions as the Chief Audit Executive for the Agency;
- Communications with the Commission;
- An inventory of current audit work and the scope and performance of the audit work that had been performed was examined and evaluated;
- A review was conducted of the risk assessment and audit planning processes that was used by the Contractor and the procedures for managing the audit staff and the quality of their work.

OBSERVATIONS

- As a small state agency, TABC agreed to hire an outside contractor to conduct its internal audit which proved to be an efficient and effective way for smaller agencies to meet the requirements of the Texas Internal Auditing Act;
- TABC reviews and approves project hours and costs in advance thus insuring that the agency undertakes only worthwhile audit projects;
- Mr. Gregorczyk manages the audit work conducted at TABC. He is well respected and has a good relationship with senior agency management and has extensive audit experience, especially with Texas State agencies;
- Mr. Gregorczyk's communication with the Assistant Administrator complies with the requirements of the Texas Internal Auditing Act and enables him to be independent and have an impartial and unbiased attitude;
- Mr. Gregorczyk annually performs a thorough risk assessment and develops an audit plan that is reviewed and approved by the Board;
- Work papers are professionally prepared and supported levels of professional care appropriate for the complexities of the work being performed.
- There is evidence that the work performed by the audit staff was thoroughly reviewed by Mr. Gregorczyk before audit reports were issued.

RECOMMENDATIONS/OPINION

Under the recommendations column, the report indicated, none.

Mr. Richard Tarr, CIA, CISA, who prepared the report states, it is the opinion of the reviewer that the internal audit activity at the Texas Alcoholic Beverage Commission is in accordance with the Texas Internal Auditing Act and the audit work being performed by Jansen & Gregorczyk, Certified Public Accountants (the Contractor) fully complies with all applicable professional auditing standards.

This opinion, representing the best possible evaluation, means that the Texas Alcoholic Beverage Commission, and the Contractor, have in place all of the relevant structures and policies that are required as well as the processes necessary to insure they are effectively applied.

INTERNAL AUDIT ANNUAL REPORT FOR FY 2009

Mr. Russell Gregorczyk moved to the next agenda item with an explanation of the Internal Audit Annual Report for the Fiscal year of 2009.

The report included a summary of the internal audits completed as planned with recommendations for fiscal year 2009. (Attachment 3)

The Compliance Division-License Processing audit was not completed. It was postponed until fiscal year 2010.

Commissioner Weinberg commented that he appreciates Mr. Gregorczyk's thoroughness in the following-up of the recommendations in the summary.

REPORT ON EXCISE TAX COLLECTION PROCESS AUDIT CONDUCTED BY THE STATE AUDITOR'S OFFICE

Presiding Officer Cuevas called upon Assistant Administrator Sherry Cook, for the next presentation.

Assistant Administrator Cook's report included a Power Point on Excise Tax Collection Process Audit conducted by the State Auditor's Office. (Attachment 4)

She stated in the preparation of the report, categories were developed for easier assessment of the findings, implementation of policies, and to determine target dates for completion of projects. She noted that the majority of the report relates to policy updates, processes, and procedures.

Assistant Administrator Cook stated that one of the audit's findings was that the Commission collected, accurately processed, and deposited excise tax payments. During the fiscal years of 2008 and 2009, \$188 million and \$194 million were deposited.

Other audit findings in the report were:

- The Commission lacks adequate controls to ensure that it is collecting all excise taxes due.

Excise Tax has implemented:

1. *The Tax Division will rotate employees conducting reviews;*
2. *The manager will document the date reports are reviewed;*
3. *Invoices will be retained for a period of three months once filed.*

- The Commission did not provide guidance or consistently conduct audits of Ports of Entry Bridge Excise Tax Collections.

Excise Tax has implemented:

Policies and procedures for the regional offices conducting Ports of Entry audits has been completed

- The Commission had not defined an owner of the LicenseEase system.

Excise Tax has implemented:

The Director of Licensing has been designated the Licensing Division as the owner for the LicenseEase application.

Excise Tax Target Date for Completion – January 1, 2010

Plans are underway to review and modify business processes separating license creation and cash assignment.

- The Commission's Compliance Audit Division generally ensures that excise tax amounts are accurate.

Excise Tax Target Date for Completion – January 1, 2010

The Compliance Division is in the process of updating their processes.

- The Commission did not provide sufficient oversight of its regional Excise Tax Audit Divisions.
- The Commission lacks policies and procedures to identify training requirements for its regional field auditors.
- The Commission did not ensure that audit tracking data was reliable.

Excise Tax Target Date for Completion – March 31, 2010

Standard procedures are being developed and processes to ensure the validity of the data.

- LicenseEase password requirements do not comply with State Information Security Standards.

Excise Tax Target Date for Completion – August 31, 2011

The Agency will include the standards as defined in Title 1 as part of the LicenseEase upgrade.

Commissioner Weinberg complimented Assistant Administrator Cook for a very nice Power Point presentation. He stated that as automation has proven to be beneficial in the Licensing Division, it will also move the Excise Tax Division into the 21st century. This will be good for both the Agency and the industry.

Assistant Administrator Cook gave kudos to Compliance, Steve Greinert and his Tax Division staff. In the absence of automation processes, they do an excellent, efficient and accurate job. The completed audit findings of the Excise Tax section report that the processes currently in place are documented accurately and efficient.

Presiding Officer Cuevas complimented Assistant Administrator Cook for her technical understanding and enforcement background that have proven to be beneficial in the Licensing and Tax Division projects. He encouraged her to continue to press forward in moving the Agency into the 21st century.

IT INITIATIVES UPDATE

Presiding Officer Cuevas called upon Jay Webster, Director of Information Resources Division and David Brandon, Enterprise Development Manager in Information Resources Division to present the next agenda item.

Director Webster addressed the Commissioners with an introduction and an overview in a Powerpoint presentation with emphasis:
(Attachment 7)

- **IRD Responsibilities**

1. Develop and maintain the core technology applications for the agency;
2. Support the technology infrastructure that facilitates agency operations, computer hardware, software, and telecommunications;
3. Oversee the data center services contract with Team for Texas (IBM). Includes Headquarters and field operations.

- **Legislative Update**

1. Funding for three operations projects: Data Center Services, In-Car Computers and Security Upgrade;
2. Funding for four major application projects: Online Applications, Excise Tax Automation, Seller Server Training, and Case Management

- **Fiscal Year 2009 Initiatives**

1. Redesigned and deployed new TABC website and 2young2drink.com
2. Deployed the new online cash credit law system
3. Implemented 2-year renewals
4. Completed the PC refresh
5. Completed the email and web filtering upgrade
6. Migrated six test/dev servers to the Austin Data Center
7. Migrated all 12 production application servers to the San Angelo Data Center

- **In-Car Computers – Benefits and Deployment Status**

1. Access to agency applications through a secure VPN connection over a wireless communications service;
2. Secure access to other law enforcement resources (TLETS, NLETS);
3. GPS and mapping capabilities (Xmap);
4. Increased productivity and reduced administrative burden;
5. Increased visible police presence on the street;
6. 43 units deployed in Fiscal Year 2007 and Fiscal Year 2008;
7. 50 additional units being installed by December 3rd.

Director Webster briefed the Commissioners on the Data Center Services Transformation and Consolidation process. His presentation outlined the business objective and purpose with the establishment of House Bill 1516. TABC has transitioned to Data Center Services and is in the process of relocating and transferring necessary servers under Team4Texas control. He spoke on the pros and cons of this transition.

Director Webster enlisted Mr. David Brandon, IRD Enterprise Development Manager to continue the presentation. Mr. Brandon had a chart with on-going and up-coming projects in IRD. Some of the projects include:

- **Online Applications**
 - a. Implement online license renewals, original applications use Texas Online to collect fees;
 - b. Upgrade LicenseEase to Versa Regulation

- **Excise Tax Automation**
 - a. Electronic submission of reports and invoices;
 - b. Automated reconciliation and reporting.

- **Seller Server Training**
 - a. Improve training to beverage seller servers;
 - b. Offer curriculum online;
 - c. Modify rule to accommodate technology improvements.

- **Case Management (ARTS Expansion)**
 - a. Build a comprehensive view of cases between ARTS and LicenseEase;
 - b. Replace NETRMS and CrisNet

Mr. Brandon's final slide gave the Commissioners a glimpse of new Agency online system initiatives that will interact directly with the industry and the public. The areas include the public inquiry website, Cash Credit Law, Seller Server Training, Online Licensing Applications, Excise Tax, Miscellaneous Order Management, and Label Approval.

Mr. Brandon stated that the Agency has participated in the development of MyTexBiz, a Governor's Office initiative for one stop shopping to open restaurant and payment portal (TPE) for online payments.

UPDATE ON FY 2009 FOURTH QUARTER PERFORMANCE MEASURES AND FY 2010 TO DATE PERFORMANCE MEASURES

Presiding Officer Cuevas called upon Chief of Field Operations, Joel Moreno to come forth for the Update on Fiscal Year 2009 Fourth Quarter Performance Measures and Fiscal Year 2010 to Date Performance Measures presentation.

(Attachment 8)

Chief Moreno's presentation was supported with graphic chart information of the Enforcement and Compliance key outcome measures.

At the start of the fiscal year, September 1, 2009, Chief Moreno sent correspondence to the Captains, Sergeants, Lieutenants, and Supervisors to stop the patrol mentality. He expected each agent to get into an investigative mindset placing more emphasis on education and shared partnership with state and local law enforcement agencies.

Chief Moreno credit Assistant Chief Dexter Jones and his team for performing an excellent job in the compliance activities.

Presiding Officer Cuevas encouraged Chief Moreno to continue enforcing the agency's mission and cornerstones to the agents as they carry out their duties of responsibility.

Assistant Administrator Sherry Cook report supported with graphic chart information of the Licensing Division and the Ports of Entry. (Attachment 9)

The first slide of the applications processed and licenses issued show a decline in the fiscal year of 2009 due to the impact of a global recession. However, the agency will exceed its targets for both measures in 2009.

Assistant Administrator Cook noted a decline in the average number of days to approve original applications that originated in the field in FY 2009 as a result of changes made to the license application process. Also noted was a decline in the processing time for original applications in the field due to reforms implemented in FY 2009.

The applications processed and licenses issued between the months of September and October 2009 declined as a result of the implementation of two-year licensing periods which began in FY 2009. The actual output for the first two months of FY 2010 is well above the targets set by the Legislative Budget Board (LBB).

Commissioner Fredricks commented that this is a prime example of the Agency having surpassed the expectation set by the LBB.

The key performance measures for the Ports of Entry: Containers Stamped and Revenues Collected declined in FY 2009. However, Ports of Entry reported an

unexpected upswing in personal importations during the first two month of FY 2010. Assistant Administrator Cook credits the upswing in the revenues due to the proactive creative approach by the Ports of Entry employees. A headquarters team consisting of Chief Earl Pearson, Director Diana Gonzalez, and Assistant Director Santos Saldana were instrumental in working with the TCOs at the Ports of Entry brainstorming ideas to increase revenues. Assistant Administrator Cook stated this key performance measure will be monitored for any drastic changes.

ENFORCEMENT MANUAL UPDATE

Presiding Officer Cuevas called for the next presenter, Captain Hank Blanchard, to address the Commissioners.

Captain Blanchard reported on the Enforcement Manual Update. Captain Blanchard along with six committee members was asked to review the entire Enforcement Manual last August. Committee meetings were held in various regional offices and at the Austin Headquarters. From those meetings, a revised enforcement manual will be a mandatory document for use in the Division. The manual incorporates the following:

(Attachment 10)

- The new manual incorporates all of the agency's mission, vision, Guiding Principles and our four cornerstones;
- Accountability at every level has been emphasized;
- The manual reflects our direction and continued emphasis on investigations
- Every peace officer employed at TABC will have a manual
- Ledger to acknowledge receipt of the manual and all updates or changes (individual peace officer will sign the ledger; peace officer's supervisor will sign the ledger)

Captain Blanchard commented on the training component of the manual. He stated that all training supervisors will be taught the manual on December 1st and December 2nd at the Department of Public Safety Academy. The supervisors will take the new manual and teach it to every peace officer in their offices before January 15, 2010, the implementation date.

At the conclusion of his report, Captain Blanchard introduced members of the committee. The committee members introduced were: Sergeant Cathleen Cavazos, Region 1, Odessa District, Sergeant Joe E. Cavazos, Region 5, McAllen District, Agent Darryl Darnell, Agent Courtney McNutt, Bryan District, Lieutenant Harold Schreffler, Region 3, Houston District, and Sergeant Jeff Taylor, Region 4, Longview District.

Presiding Officer Cuevas commended Captain Blanchard and members of the committee was a job well done.

PUBLIC COMMENT

Presiding Officer Cuevas opened the floor for public comments. No one came forward to address the Commission.

EXECUTIVE SESSION

The regular open session of the Texas Alcoholic Beverage Commission was recessed at 12:20 p.m., November 24, 2009, and an executive session was 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, Sections §551.071 and §551.074.

The Texas Alcoholic Beverage Commission concluded its executive session at 12:28 p.m., November 24, 2009, and resumed the open regular session. No final action, decision or vote was made in executive session.

NEXT MEETING

Presiding Officer Cuevas announced the next meeting dates are scheduled for Tuesday, January 26, 2010 and Tuesday, February 23, 2010. There will not be a meeting in December.

ADJOURNMENT

Presiding Officer Cuevas called for a motion to adjourn. Commissioner Weinberg so moved and Commissioner Fredricks seconded. The motion carried, and Presiding Officer Cuevas announced that the meeting was adjourned.

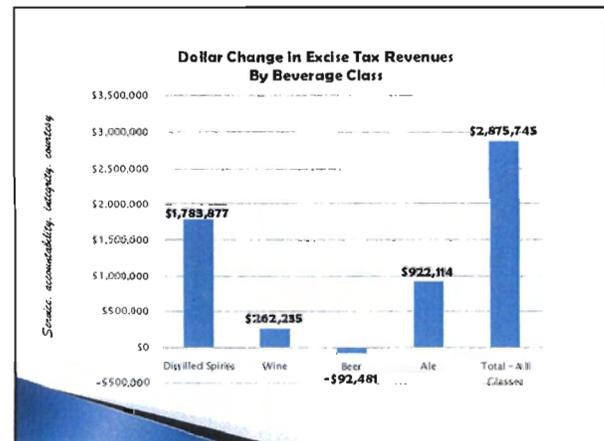
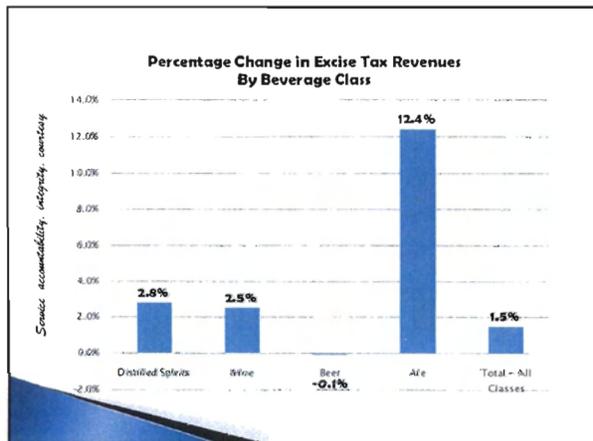
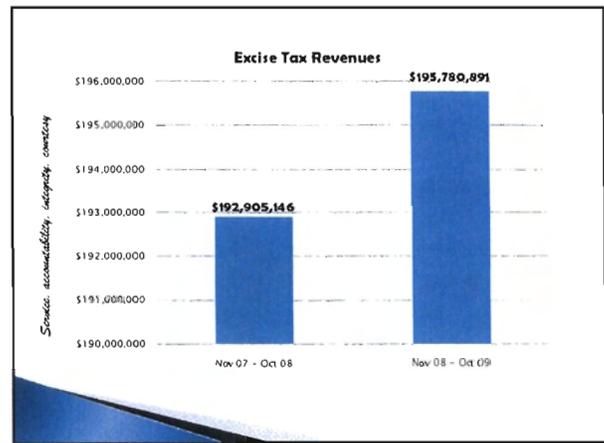
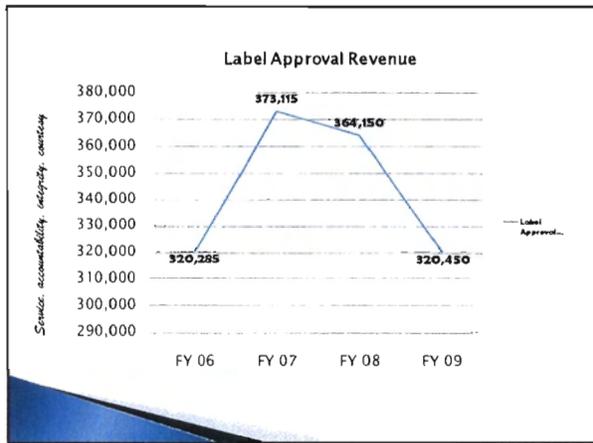
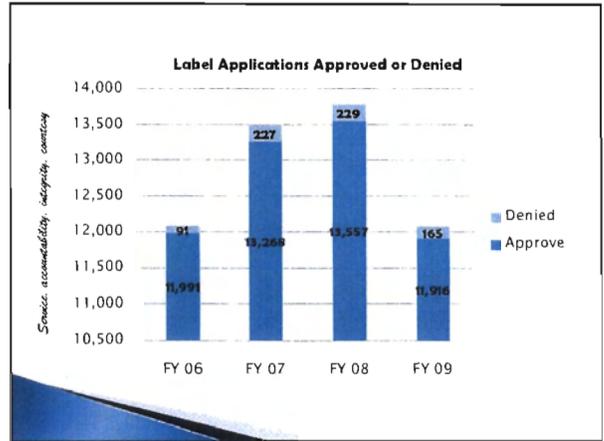
Attachment 1

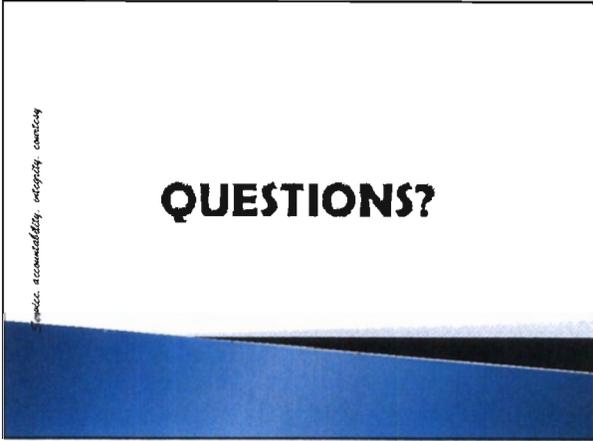
**Administrator's Report on Selected Trends: Label
Applications and Excise Tax Revenues**

Service, accountability, integrity, community

KEY PERFORMANCE MEASURES TRENDS

**Alan Steen
Administrator**





Attachment 2

**TABC Quality Assurance Review Report on
Internal Audit Activity**

Texas Alcoholic Beverage Commission

QUALITY ASSURANCE REVIEW REPORT on Internal Audit Activity

October 2009

Prepared by:
Richard Tarr, CIA, CISA
3035 Dawley Street
Gulandis, FL 32806
Ph. 407 896 2760
E-mail: rtarr@taf.com

Objectives

- As required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.), the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*, (Standard 1312 - External Assessments), and the Govt Accountability Office's *Government Auditing Standards*, an external quality assurance review was conducted of the internal audit activity of TABC. The Texas Internal Auditing Act requires that internal auditors, for agencies meeting the requirements of the Act, conduct a comprehensive external peer review, also known as a quality assurance review, every 3 years. An external quality assurance review, as part of a quality assurance program, is intended to provide reasonable assurance that internal audit work is being conducted in accordance with professional standards.

Scope

The scope of the review included an examination of existing IA policies, procedures, & audit project work paper files, as well as interviews with the Administrator (who functions as Chief Audit Executive), Asst Administrator, and Contractor's staff. The IA Charter, reporting relationships, communications with the Commission, & the objectivity of the work performed were reviewed to determine the independence of the Contractor. An examination of the Contractor's administrative records & a review of selected work papers was done to evaluate the knowledge, skills, discipline & training of the Contractor's staff. An inventory of current audit work, scope & performance of the audit work that had been performed was examined & evaluated. A review was also conducted of the risk assessment & audit planning processes that the Contractor used, the Contractor's audit engagement planning processes, & the procedures for managing the audit staff & the quality of their work.

Observations

- Russell Gregorczyk, CPA, a principal in the contract firm, manages the audit work conducted at TABC. He has extensive audit experience, especially with Texas State agencies. He is well respected and has a good relationship with senior agency management.
- His reporting relationship to TABC and his communication with the Assistant Administrator complies with the requirements of the Texas Internal Auditing Act and enables him to be independent and have an impartial and unbiased attitude, essential to the proper conduct of audit work. He annually performs a thorough risk assessment and develops an audit plan that is reviewed and approved by the Board.

Observations

- A review of selected workpapers showed that Mr. Gregorczyk's staff is proficient & knowledgeable in the areas they review. He makes available continuing professional education & training for his staff. Each staff member receives, on average, 40 hours of internal audit related training each year. Mr. Gregorczyk & his staff have extensive experience with Texas government agencies.
- The workpapers that were reviewed showed that audit projects are well planned and audit conclusion recommendations are adequately supported. The workpapers were professionally prepared & supported levels of professional care appropriate for the complexities of work being performed. The audit programs were appropriately referenced to the audit steps. Results of tests/examinations performed during the audit supported the conclusions expressed in the audit reports. Evidence is that work performed by the audit staff was thoroughly reviewed by Mr. Gregorczyk.

Opinion

- Based on the work outlined below, it is the opinion of the reviewer that the internal audit activity at TABC is in accordance with the Texas Internal Auditing Act and the audit work being performed by Jansen & Gregorczyk, CPAs (the Contractor) **fully complies** with all applicable professional auditing standards.
- This opinion, representing the best possible evaluation, means that TABC and the Contractor have in place all of the relevant structures and policies that are required as well as the processes necessary to insure they are effectively applied.

List of some of the QA Reviews (by organization) conducted by Richard H. Tarr, CIA, CISA since January 2004

<ul style="list-style-type: none"> Angelo State University - 6/07 Argonaut Group - 5/07 Atlantic Mutual Insurance Companies - 4/06 Capital Metro - 8/05 Carilion Health System - 1/07 Church Pension Group - 4/07 George Mason University - 1/06 Hillsborough County, FL - 8/07 James Madison University - 1/07 Lamar University - 1/08 Maryland Department of Public Safety & Corrections - 1/06 Nova Southeastern University - 9/04 Oklahoma State University - 8/06 Radford University - 6/08 Richmond Public Schools - 9/08 Sam Houston State University - 6/07 Santa Fe Healthcare - 12/06 Shenandoah Life Insurance Company - 6/08 Sul Ross State University - 6/07 TECO Energy Inc. - 3/06 Texas Children's Hospital - 1/05 Texas Dpt of Aging & Disability Services - 8/07 Texas Department of Assistive & Rehabilitative Services - 8/08 	<ul style="list-style-type: none"> Texas Education Agency - 8/07 Texas Lottery Commission - 11/05 Texas Southern University - 2/05 Texas State University San Marcos - 1/08 Texas Water Development Board - 5/05 Timberland - 11/07 University of Mary Washington - 6/07 University of Oklahoma - 11/06 University of North Texas System - 7/04 University of Virginia - 8/04 University of Virginia Health Services Foundation - 11/05 West Virginia Investment Management Board - 9/05 Virginia Commonwealth University Virginia Department of Agriculture & Consumers Services - 3/08 Virginia Department of Medical Assistive Services - 8/07 Virginia Department of Taxation - 7/07 Virginia Housing Development Authority - 7/07 Virginia State University - 6/07 Virginia Tech - 3/05 Virginia Treasury Department - 6/05
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TABC Internal Audit Annual Report for FY 2009

October 30, 2009

As Prepared by
Jansen and Gregorczyk,
Certified Public Accountants

Jansen & Gregorczyk
Certified Public Accountants

Telephone (512) 268-0070 P. O. Box 601 Kyle, TX 78640

October 30, 2009

The Honorable Rick Perry, Governor
Members of the Legislative Budget Board
Members of the Sunset Advisory Commission
Mr. John Keel, CPA, State Auditor

Dear Ladies and Gentlemen:

Attached is a report on the internal activity at the Texas Alcoholic Beverage Commission as required by the Texas Internal Auditing Act. The report provides a summary of audits completed and significant recommendations for fiscal year 2009.

Please contact Sherry Cook, Assistant Administrator at 305-3366 if you desire further information about the contents of this report.

Sincerely,

SIGNED COPY ON FILE
Russell Gregorczyk, Partner
Jansen & Gregorczyk, CPAs
Contract Internal Audit Firm for TABC

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Report Name and No.	High Level Audit Objectives	Findings/Recommendations	Status	Impact
Report No. 2, Audit of the Performance Measurement System Date Issued: April 28, 2009	<p>The determination of TABC key performance measures meet the following criteria:</p> <ul style="list-style-type: none"> Valid: capture the information intended. Cost effective: justify the cost of collecting & retaining data. Comprehensive: cover all significant components of agency operations. Relevant: logically & directly relate to agency objectives, strategies & functions. 	<p>The composition of activities include direct & indirect measure consists of: wide range of unrelated services & unrelated units, resulting in inconsistent performance measure. The related performance measurement definitions are also, in instances, vague.</p> <p>Recommendation 1: Management should work with the TABC & GORPP to establish key performance measures for Goal 3. This ensure compliance with the Alcohol Beverage Code in manufacturing, importing, exporting, transporting, storing, selling, serving, & distributing of a alcoholic beverage. Strategy 1: Compliance Monitoring. Identify the criteria of successful measure in Performance Measure Monitoring.</p>	<p>Incomplete/Ongoing</p> <p>Management will continue to work with the LBB, GORPP & the appropriate legislative committee in order to secure approval for the new measures that the agency has previously proposed for the strategy.</p>	<p>Create a meaningful and substantive performance measure that are responsive, viable, and relevant.</p>

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Texas Alcoholic Beverage Commission

QUALITY ASSURANCE REVIEW REPORT on Internal Audit Activity

October 2009

Prepared by:
Richard Tarr, CIA, CISA
3035 Dawley Street
Orlando, FL 32806
Ph: 407.896.2760
E-mail: rtarr@racar.com

Texas Alcoholic Beverage Commission
Quality Assurance Review
October 2009

Opinion

Based on the work outlined below, it is the opinion of the reviewer that the internal audit activity at the Texas Alcoholic Beverage Commission is in accordance with the Texas Internal Auditing Act and the audit work being performed by Jansen & Gregorczyk, Certified Public Accountants (the Contractor) **fully complies** with all applicable professional auditing standards.

This opinion, representing the best possible evaluation, means that the Texas Alcoholic Beverage Commission, and the Contractor, have in place all of the relevant structures and policies that are required as well as the processes necessary to insure they are effectively applied.



Richard H. Tarr, CISA, CIA

Objectives and Scope

As required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.), the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*, (Standard 1312 – External Assessments), and the Government Accountability Office's (GAO) *Government Auditing Standards*, an external quality assurance review (QAR) was conducted of the internal audit activity of the Texas Alcoholic Beverage Commission (TABC). The Texas Internal Auditing Act requires that internal auditors, for agencies meeting the requirements of the Act, conduct a comprehensive external peer review, also known as a quality assurance review, every three years. An external quality assurance review, as part of a quality assurance program, is intended to provide reasonable assurance that internal audit work is being conducted in accordance with professional standards.

The principal objectives of the review were to assess whether or not the internal audit activity at TABC conforms to the Texas Internal Auditing Act and whether or not Jansen & Gregorczyk, Certified Public Accountants (the Contractor), is performing the work in compliance with professional standards. Also, during the review an attempt was made to identify opportunities that would enhance the audit process and improve the value of the internal auditing activity at TABC.

The scope of the review included an examination of existing internal auditing policies, procedures, and audit project workpaper files, as well as interviews with the Administrator, who functions as the Chief Audit Executive for the agency; Assistant Administrator; and the Contractor's staff. The Internal Audit Charter; reporting relationships; communications with the Commission; and the objectivity of the work performed were reviewed to determine the independence of the Contractor. An examination of the Contractor's administrative records and a review of selected workpapers were done to evaluate the knowledge, skills, discipline and training of the Contractor's staff. An inventory of current audit work and the scope and performance of the audit work that had been performed was examined and evaluated. A review was also conducted of the risk assessment

and audit planning processes that the Contractor used; the Contractor's audit engagement planning processes; and the procedures for managing the audit staff and the quality of their work.

Observations

Because the Texas Alcoholic Beverage Commission is too small to fully utilize a full-time internal staff to conduct internal audits, it has an agreement with an outside contractor to conduct its internal auditing work. This has proven to be a very efficient and effective way for smaller agencies to meet the requirements of the Texas Internal Auditing Act. The Contractor absorbs any inefficiencies in performing the audit work because the project hours and costs are reviewed and approved by the TABC in advance of the work being performed. This approach also helps insure that the agency undertakes only worthwhile audit projects.

Mr. Russell Gregorczyk, CPA, a principal in the contract firm, manages the audit work conducted at TABC. He has extensive audit experience, especially with Texas State agencies. He is well respected and has a good relationship with senior agency management.

His reporting relationship to the Texas Alcoholic Beverage Commission and his communication with the Assistant Administrator complies with the requirements of the Texas Internal Auditing Act and enables him to be independent and have an impartial and unbiased attitude, essential to the proper conduct of audit work. He annually performs a thorough risk assessment and develops an audit plan that is reviewed and approved by the Board.

A review of selected workpapers showed that Mr. Gregorczyk's staff is proficient and knowledgeable in the areas they review. He makes available continuing professional education and training for his staff. Each staff member receives, on average, 40 hours of internal audit related training each year. Mr. Gregorczyk and his staff have extensive experience with Texas government agencies.

The workpapers that were reviewed showed that individual audit projects are well planned and audit conclusions and recommendations are adequately supported.

The workpapers were professionally prepared and supported levels of professional care appropriate for the complexities of the work being performed. The audit programs were appropriately referenced to the audit steps. Results of the tests and examinations performed during the audit supported the conclusions expressed in the audit reports. There is evidence that the work performed by the audit staff was thoroughly reviewed by Mr. Gregorczyk before audit reports were issued.

Recommendations

None.

Addendum:
Reviewers Qualifications and Experience

Richard H. Tarr, MBA, CIA, CISA

P.O. Box 560716
Orlando, FL 32856-0716
407.896.2760
rtarr@racar.com

Richard Tarr is an internal audit and information systems (IT) consultant who specializes in peer reviews (Quality Assurance Reviews) of internal audit departments.

A 29-year internal audit and IT veteran, Mr. Tarr has extensive experience in the development, training, and evaluation of internal audit departments in both the public and private sectors.

When he was with the Walt Disney Company, he initiated and developed the information systems audit function at Walt Disney World, and served as the Corporate Information Systems Audit Manager.

He was the Manager of Quality Assurance Review Services for the Institute of Internal Auditors (IIA), and has traveled worldwide conducting quality assurance reviews of internal auditing departments. He has conducted over hundred Quality Assurance Reviews in industry, government and higher education. He is the author of the IIA's recent publication *Establishing an Internal Audit Activity*.

Education: and Certifications:

Florida State University - MBA (Management); BS (Accounting and Management)
Certified Internal Auditor (CIA) – Institute of Internal Auditors
Certified information Systems Auditor (CISA) – Information Systems Audit and Control Association

Publications

Establishing an Internal Audit Activity Manual, The Institute of Internal Auditors, Altamonte Springs, Florida, 2003.

**List of some of the Quality Assurance Reviews (by organization)
conducted by Richard H. Tarr, CIA, CISA since January 2004**

Angelo State University – 6/07
Argonaut Group – 5/07
Atlantic Mutual Insurance Companies – 4/06
Capital Metro – 8/05
Carillion Health System – 1/07
Church Pension Group – 4/07
George Mason University – 1/06
Hillsborough County, FL – 6/07
James Madison University – 1/07
Lamar University – 1/08
Maryland Department of Public Safety and Corrections – 1/06
Nova Southeastern University – 9/04
Oklahoma State University – 8/06
Radford University – 6/08
Richmond Public Schools – 9/08
Sam Houston State University – 6/07
Santa Fe Healthcare – 12/06
Shenandoah Life Insurance Company – 6/08
Sul Ross State University – 6/07
TECO Energy Inc. – 3/06
Texas Children's Hospital – 1/05
Texas Department of Aging & Disability Services – 8/07
Texas Department of Assistive and Rehabilitative Services – 8/08
Texas Education Agency – 8/07
Texas Lottery Commission – 11/05
Texas Southern University – 2/06
Texas State University San Marcos – 1/08
Texas Water Development Board – 5/05
Timberland – 11/07
University of Mary Washington – 6/07
University of Oklahoma – 11/06
University of North Texas System – 7/04
University of Virginia – 8/04
University of Virginia Health Services Foundation – 11/05
West Virginia Investment Management Board – 9/05
Virginia Commonwealth University
Virginia Department of Agriculture and Consumers Services – 3/08
Virginia Department of Medical Assistive Services – 3/07
Virginia Department of Taxation – 7/07
Virginia Housing Development Authority – 2/07
Virginia State University – 6/07
Virginia Tech – 3/05
Virginia Treasury Department – 6/05

Attachment 3

Internal Audit Report for FY 2009

**Texas Alcoholic Beverage Commission
Internal Audit Annual Report
for FY 2009**

October 30, 2009

As Prepared by
Jansen and Gregorczyk,
Certified Public Accountants

Texas Alcoholic Beverage Commission - FY 2009 Internal Audit Annual Report

Jansen & Gregorczyk
Certified Public Accountants

Telephone
(512) 268-0070

P. O. Box 601
Kyle, TX 78640

October 30, 2009

The Honorable Rick Perry, Governor
Members of the Legislative Budget Board
Members of the Sunset Advisory Commission
Mr. John Keel, CPA, State Auditor

Dear Ladies and Gentlemen:

Attached is a report on the internal activity at the Texas Alcoholic Beverage Commission as required by the Texas Internal Auditing Act. The report provides a summary of audits completed and significant recommendations for fiscal year 2009.

Please contact Sherry Cook, Assistant Administrator at 305-3366 if you desire further information about the contents of this report.

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Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

I. Audit Plan for Fiscal Year 2009

All audits in the audit plan were completed as planned, except the audit of the Compliance Division-License Processing. This audit was postponed until FY 2010.

**TEXAS ALCOHOLIC BEVERAGE COMMISSION
FY 2009 INTERNAL AUDIT PLAN**

The Texas Internal Auditing Act requires certain audits to be performed on a periodic basis. Required audits include audits of the agency's accounting systems and controls, administrative systems and controls, electronic data processing systems and controls, and other major systems and controls. In addition, five general types of audits are required by the *Standards for the Professional Practice of Internal Auditing* as follows:

- **Reliability and Integrity of Information** - Internal Auditors should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Plans, Procedures, Laws, and Regulations** - Internal auditors should review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and should determine whether the organization is in compliance with them.
- **Safeguarding of Assets** - Internal auditors should review the means of safeguarding assets and, and as appropriate verify the existence of such assets.
- **Economical and Efficient Use of Resources** - Internal auditors should appraise the economy and efficiency with which assets are employed.
- **Accomplishment of Established Objectives and Goals for Operations and Programs** - Internal auditors should review operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned.

The FY 2009 Internal Audit Plan for the TABC is based on the results of the risk assessment presented in the previous section, audits required to be performed on a periodic basis by the Internal Auditing Act and management's input on areas where internal audits would be helpful. For FY 2009, the following topics will be audited:

- Compliance Division- License Processing (Maximum Risk)
- Business Services Division- Accounting (Maximum Risk)
- Tax Division- Headquarters Operations (Average Risk)
- Agency-wide Sunset Commission Recommendations (Average Risk)

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

- Agency-wide Travel Policies and Procedures (Low Risk)
- Agency-wide Performance Measures (Low Risk)

The audit of the Compliance Division-License Processing will focus on the effectiveness and efficiency of the field offices in processing license applications to sell alcoholic beverages. It is anticipated that a component of this audit will be evaluating the accuracy and effectiveness of license processing services in submitting license applications to TABC.

The Business Services Division - Accounting audit is an audit required to be performed on a periodic basis by the Texas Internal Audit Act. The audit was last performed in FY 2005. The audit will focus on evaluating the adequacy of the accounting system and accounting internal controls. The effectiveness and efficiency of accounting functions performed by the Business Services Department will also be reviewed, as well as the reliability and integrity of information reported by the Business Services Department.

The audit of the Tax Division- Headquarters Operations will focus on compliance with laws and regulations and the effectiveness and efficiency of the functions performed by this division. The adequacy of internal controls will also be evaluated for functions where controls are required.

The audit of the Sunset Commission Recommendations will evaluate the status of implementing recommendations made in the Sunset Commission Report and new agency provisions in Senate Bill 904 passed in the last legislative session.

The audit of Agency-wide Travel Policies and Procedures will focus on evaluating the effectiveness and efficiency of agency travel policies and procedures, adherence to established procedures and compliance with State travel rules and regulations.

The audit of Agency-wide Performance Measures will focus on evaluating whether the agency performance measures are appropriate measures of the agency's statutory functions.

Follow-up audit reviews will be performed on all audits completed in prior years. The purpose of this work will be to determine the status of implementation of any recommendations made in those audits. In addition to these proposed audits and audit work, the risk assessment will be updated and an audit plan developed for FY 2010.

The proposed time estimates and time frames for the FY 2009 audit work are:

- Audit of Office of Sunset Commission Recommendations and Senate Bill 904 (September 2008 to October 2008) – 120 hours
- Audit of Tax Division- Headquarters Operations – (September 2008 to October 2008) – 140 hours
 - Prepare Annual Internal Audit Report for FY 2008 – 10 hours (October 2008)
 - Audit of Agency-wide Performance Measures – 100 hours (November 2008 to December 2008)

- Follow-up Review of Prior Years' Audit Recommendations- 40 hours (March 2009)
- Audit of Agency-wide Travel Policies and Procedures – 70 hours (March 2009)
- Audit of Business Services Division-Accounting – 140 hours (April 2009 to May 2009)
- Audit of Compliance Division-License Processing – 140 hours (June 2009 to July 2009)
- Update Risk Assessment and Prepare FY 2010 Audit Plan – 10 hours (August 2009)

II. External Quality Assurance Review

A quality review of the TABC internal audit program was completed in October 2009. The Opinion of the quality review is shown below.

Texas Alcoholic Beverage Commission
Quality Assurance Review
October 2009

OPINION

Based on the work outlined below, it is the opinion of the reviewer that the internal audit activity at the Texas Alcoholic Beverage Commission is in accordance with the Texas Internal Auditing Act and the audit work being performed by Jansen & Gregorczyk, Certified Public Accountants (the Contractor) **fully complies** with all applicable professional auditing standards.

This opinion, representing the best possible evaluation, means that the Texas Alcoholic Beverage Commission, and the Contractor, have in place all of the relevant structures and policies that are required as well as the processes necessary to insure they are effectively applied.

Richard H. Tarr, CISA, CIA

III. Key Audit Findings/Recommendations

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 1</p> <p>Follow-up Review of the Status of Implementing Recommendations in the Sunset Advisory Commission Staff Report</p> <p>Date Issued: January 13, 2009</p>	<p>The Sunset Advisory Commission Staff Report issued in November 2006 contained nine issue areas with resulting recommendations in each issue area. The purpose of the internal audit review was to determine the status of implementing all recommendations made in the report.</p>	<p>No follow-up recommendations were made in the report. The follow-up review found that most recommendations had been fully implemented or substantially implemented; however, some were still incomplete/ongoing.</p>	<p>No follow-up recommendations were made in the report.</p>	

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if the TABC key performance measures meet the following criteria outlined in the <u>Guide to Performance Measure Management (2006 Edition)</u>:</i></p> <ul style="list-style-type: none"> • Responsive: <i>reflect changes in level of performance</i> • Valid: <i>capture the information intended</i> • Cost-effective: <i>justify the cost of collecting and retaining data</i> • Comprehensive coverage: <i>incorporate significant aspects of agency operations</i> • Relevant: <i>logically and directly relate to agency goals, objectives, strategies, and functions</i> 	<p>The composition of activities included in each current performance measure consists of a wide range of unrelated services and unrelated costs, resulting in a meaningless performance measure. The related performance measurement definitions are also, in instances, overly vague.</p> <p><i>Recommendation 1: Management should work with the LBB and the GOBPP to establish key performance measures for Goal 3, To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving, and distributing of alcoholic beverage, Strategy 1, Compliance Monitoring, that satisfy the criteria of good performance measures as specified in the Guide to Performance Measure Management.</i></p>	<p>Incomplete/Ongoing Management will continue to work with the LBB, GOBPP and the appropriate legislative committees in order to secure approval for the new measures that the agency has previously proposed for this strategy.</p>	<p>Create a meaningful and substantive performance measures that are responsive, valid, and relevant.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>TABC appropriation budget structure (e.g., goals, strategies, measures, measure definitions, and other items of appropriation) is no longer in alignment with its organizational structure, which was recently redesigned in order to better fulfill the agency's mission.</p> <p>Recommendation 2: <i>Because the agency's strategic plan covering the Fiscal Years 2010 – 2011 biennium has already been completed, TABC should work with the LBB and, if necessary, appropriate staff members of the Legislative Appropriations Committee of the 82nd Legislative Session to revise the agency's appropriation budget structure, including its performance measures, to better align with its operational organization.</i></p> <p>(Cont.)</p>	<p>Incomplete/ Ongoing Management will work to secure the recommended budget structure and performance measure changes during the strategic planning cycle for the FY2012-2013 biennium.</p>	<p>Allow Management to more effectively control the activities necessary to achieve the agency's mission.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>Recommendation 2 (Cont.): <i>In recommending revisions to the budget structure and performance measures, management should consider recommending inclusion of the enforcement and compliance activities as separate strategies within the same appropriation goal to enable better coordination between the Enforcement and Compliance Divisions in achieving the goals of Field Operations.</i></p> <p><i>Separate performance measures should be established for the significant activities within each of the two strategies.</i></p> <p><i>Additionally, the Tax Division's activities currently accounted for within the Compliance Monitoring strategy should be transferred to a goal that would encompass strategies regarding tax and fee collections as well as ports of entry responsible for regulating the personal importation of alcoholic beverages and cigarettes.</i></p> <p>(Cont.)</p>	<p>Incomplete/ Ongoing Management will work to secure the recommended budget structure and performance measure changes during the strategic planning cycle for the FY2012-2013 biennium.</p>	<p>Allow management to more effectively control the activities necessary to achieve the agency's mission.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>Recommendation 2 (cont.): <i>The proposal for changes should be in writing, explain the agency’s justification for the changes, and focus on key measures because this is where decision-makers’ interest is centered. The proposal should facilitate review by providing, preferably, a side-by-side layout of the current budget structure and measures, proposed changes, and explanations.</i></p> <p><i>The proposal should justify the loss of historical data, if necessary, and allow for dual reporting of the current and proposed budget structure, including performance measures, during a transition period.</i></p> <p>The proposed changes should be made to the LBB and GOBPP at the same time as other strategic plan revisions are made during the spring and summer of even number years.</p>	<p>Incomplete/ Ongoing Management will work to secure the recommended budget structure and performance measure changes during the strategic planning cycle for the FY2012-2013 biennium.</p>	<p>Allow management to more effectively control the activities necessary to achieve the agency’s mission.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>Many of the current key performance measures do not deal with public safety measures.</p> <p><i>Recommendation 3: In working with the LBB and staff members of the Legislative Appropriations Committee, TABC should emphasize the importance of establishing measures that have been developed and implemented related to public safety to be key measures. Management should also emphasize that the performance targets for the existing key measures are unreasonable and need to be reduced considering the need for resources to be directed to enforcement and compliance activities relating to protecting the public safety, such as conducting inspections of high risk or priority locations, to better align the agency's priorities with its mission that was revised pursuant to the Sunset recommendation.</i></p>	<p>Incomplete/ Ongoing</p> <p>Management is already working with the LBB and Legislature to change both the targets for current Enforcement key measures and to replace the existing key measures for the strategy with alternative measures that are more directly related to the agency's risk-based public safety initiatives. The Agency will make every effort to secure the approvals necessary to implement the auditor's recommendation during the strategic planning cycle for the FY2012 2013 biennium.</p>	<p>Enable management to quantifiably assess the effectiveness of its activities on public safety.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>While TABC has developed a risk-based approach to conducting enforcement activities by focusing on detecting serious violations with an impact on public safety and monitoring businesses with a history of complaints, the agency has had a difficult time identifying appropriate benchmarks and outcomes to better target and measure the impact of its enforcement activities on public safety.</p> <p>Recommendation 4: <i>Management should establish an initiative to identify and collect external data for the purposes of identifying benchmarks and outcomes to help the agency identify best practices for detecting serious public safety violations and measure the impact of its enforcement activities on public safety.</i></p>	<p>Incomplete/ Ongoing The Agency continues to work with the National Liquor Law Enforcement Association, and other law enforcement agencies to identify and use meaningful benchmarks.</p>	<p>Enable management to quantifiably assess the effectiveness of its activities on public safety.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>The Compliance Division’s key measures include activities dealing with a wide range of unrelated services and, in the case of the efficiency measure, unrelated costs and services.</p> <p>Recommendation 5: <i>In connection with Recommendations’ 2 and 3, management should recommend and explain the need to eliminate the compliance monitoring strategy’s key outcome, output and efficiency measures and recommend the use of appropriate replacement measures to allow for more specific identification of the activities currently included in the key measures. The more granular measures should exclude costs and activities not relating to compliance monitoring, such as the number and cost of Tax Division’s reports analyzed, and provide management feedback relative to the compliance monitoring goals to increase its chances of achieving these goals and to serve as a basis for decision making purposes.</i></p>	<p>Incomplete/ Ongoing The Agency has started work for this strategy and plans to have measurements constructed, tested and approved as part of the Agency’s FY2012-2013 Strategic Plan.</p>	<p>Provide management with measures that distinguish between activities that focus on public safety vs. other “non-public safety” activities.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p><i>Recommendation 5 (cont.): The more granular measures should include outcome, output and efficiency measures relating to the following activities:</i></p> <ul style="list-style-type: none"> • <i>Education and instruction</i> • <i>Inspections</i> • <i>Regulatory Audits</i> • <i>Investigation Audits, with distinction between the cursory nature of audits designed to ensure compliance and investigative audits that are much more in-depth and time consuming</i> <p><i>The recommended measures should distinguish between risk-based activities that focus on public safety versus other “non-public safety” activities with both types of activities having their own measures.</i></p>	<p>Incomplete/ Ongoing</p> <p>The Agency has started work for this strategy and plans to have measurements constructed, tested and approved as part of the Agency’s FY2012-2013 Strategic Plan.</p>	<p>Provide management with measures that distinguish between activities that focus on public safety vs. other “non-public safety” activities.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>Several of the performance measure definitions are unclear, resulting in inconsistency and rendering the performance measures less meaningful.</p> <p><i>Recommendation 6: In connection with Recommendations' 2 and 3, management should review and revise, where appropriate, performance measure definitions to ensure their clarity and specifically define the composition of each measure. Minimally, the composition of the activities included in the compliance monitoring strategies needs to be clarified. Additionally, a clear definition of applications should be incorporated in the performance measure definition of the License output measure, Number of Applications Processed, to ensure consistency in how applications are counted between field offices and headquarters, and reported to LBB.</i></p>	<p>Incomplete/ Ongoing</p> <p>The Agency is in the process of seeking additional changes to add clarity and to replace the current composite key measures with new key measurements that are more granular. In addition to clearly defining "application", to ensure external and internal measures pertain to the numbers of applications handled are referring to the same unit of analysis. Approvals will be sought as part of the Agency's Strategic Plan for FY2012-2013.</p>	<p>Ensure that performance measures are meaningful and consistent.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>The current performance measures consist of a wide range of unrelated services and unrelated costs, resulting in a meaningless performance measures.</p> <p><i>Recommendation 7: Management should develop and implement the performance measures discussed below to obtain additional feedback relative to its goals, to increase its chances of achieving the goals, and to serve as a basis for decision making purposes. These measures should be recommended for legislative approval in connection with Recommendations' 1 and 2 above; however, they should be developed regardless of approval by the LBB to provide management the information it needs to effectively manage its operations. (cont.)</i></p>	<p>Incomplete/ Ongoing Changes for internal reporting have been implemented. Changes to externally reported measures will have to be approved by the LBB, the GOBPP, and the appropriate legislative committees. The Agency will seek approval during the next strategic planning cycle beginning in the Spring of 2010.</p>	<p>Provide meaningful measures that can be used to assess and improve performance.</p>

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<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p><i>Recommendation 7 (cont.): The measures to be developed and implemented are as follows:</i></p> <ul style="list-style-type: none"> • <i>the more granular measures referenced at Recommendation 5 above.</i> • <i>appropriate outcome, output and efficiency measures for the newly created Tax Division.</i> • <i>efficiency measures based on only costs or other quantifiable units of costs such as time (man hours) over which program management has control to complement, if not replace, the key efficiency measures for the License, Enforcement and Compliance divisions.</i> • <i>The efficiency measures of the Enforcement and Compliance divisions should provide drill-down information regarding the efficiency of public safety inspections and other activities (cont.)</i> 	<p>Incomplete/ Ongoing Changes for internal reporting have been implemented. Changes to externally reported measures will have to be approved by the LBB, the GOBPP, and the appropriate legislative committees. The Agency will seek approval during the next strategic planning cycle beginning in the Spring of 2010.</p>	<p>Provide meaningful measures that can be used to assess and improve performance.</p>

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<p>Report No. 2: Audit of the Performance Measurement System</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are any existing performance measures relating to program delivery that should be considered for elimination or revision or if there are any new performance measures that should be developed and implemented.</i></p>	<p>Recommendation 7 (cont.):</p> <ul style="list-style-type: none"> • <i>that result in public safety violations or separate measures should be developed to provide this information.</i> • <i>appropriate outcome, output and efficiency measures regarding activities relating to processing prioritized, or public safety, complaints.</i> • <i>outcome measures for education and instruction provided by the Enforcement and Compliance divisions.</i> <p><i>The measures should be developed in accordance with the guidelines established by the Guide to Performance Measure Management. Once management is satisfied the measures meet the specified criteria for a good performance measure, the measures should be implemented with appropriate targets, reported on a regular basis to management and the governing commission, and used as a basis for assessing & improving performance.</i></p>	<p>Incomplete/Ongoing</p> <p>Changes for internal reporting have been implemented. Changes to externally reported measures will have to be approved by the LBB, the GOBPP, and the appropriate legislative committees. The Agency will seek approval during the next strategic planning cycle beginning in the Spring of 2010.</p>	<p>Provide meaningful measures that can be used to assess and improve performance.</p>

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Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 3: Audit of the Excise Tax Section of the Tax Division</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are cost effective procedures for processing, cross-checking and correcting reports involving the calculation and collection of excise taxes, if processing procedures are being followed, and if excise tax reports are processed timely.</i></p>	<p>Currently the staff calculates the 2% timely filing discount when vendors fail to take the discount, but there is no requirement for TABC to do so.</p> <p><i>Recommendation 1: The Excise Tax Section should eliminate calculation of the 2% discount for vendors that do not claim the discount.</i></p>	<p>Fully Implemented</p>	<p>Improve employee efficiency by eliminating time spent performing an unnecessary calculations.</p>

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	<p><i>To determine if there are effective procedures for assigning excise tax revenues that have been allocated by the Business Services Division and if assignments and excise tax suspense transactions are cleared in a timely manner.</i></p>	<p>Every month funds assigned by the Fiscal Department are reconciled with the funds contained in the Excise Tax Section's Allocated Reports. This process, however, could be made more effective.</p> <p><i>Recommendation 2: The Excise Tax Manager should initial and date the Allocated Revenue Reports each month and retain all necessary supporting documentation of discrepancies and corrections that are made to the Applied Revenue Reports. These changes should be incorporated into the current procedures and documented in the Excise Tax Manual.</i></p>	<p>Fully Implemented</p>	<p>Improve the effectiveness and documentation of this reconciliation process.</p>

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<p>Report No. 3: Audit of the Excise Tax Section of the Tax Division</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are cost effective procedures for collecting delinquent excise tax revenues, if processing procedures are being followed, and if delinquent excise taxes are dealt with in a timely manner.</i></p>	<p>The Excise Tax Section has effective procedures for collecting delinquent excise tax revenues, even though the procedures in the Excise Tax Manual are not up-to-date.</p> <p>Recommendation 3: <i>Chapter 19 of the Excise Tax Manual should be updated to include the current procedures used for collecting delinquent excise tax revenues. The procedures should include the process for verifying that all delinquent filers on the monthly late filer report have been sent the required delinquent notification letters and appropriate follow-up actions have been taken.</i></p>	<p>Fully Implemented</p>	<p>Ensure that the Excise Tax Manual is up-to-date with current procedures used for collecting delinquent excise tax revenues.</p>

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Report No. 3: Audit of the Excise Tax Section of the Tax Division Date Issued: April 28, 2009	<i>To determine if there are cost effective procedures for processing alcoholic beverage label approval applications, if processing procedures are being followed, and if applications for alcoholic beverage label approvals are processed in a timely manner.</i>	<p>While the Excise Tax Manual provides a broad explanation of this process used for processing alcoholic beverage label approval applications, the specific steps and procedures are not documented.</p> <p><i>Recommendation 4:</i> The Excise Tax Manual should be updated to provide detailed procedures for label approval applications.</p>	Fully Implemented	Ensure that the Excise Tax Manual is sufficiently specific.
	<i>To determine if there are cost effective procedures for processing temporary membership cards, if processing procedures are being followed, and if temporary membership cards are processed in a timely manner.</i>	<p>While the Excise Tax Manual provides a broad explanation of this process used for processing temporary membership cards, the specific steps and procedures are not documented.</p> <p><i>Recommendation 5:</i> The Excise Tax Manual should be updated to provide detailed procedures for temporary membership cards.</p>	Fully Implemented	Ensure that the Excise Tax Manual is sufficiently specific.

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<p>Report No. 3: Audit of the Excise Tax Section of the Tax Division</p> <p>Date Issued: April 28, 2009</p>	<p><i>To determine if there are cost effective procedures for processing liquor identification stamps, if processing procedures are being followed, and if liquor identification stamps are processed in a timely manner.</i></p>	<p>While the Excise Tax Manual provides a broad explanation of this process used for processing liquor identification stamps, the specific steps and procedures are not documented.</p> <p><i>Recommendation 6: The Excise Tax Manual should be updated to provide detailed procedures for liquor identification stamps.</i></p>	<p>Fully Implemented</p>	<p>Ensure that the Excise Tax Manual is sufficiently specific.</p>
<p>Report No. 4: Audit of Travel Policies and Procedures</p> <p>Date Issued: May 19, 2009</p>	<p><i>To determine if agency travel policies and procedures have been developed and implemented for ensuring cost effective travel by agency employees.</i></p>	<p>Some of the agency's specific policies regarding cost effective travel have not been formalized.</p> <p><i>Recommendation 1: The formal travel policies should be expanded to include the specific policies regarding cost effective travel, including policies embedded in the Comptroller's TexTravel web site. TABC should also update its travel policies to include current references to the state's travel laws and rules provided by the State Comptroller of Public Accounts.</i></p>	<p>Fully Implemented</p>	<p>Implement the formal adoption of cost-effective travel policies.</p>

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<p>Report No. 4: Audit of Travel Policies and Procedures</p> <p>Date Issued: May 19, 2009</p>	<p><i>To determine if the agency has effective and efficient policies and procedures for authorizing travel, reimbursing employees in a timely manner for travel expenses incurred, and complying with State of Texas travel requirements.</i></p>	<p>TABC has policies in place to conserve limited travel funds. However, these policies have only been communicated to employees by email, and are not formally documented.</p> <p><i>Recommendation 2: TABC should develop travel policies and procedures for those policies it would like to have in place to conserve limited travel funds or for other purposes that may be more restrictive than the State general travel policies. The agency's travel policy should include examples of the types of expenditures that are not reimbursable such as gasoline for the use in a personal vehicle and flat rates for meal expenses that are not based on actual costs. TABC should also develop and implement a policy and procedures regarding out-of-state travel.</i></p>	<p>Incomplete/ Ongoing The agency has implemented a policy authorizing partial per diem for non-overnight travel. A policy for out of state-travel is expected to be completed by February 2010.</p>	<p>Ensure that employees are aware of the agency's restrictive travel policies.</p>

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Report No. 4: Audit of Travel Policies and Procedures Date Issued: May 19, 2009	<i>To determine if the agency has effective and efficient policies and procedures for authorizing travel, reimbursing employees in a timely manner for travel expenses incurred, and complying with State of Texas travel requirements.</i>	Multiple instances were noted where employees appear to be charging a flat rate for in-state meal expenses rather than actual expenditures. <i>Recommendation 3: Supervisors should question employees whose travel vouchers charge meal expenses that do not appear to be based on actual meal expenses.</i>	Fully Implemented	Ensure that employee reimbursements do not exceed actual meal expenses.
		The amount of compensatory per diem which TABC pays to Commission members does not appear to be in accordance with the State's General Appropriations Act. <i>Recommendation 4: The General Counsel should research the issue of the amount of compensatory per diem to which Commissioners are entitled and provide the Business Services Division a written legal interpretation as the basis for any future payments.</i>		

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<p>Report No. 4: Audit of Travel Policies and Procedures</p> <p>Date Issued: May 19, 2009</p>	<p><i>To determine if the agency has effective and efficient policies and procedures for authorizing travel, reimbursing employees in a timely manner for travel expenses incurred, and complying with State of Texas travel requirements.</i></p>	<p>There is no written policy for the payment of Commissioner's compensatory per diem, nor is there a secondary review process.</p> <p>Recommendation 5: <i>A policy and procedures for the payment of Commissioners' compensatory per diem should be developed to provide reasonable assurance the payments are correct and adequately supported. Processing procedures should include a secondary review and approval of all pending compensatory payments by a responsible employee other than the preparer of the compensatory payments. The review and approval should include consideration of the completeness and accuracy of the payments including the payments being in compliance with statutory requirements, adequately supported, and posted to the proper period.</i></p>	<p>Fully Implemented</p>	<p>Provide reasonable assurance that compensatory per diem payments are correct and adequately supported.</p>

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Report No. 4: Audit of Travel Policies and Procedures Date Issued: May 19, 2009	<i>To determine if the agency has effective and efficient policies and procedures for authorizing travel, reimbursing employees in a timely manner for travel expenses incurred, and complying with State of Texas travel requirements.</i>	A small number of compensatory per diem payments were found to have been made in error. Recommendation 6: <i>TABC should recover compensatory per diem payments paid to the TABC Commissioners in error.</i>	Fully Implemented	Recover per diem payments made in error.
	<i>To determine if there are adequate procedures and controls for maintaining the agency travel advance fund in accordance with established agency procedures and State of Texas requirements.</i>	The procedures regarding the issuance of travel advance checks are not current. There are no procedures for the deposit of travel advance reimbursements to the travel advance bank account. Recommendation 7: <i>The travel advance fund procedures should be updated to reflect current practices regarding the issuance of travel advance checks and should include procedures for the deposit of travel advance reimbursements to the travel advance bank account.</i>	Fully Implemented	Ensure that the written procedures reflect current practices.

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<p>Report No. 4: Audit of Travel Policies and Procedures</p> <p>Date Issued: May 19, 2009</p>	<p><i>To determine if there are adequate procedures and controls for maintaining the agency travel advance fund in accordance with established agency procedures and State of Texas requirements.</i></p>	<p>Of the six reconciliations completed for fiscal year 2009, two of the reconciliations were performed beyond 60 days of the bank statement closing date.</p> <p>Recommendation 8: <i>The travel advance fund bank reconciliations should be performed on a monthly basis to provide reasonable assurance of the accuracy of the accounting and bank records as well as to identify travel reimbursements due from employees.</i></p>	<p>Fully Implemented</p>	<p>Provide reasonable assurance of the accuracy of the accounting and bank records as well as identify travel reimbursements due from employees.</p>

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		<p>While TABC's travel advance account is seldom used, excess funds are not always returned in a timely manner.</p> <p><i>Recommendation 9: Business Services should ensure that the travel advance fund is reimbursed by TABC employees on a timely basis by notifying the employee and if necessary the employee's supervisor when excess funds are not returned by the established deadline.</i></p>	<p>Fully Implemented</p>	<p>Ensure prompt reimbursement of amounts due back from employees that receive travel advances.</p>

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<p>Report No. 4: Audit of Travel Policies and Procedures</p> <p>Date Issued: May 19, 2009</p>	<p><i>To determine if there are adequate procedures and controls for using the agency corporate account used for paying travel expenses of the agency in accordance with established agency procedures and State of Texas requirements.</i></p>	<p>While the travel accountant attempts to obtain actual receipts to substantiate the billings, the expectation of employees to provide supporting receipts is not established in written policy and procedures, and employees do not necessarily provide receipts with their travel vouchers.</p> <p>Recommendation 10: <i>TABC should revise its travel policy and procedures to require employees on agency travel to submit their actual receipts for lodging, airfare and rental cars with their travel vouchers. The policy should also emphasize the requirement that employees must document all travel activities, including the use of direct pay vendors and reservation cancellations, on their travel vouchers.</i></p>	<p align="center">Fully Implemented</p>	<p>Ensure that travel expenses are accompanied by clear, verifiable documentation.</p>

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<p>Report No. 4: Audit of Travel Policies and Procedures</p> <p>Date Issued: May 19, 2009</p>	<p><i>To determine if there are adequate procedures and controls for using the agency corporate account used for paying travel expenses of the agency in accordance with established agency procedures and State of Texas requirements.</i></p>	<p>Supporting documentation for the direct payments is weak, consisting of billings from the direct pay vendors, rather than actual receipts.</p> <p>Recommendation 11: <i>The Business Services Division should develop a procedure to provide reasonable assurance that direct pay vendors are not reimbursed without the same level of proof that would be required as the supporting documentation for the reimbursement of a state employee for the same expense, as required by Textravel. One strategy the agency may want to consider is an addition to the standard travel voucher that documents all planned and actual use of direct pay vendors and establishes the formal expectation that employees must complete the addition and attach all related direct pay vendor receipts before travel reimbursements are made to the employee.</i></p>	<p align="center">Fully Implemented</p>	<p>Enable the travel accountant to process the direct bills in a timely manner while assuring payments and credits are adequately supported and properly posted to the accounting records.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if the accounting system is adequately structured to comply with the agency's Appropriation Bill and if adequate controls have been established within the accounting system to ensure compliance with all legislative requirements and restrictions regarding the agency's spending authority.</i></p>	<p>Due to adjustments that were made for fund transfers, management decisions to reduce certain appropriated funds and salary adjustments, the FY 2009 operating budget approved by the Commission does not match the operating budget finalized by the Business Services Division.</p> <p>Recommendation 1: <i>Management should request the Commission to clarify the motion to approve the operating budget each year to include authorizing management to make changes that are authorized by the General Appropriations Act. Suggested language might be "The Commission authorizes the Administrator, or his designee, to make transfers among appropriation line items and capital budget items in accordance with the General Appropriations Act as necessary to implement the budget."</i></p>	<p align="center">Fully Implemented</p>	<p>Allow the Administrator to adjust the budget as necessary under the General Appropriations Act.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if the accounting system is adequately structured to comply with the agency's Appropriation Bill and if adequate controls have been established within the accounting system to ensure compliance with all legislative requirements and restrictions regarding the agency's spending authority.</i></p>	<p>Rider 6 of the Appropriations Bill for Purchase of Evidence restricts the agency to spending not more than \$50,000 each year. However, the FY 2009 operating budget for purchase of evidence was established at \$62,200</p> <p>Recommendation 2: <i>If it appears that purchase of evidence expenditures may exceed \$50,000 in FY 2010 or FY 2011, the Business Services Director may need to obtain the concurrence of the Legislative Budget Board and Comptroller's Office based on the legislative intent to increase the amount up to \$62,200. The next Legislative Appropriations Request should request a change in Rider 6 to reflect the correct amount.</i></p>	<p>Incomplete/ Ongoing This is scheduled to be changed during the next appropriations request, 2010.</p>	<p>Ensure that the agency's operating budget is in alignment with Rider 6 of the Appropriations Bill.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequate internal controls over purchase voucher and interagency transaction processing, if the procedures are effective and efficient, and if purchase and interagency transaction vouchers are being processed in a timely manner.</i></p>	<p>An incident was noted in which payments to a vendor were delayed because Purchasing and Fiscal Services did not coordinate timely to resolve the problem.</p> <p>Recommendation 3: <i>The Fiscal Services and Purchasing departments should develop a process to ensure that vendor invoices are paid timely when issues regarding the paperwork necessary to approve and make payments.</i></p>	<p>Fully Implemented</p>	<p>Ensure that all valid vendor invoices are paid timely.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequate internal controls over purchase voucher and interagency transaction processing, if the procedures are effective and efficient, and if purchase and interagency transaction vouchers are being processed in a timely manner.</i></p>	<p>Purchase orders that span two fiscal years are not given a new purchase order number for the new fiscal year. Additionally, purchasing uses both amendments and purchases order change notices to communicate changes in purchase orders, but there is no consistent procedure for determining whether to use a change notice or an amendment.</p> <p>Recommendation 4: <i>Purchasing should implement the following change to improve the efficiency of processing invoices by accounts payable:</i></p> <p>a. <i>At the beginning of each fiscal year, Purchasing should provide new purchase order numbers and update the amount of funds available for ongoing purchases that span fiscal years.</i></p> <p>b. <i>Purchasing should use purchase order amendments to change the purchase orders terms that affect payment processing and purchase change notices for changing all other purchase order terms.</i></p>	<p align="center">Fully Implemented</p>	<p>Improve the efficiency of processing invoices by accounts payable.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequate internal controls over the processing of all revenues received by the agency, if the procedures are effective and efficient, and if deposits are being processed in accordance with required state time frames.</i></p>	<p>Of the ten miscellaneous deposits tested, some were not deposited within the three working days, or it was not possible to determine if the funds were deposited timely because there was no date stamp on the documents.</p> <p>Recommendation 5: <i>The FSD should ensure that all non-LE documents are processed and deposited in the State Treasury within the required three working days. For problem documents that need to be returned for further information, the reason should be recorded and the document date stamped a second time when received again by FSD. The document and funds should be processed and deposited within three working days of final acceptance of the document.</i></p>	<p align="center">Fully Implemented</p>	<p>Ensure that non-LE documents are processed and deposited in a timely manner.</p>

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Report No. 5 Audit of the Accounting System and Accounting Internal Controls Date Issued: August 25, 2009	<i>To determine if there are adequate internal controls and effective and efficient procedures for accounting for all purchase of evidence and petty cash funds maintained outside the State Treasury.</i>	Purchase of evidence checks, which can be significantly large, are signed by only one employee. Recommendation 6: <i>At least two different individuals should be responsible for approving purchase of evidence requests, certifying the funds availability and signing the checks. Two signatures should be required on purchase of evidence checks.</i>	Fully Implemented	Strengthen controls over purchase of evidence checks.
		Only one of the 16 reconciliations reviewed for FY 2009 was processed within 30 days of the end of the prior month. Recommendation 7: <i>Reconciliations of petty cash and purchase of evidence bank statements with FSD's records and with USAS should be completed within 30 days of the date of the bank statements.</i>	Fully Implemented	Ensure that reconciliations of petty cash and purchase of evidence bank statements are performed in a timely manner.

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Report No. 5 Audit of the Accounting System and Accounting Internal Controls Date Issued: August 25, 2009	<i>To determine if there are adequate internal controls and effective and efficient procedures for accounting for all purchase of evidence and petty cash funds maintained outside the State Treasury.</i>	There were no bank charges on any of the petty cash bank statements. There was a total of \$1,345 in bank charges for the purchase of evidence bank accounts between September 2008 and the end of April 2009. Recommendation 8: <i>The Fiscal Services Department should inquire as to whether Bank of America will waive the bank charges for the purchase of evidence account as is currently done for the petty cash account.</i>	Fully Implemented	Potentially decrease bank fees.
	<i>To determine if there are adequate internal controls over the processing of payroll, if the procedures are effective and efficient, and if there is appropriate management approval and supporting documentation for all payroll transactions.</i>	Audit testing indicated various omissions of information on personnel action forms, including in some cases required signatures approving the salary action. Recommendation 9: <i>Human Resources and Fiscal Services should ensure that all required information on the personnel action forms is completed before the forms are submitted to payroll for processing.</i>	Incomplete/ Ongoing The personnel action forms are in the process of being automated, which will ensure completion and accuracy and scheduled for completion by January 2010.	Ensure that all personnel action forms are complete.

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequate internal controls over the processing of payroll, if the procedures are effective and efficient, and if there is appropriate management approval and supporting documentation for all payroll transactions.</i></p>	<p>There is not a system for tracking PAFs in process. Because PAFs travel through multiple divisions, the lack of a tracking system means that there is no means of knowing if a PAF has been lost or misplaced.</p> <p>Recommendation 10: <i>A system should be developed to track personnel action forms including assigning sequential numbers to the PAFs throughout a fiscal year. An Excel spreadsheet could be developed so that departments/individuals could complete a column with the date of approval by each department. This would enable Human Resources and Fiscal Services to track the PAF through the approval process and provide information to payroll on how many approved PAFs there should be for any given month.</i></p>	<p align="center">Fully Implemented</p>	<p>Ensure that personnel action forms can be effectively traced, reducing the chances of them being lost or misplaced.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequate internal controls over the processing of payroll, if the procedures are effective and efficient, and if there is appropriate management approval and supporting documentation for all payroll transactions.</i></p>	<p>There is currently not an effective process for reconciling all payroll changes that are made between pay periods.</p> <p>Recommendation 11: <i>Fiscal Services should develop a spreadsheet reconciliation process to identify all payroll changes between months. This should be done by division, with supporting documentation for each change maintained by division for easy reference and for review by the Accounting Manager before the final payroll is released for payment.</i></p>	<p>Fully Implemented</p>	<p>Allow management to verify payroll changes before final payment is actually made.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequate internal controls over the processing of payroll, if the procedures are effective and efficient, and if there is appropriate management approval and supporting documentation for all payroll transactions.</i></p>	<p>Overtime payments out of General Revenue require an approved PAF; however, overtime payments made out of grant funds do not require the use of a PAF</p> <p>Recommendation 12: <i>Fiscal Services and Human Resources should use a consistent procedure for payment of overtime to agents regardless of the source of funds that will be used to pay the overtime. All payroll actions should be initiated with a PAF with the overtime detail sheet used as supporting documentation.</i></p>	<p>Fully Implemented</p>	<p>Ensure that overtime payments are made in a consistent manner.</p>

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<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if all required reports for external entities are accurate, timely, and well-documented.</i></p>	<p>All required reports for external entities are accurate and well-documented, however, not all reports were submitted by the report deadline.</p> <p>Recommendation 13: <i>The Fiscal Services Department should establish a master schedule of external reports due dates to ensure that reports are submitted by the established deadline. Automated Budget and Evaluation System of Texas (ABEST) screens that document report due dates and the date when a report has been completed in ABEST should be printed and retained in the relevant report files.</i></p>	<p>Fully Implemented</p>	<p>Ensure that reports are submitted by the established deadline.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequately documented and up-to-date accounting policies and procedures.</i></p>	<p>There is no documentation maintained to indicate that the procedures are reviewed and updated as appropriate.</p> <p>Recommendation 14: <i>All procedures should be reviewed and updated at least every two years (an annual review is preferable). Documentation of the review should be indicated in the Table of Contents, even if no changes to the procedure are made.</i></p>	<p>Fully Implemented</p>	<p>Ensure that procedures remain up-to-date, and that the review of procedures is well-documented.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequately documented and up-to-date accounting policies and procedures.</i></p>	<p>Several omissions were found in specific procedures (as noted below).</p> <p>Recommendation 15: <i>The following specific procedures should be updated to address omissions identified during the internal audit:</i></p> <p><i>a. Procedures' 190301 and 190303 should be updated to incorporate standard language that applies to all deposits whether they are processed through the License Ease system or are processed manually. Each procedure should document the staff position responsible for each task, the supporting documentation needed and a reference to all systems used to complete the deposit process.</i></p> <p>(Recommendation continues)</p>	<p>Fully Implemented</p>	<p>Ensure that the processing procedures are complete and up-to-date.</p>

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

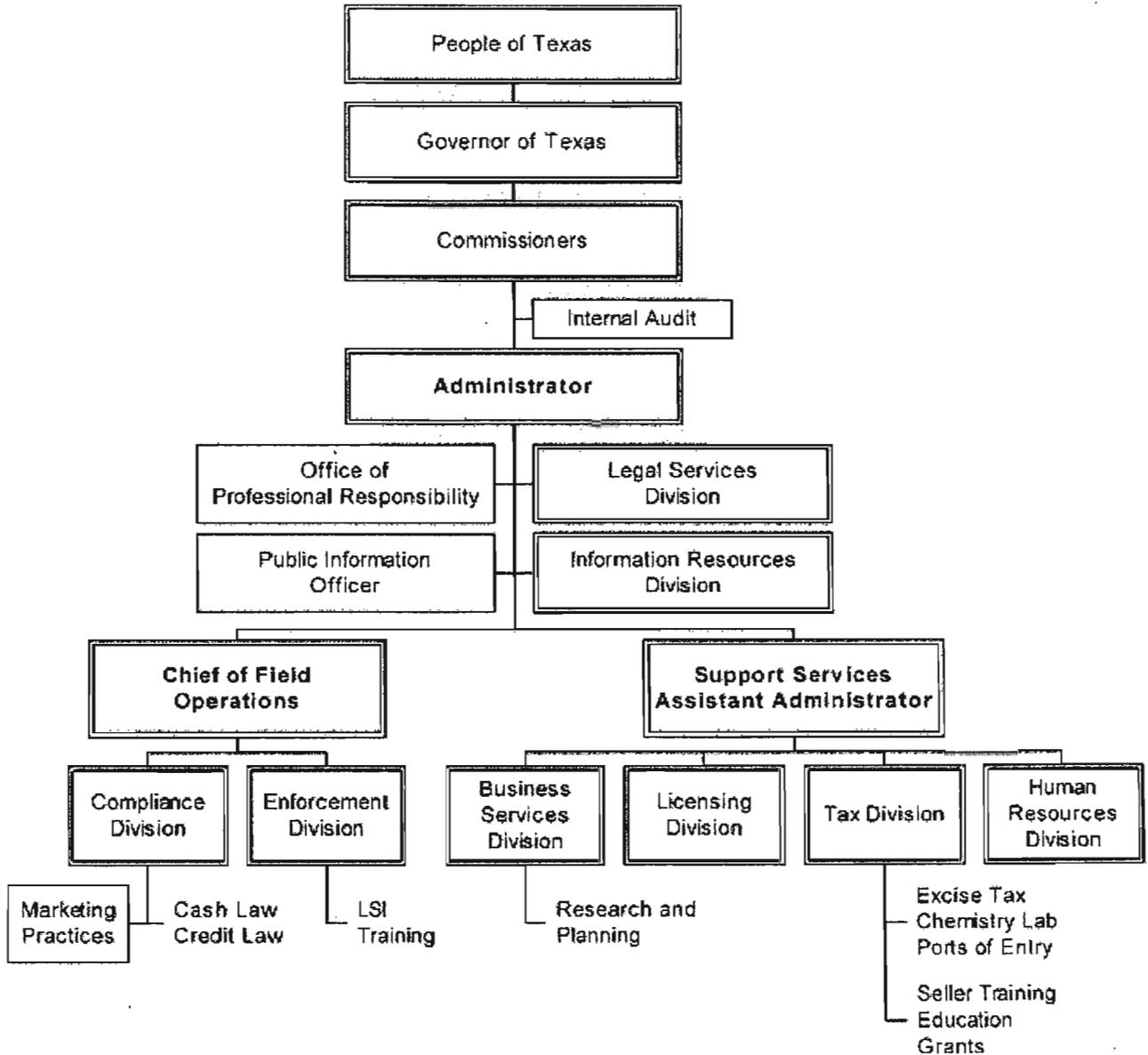
Rpt Name and No.	High-Level Audit Objectives	Findings/ Recommendations	Status	Impact
<p>Report No. 5 Audit of the Accounting System and Accounting Internal Controls</p> <p>Date Issued: August 25, 2009</p>	<p><i>To determine if there are adequately documented and up-to-date accounting policies and procedures.</i></p>	<p>Recommendation 15 (continued):</p> <p><i>b. Procedure No. 080105 for Reconciling Purchase of Evidence should include the requirement to enter bank charges into USAS in a timely manner and include the requirement to reconcile the bank statements and checking account with USAS Comptroller Object Code 07295 and Agency Object Code 6440 every month.</i></p> <p><i>c. Payroll procedures should be updated and revised to clearly define the types of supporting documentation need to support payroll changes, all processing steps and responsibilities for reviewing and verifying information on the PAF, and a requirement that all overtime payments are processed using a PAF.</i></p>	<p>Fully Implemented</p>	<p>Ensure that the processing procedures are complete and up-to-date.</p>

IV. Consulting Engagements and Non-Audit Services Completed

No consulting engagements or non-audit services were completed during FY 2009.

V. Organizational Chart

Texas Alcoholic Beverage Commission



Alan Steen, Administrator, is the designated Chief Audit Executive for the agency. The full Commission deals with all matters involving internal audit, although one Commissioner has been designated as the Commission liaison with the internal auditor.

VI. Report on Other Internal Audit Activities

The internal auditor was not involved in any activities other than those activities outlined in the FY 2009 Internal Audit Plan.

VII. Audit Plan for Fiscal Year 2010

**TEXAS ALCOHOLIC BEVERAGE COMMISSION
FY 2010 INTERNAL AUDIT PLAN**

The Texas Internal Auditing Act requires certain audits to be performed on a periodic basis. Required audits include audits of the agency's accounting systems and controls, administrative systems and controls, electronic data processing systems and controls, and other major systems and controls. In addition, five general types of audits are required by the *Standards for the Professional Practice of Internal Auditing* as follows:

- **Reliability and Integrity of Information** - Internal Auditors should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

- **Compliance with Policies, Plans, Procedures, Laws, and Regulations** - Internal auditors should review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and should determine whether the organization is in compliance with them.

- **Safeguarding of Assets** - Internal auditors should review the means of safeguarding assets and, and as appropriate verify the existence of such assets.

- **Economical and Efficient Use of Resources** - Internal auditors should appraise the economy and efficiency with which assets are employed.

- **Accomplishment of Established Objectives and Goals for Operations and Programs** - Internal auditors should review operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned.

The FY 2010 Internal Audit Plan for the TABC is based on the results of the risk assessment presented in the previous section, audits required to be performed on a periodic basis by the Internal Auditing Act and the Commission's input on areas where internal audits would be helpful. For FY 2010, the following topics will be audited:

- Licensing Division- Field Office License Processing (Maximum Risk)
- Licensing Division- HQ Operations (Maximum Risk)
- Enforcement Division- Field Operations (Maximum Risk)

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

- Enforcement Division- HQ Operations (High Risk)
- Commission's Operations (Low Risk)

The audit of the License Division-Field Office License Processing will focus on the effectiveness and efficiency of the field offices in processing license applications to sell alcoholic beverages.

The audit of the Licensing Division- Headquarters Operations will evaluate compliance with laws and regulations and the effectiveness and efficiency of operating procedures within the Licensing Division. The specific scope of audit work will be determined in conjunction with TABC executive management.

The audit of the Enforcement Division – Field Operations will focus on evaluating the effectiveness and efficiency of functions performed by the Enforcement Division-Field Operations. The scope of audit work will be determined in conjunction with TABC executive management. Field offices selected for on-site audit work will be determined with input from TABC executive management.

The audit of the Enforcement Division – Headquarters' Operations will focus on evaluating the effectiveness and efficiency of functions performed by the Enforcement Division Headquarters such as hiring officers, training, enforcement activities, and management of field office personnel; evaluating the reliability and integrity of performance measure reporting and management reporting by the division; and evaluating compliance with applicable laws and regulations.

The audit of the Commission's Operations will focus on evaluating the effectiveness and efficiency of the operations of the Commission in areas such as rule-making, policy development, the content and frequency of Commission meetings, Commission involvement in strategic planning, the administrator's conference and similar agency functions, training and orientation of Commission members, and other areas to be determined in conjunction with the Commissioners.

Follow-up audit reviews will be performed on all audits completed in prior years. The purpose of this work will be to determine the status of implementation of any recommendations made in those audits. In addition to these proposed audits and audit work, the risk assessment will be updated and an audit plan developed for FY 2011.

The proposed time estimates and time frames for the FY 2010 audit work are:

- Audit of Enforcement Division- Headquarters Operations – 140 hours (October 2009 to November 2009)
- Complete the Internal Audit Quality Assurance Review – 8 hours (October 2009)
 - Prepare Annual Internal Audit Report for FY 2008 – 10 hours (October 2009)
 - Audit of Enforcement Division-Field Operations – 160 hours (December 2009 to January 2010)
 - Audit of Commission's Operations – 60 hours (February to March 2010)
 - Follow-up Review of Prior Years' Audit Recommendations- 40 hours (March 2010)

Texas Alcoholic Beverage Commission – FY 2009 Internal Audit Annual Report

- Audit of Licensing Division- Headquarters Operations – 140 hours (March 2010 to April 2010)
 - Audit of Licensing Division- Field Office License Processing – 160 hours (May 2010 to June 2010)
 - Update Risk Assessment and Prepare FY 2011 Audit Plan – 10 hours (August 2010)

VIII. External Audit Services Procured in Fiscal Year 2009

The Texas Alcoholic Beverage Commission contracted with the CPA firm of Jansen & Gregorczyk to provide contract internal audit services for the agency in FY 2009. No other external audit services were procured in FY 2009.

IX. Reporting Suspected Fraud and Abuse

The Texas Alcoholic Beverage Commission has posted the required information on reporting suspected fraud, waste or abuse involving state resources directly to the State Auditor's Office on the home page of the agency's website and has included information in the agency's policies on how to report suspected fraud to the State Auditor's Office.

The agency does not receive funds under the American Recovery and Reinvestment Act and is therefore not subject to the provisions of Article XII of the General Appropriations Act (81st Legislature) regarding funds received under the American Recovery and Reinvestment Act.

No instances of suspected fraud, waste or abuse were reported by TABC to the State Auditor's Office during FY 2009.

Attachment 4

**Report on Excise Tax Collection Process Audit
Conducted by the State Auditor's Office**



The Texas Alcoholic Beverage Commission's Excise Tax Collection Process

The Commission collected, accurately processed, and deposited excise tax payments.

- FY 2008: \$188 millions
- FY 2009: \$194 millions



The Commission lacks adequate controls to ensure that it is collecting all excise taxes due.

- The Tax Division will rotate employees conducting reviews.
- The Manager will document the date reports are reviewed.
- Invoices will be retained for a period of three months once filed.

Implemented

The Commission did not provide guidance or consistently conduct audits of Ports of Entry Bridge Excise Tax Collections.

- Policies and procedures for the regional offices conducting Ports of Entry audits has been completed.

Implemented

The Commission had not defined an owner of the LicenseEase system.

- The Director of Licensing has been designated the Licensing Division as the owner for the LicenseEase application.

Implemented

The Commission does not adequately limit access within its LicenseEase System.

- Plans are underway to review and modify business processes separating license creation and cash assignment.

**Target Date for Completion
January 1, 2010.**

The Commission's Compliance Audit Division generally ensures that excise tax amounts are accurate.

- The Compliance Division is in the process of updating their processes.

**Target Date for Completion
January 31, 2010.**

The Commission did not provide sufficient oversight of its regional Excise Tax Audit Divisions.

The Commission lacks policies and procedures to identify training requirements for its regional field auditors.

The Commission did not ensure that audit tracking data was reliable.

- Standard procedures are being developed and processes to ensure the validity of the data.

**Target Date for Completion
March 31, 2010.**

LicenseEase password requirements do not comply with State Information Security Standards.

- The Agency will include the standards as defined in Title 1 as part of the LicenseEase upgrade.

**Target Date for Completion
August 31, 2011.**

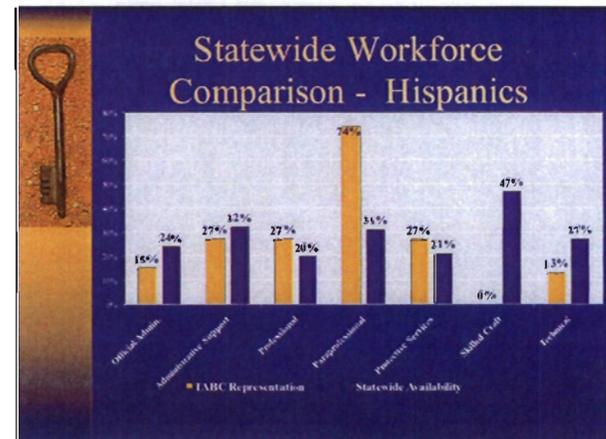
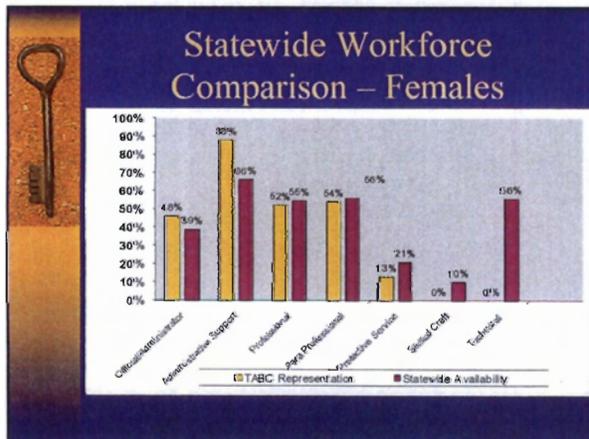
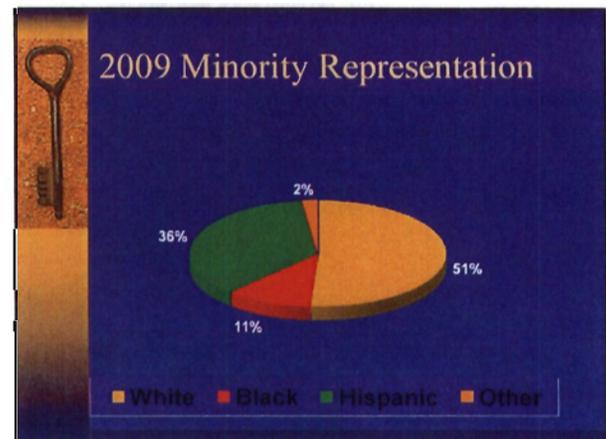
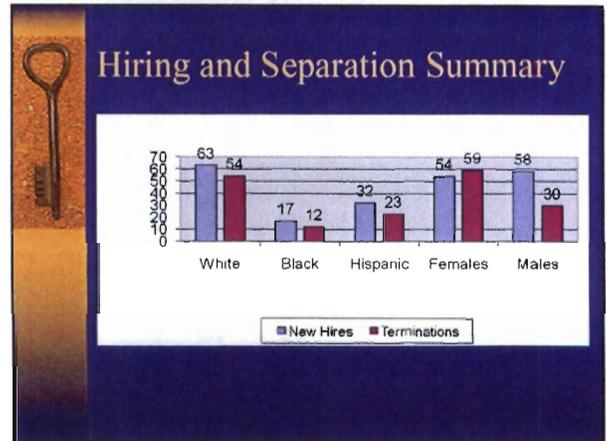


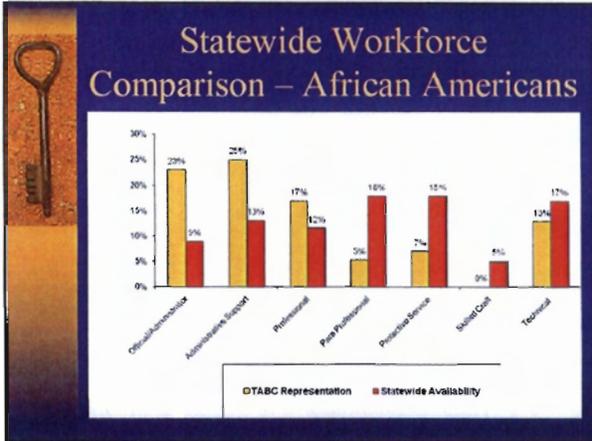
Attachment 5

**Annual Report on Agency Recruitment and
Hiring Policies**

Fiscal Stewardship Report

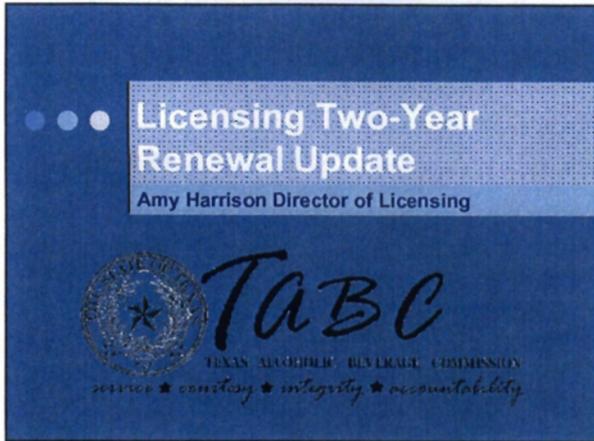
TABC Workforce Comparison Summary Fiscal Year 2009





Attachment 6

Update on Two-Year License/Permit Renewals



• • • **Changes to the Code**

- In 2007, Senate Bill 1217 of the 80th Legislative Session amended **Sections 11.09 and 61.03 of the Alcoholic Beverage Code** to allow TABC to issue a license or permit for a period of two years.

• • • **Changes to the Rules**

- The commission has adopted **Rule 33.25** to set out the schedule for the two-year permits.
- Laid out schedule for two-year licenses/permits.
- Adopted: August 22, 2008.
- Effective Date: September 11, 2008.

• • • **Licenses/Permits Effective October 1, 2008**

First Phase is an original or renewal application for:

- Agent's Licenses and Permits



• • • **Licenses/Permits Effective January 1, 2009**

Second Phase is an original or renewal application for:

- Liquor Permits without a Beer License

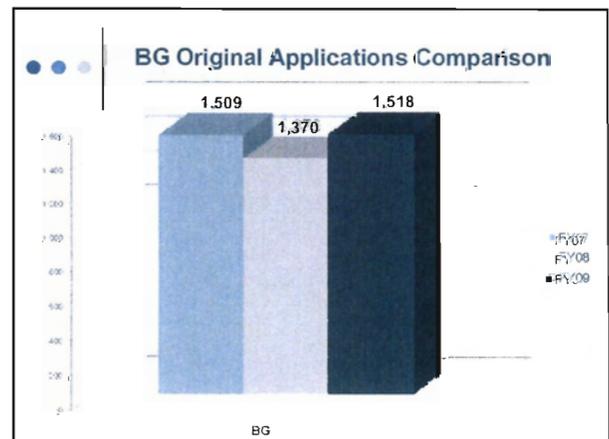
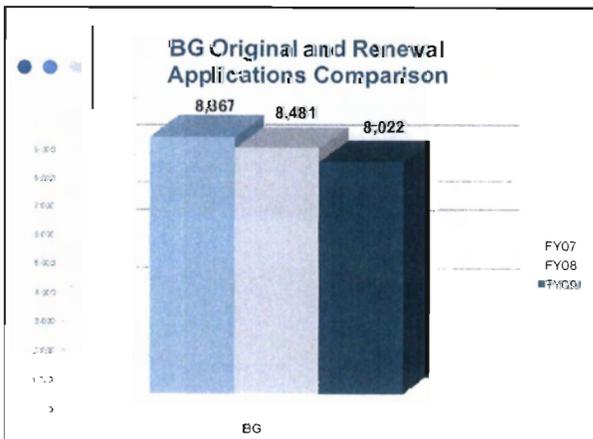
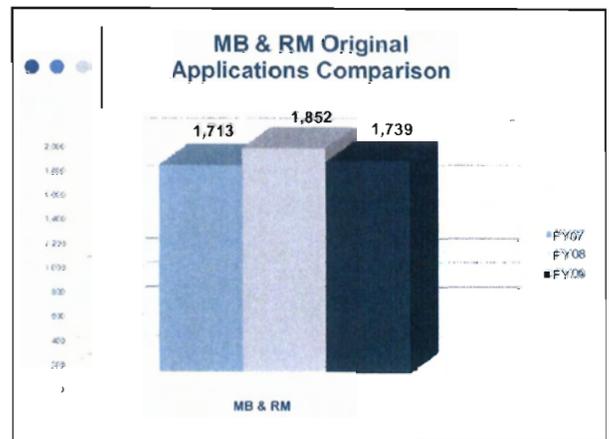
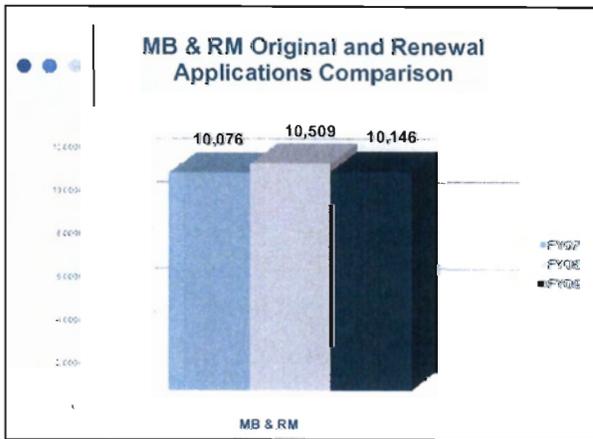
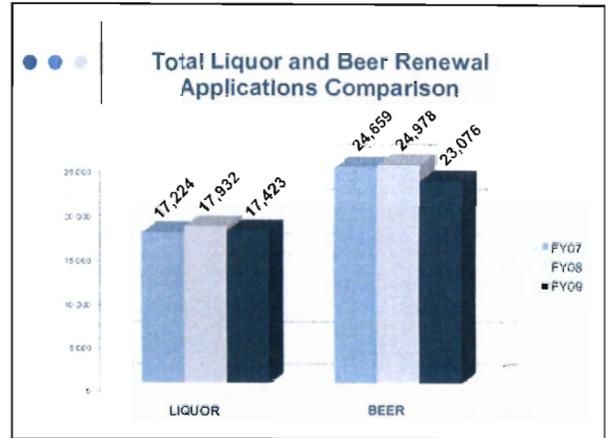
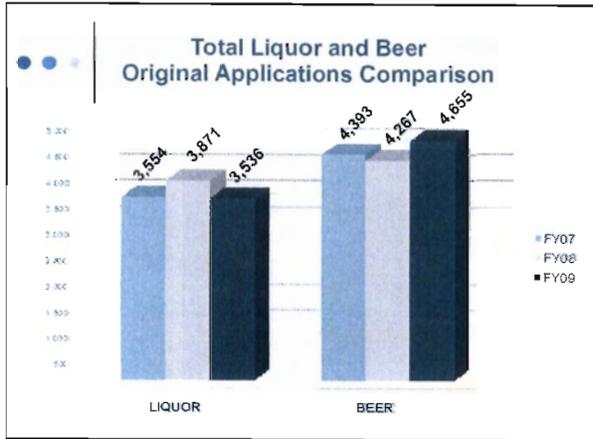


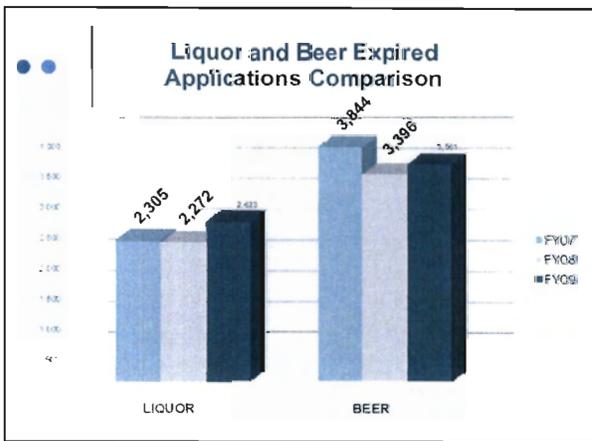
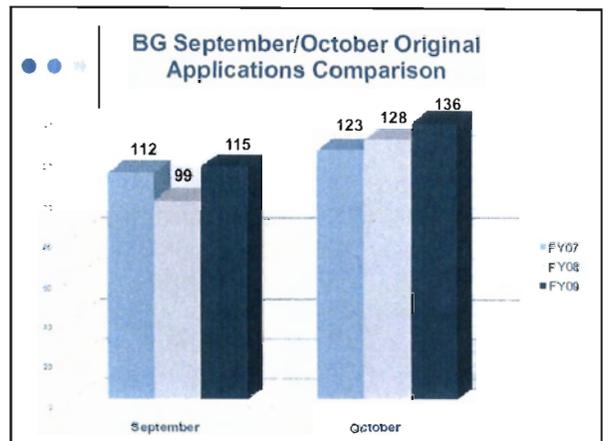
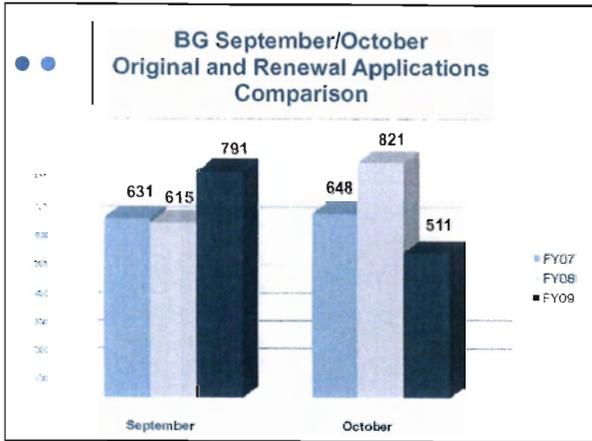
• • • **Licenses/Permits Effective September 1, 2009**

Final Phase is an original or renewal application for:

- Beer Licenses
- Beer Licenses with a Liquor Permit







According to the analysis...

- It appears that the implementation of two year fees has had minimal affect on the number of original and renewal applications being filed.

However...

- More analysis at a later date may show different results.

Attachment 7

IT Initiatives Update



Texas Alcoholic Beverage Commission

IT Initiatives Update

November 24, 2009



Introduction & Overview

Page 1

- **IRD Responsibilities**
 - Develop and maintain the core technology applications for the agency (i.e. LicenseEase, ARTS, Lotus Notes, Public Inquiry, Cash Credit Law)
 - Support the technology infrastructure that facilitates agency operations: computer hardware, software, telecommunications.
 - Oversee the data center services contract with Team for Texas (IBM). Includes servers at HQ and in the field.
- **Legislative Update**
 - Funding for 3 operations projects: Data Center Services, In-Car Computers and Security Upgrade.
 - Funding for 4 major application projects: Online Applications, Excise Tax Automation, Seller Server Training, and Case Management.
- **16 Active Projects. 14 Pending Projects.**



FY09 Initiatives

Page 2

- **Redesigned and Deployed new TABC Website and 2young2drink.com** (April - June 2009)
- **Deployed the New Online Cash Credit Law System** (Sept 2009)
- **Implemented 2 Year Renewals** (Sept 2009)
- **Completed the PC Refresh** (292 PCs by Aug 21, 2009.)
- **Completed the Email and Web Filtering Upgrade** (June 2009)
- **Migrated 6 Test/Dev Servers to the Austin Data Center** (Spring 2009)
- **Migrated all 12 Production Application Servers to the San Angelo Data Center** (Aug 2009)



In-Car Computers

Page 3

- **Benefits**
 - Access to agency applications through a secure VPN connection over wireless communications service
 - Secure access to other law enforcement resources (TLETS, NLETS)
 - GPS and mapping capabilities (Xmap)
 - Increased productivity and reduced administrative burden
 - Increased visible police presence on the street




- **Deployment Status**
 - 43 units deployed in FY07 & FY08.
 - 50 additional units being installed by December 3rd. (30 already installed.)



Data Center Services

Page 4

Project Name	Business Objective & Purpose	Status	Budget
DCS Transformation / Consolidation Transition (Complete) Transition (in Process) Optimization (Not Started)	HB1516 established the Statewide Technology Center for Data and Disaster Recovery Services. TABC has transitioned to Data Center Services and is in the process of reletting and transferring necessary servers under T4T control.	Funding approved by 81st legislature. Test/Dev servers in ADC 12 App servers in SDC. 3 servers remaining. 17 remote servers remain.	\$1,659,217

Before



After



At Angelo State University, the Mathematics-Computer Science Building houses the Texas State Data Center on the 10th floor.



Data Center Services

Page 5

- **Data Center Transformation – 27 servers:**
 - 6 test/dev servers moved to Austin Data Center
 - 2 new test/dev servers installed at San Angelo Data Center
 - 12 application servers migrated to San Angelo Data Center (outstanding issues)
 - 2 new servers (Domain Controller and DMZ) in San Angelo Data Center
 - 2 servers (Domain Controller and DMZ) servers will not be migrated
 - 3 servers remain untransformed, awaiting Team for Texas recommendation
- **Remote Office Transformation – 20 servers:**
 - 17 servers will be consolidated to the San Angelo Data Ctr (on hold)
 - 3 servers (Dallas, Houston, San Antonio) will not be consolidated
 - Several aging servers to be refreshed while transformation is on hold
- **Outstanding Issues:**
 - Application Failures. We continue to work with Team for Texas to improve existing performance and communication issues.
 - Invoice Disputes. We have 9 disputes totaling \$72,501.89 from as far back as Dec 2007.
 - Visibility into Data Center servers. TABC can no longer monitor hardware.
 - Service Delivery. We are participating in an IT Optimization Workshop with Team for Texas to improve overall processes and service delivery.

TABC Applications Projects
Page 6

Project Name	Business Objective & Purpose	Status	Budget
Online Applications	Implement online license renewals, original applications, use TexasOnline to collect fees. Upgrade LicenseEase to Versa Regulation.	Requirements phase complete. Making Build vs. Buy decision. Online renewals for As, BKs & Ts by Spring 2010. Online originals by Winter 2010.	\$801,675
Excise Tax Automation	Electronic submission of reports and invoices and automated reconciliation and reporting	Project Charter Approved. Selecting DBITS Vendor (9 responses received). Start development about 1/1/2010. Go-live TBD based on vendor	\$728,530
Seller Server Training	Improve training to beverage sellers/servers. Offer curriculum online. Modify rule to accommodate technology improvements.	Acquiring curriculum developer. Finalizing business and funding model. Proposed Rule Changes will be presented at the January mtg.	\$263,977
Case Management (ARTS Expansion)	Build a comprehensive view of cases between ARTS & LicenseEase. Replace NETRMS/CrisNet.	Project Charter approved. Quick Wins in process. Analysis being undertaken for complex data access and workflow	\$145,600

TABC Public Transaction Systems
Page 7

- Agency is shifting to online systems that interact directly with the industry and interested public.
 - Public Inquiry
 - Cash Credit Law
 - Seller Server Training
 - Online Licensing Applications
 - Excise Tax
 - Miscellaneous Order Management
 - Label Approval



- Leveraging TexasOnline
 - Payment Portal (TPE) for online payments
 - Application Development Services
 - Participated in the development of MyTexBiz, a Governor's Office Initiative for one-stop shopping to open a restaurant.



TABC Questions?
Page 8



Attachment 8

**Update on FY 2009 Fourth Quarter Performance
Measures and FY 2010 to Date Performance
Measures (Field Operations)**

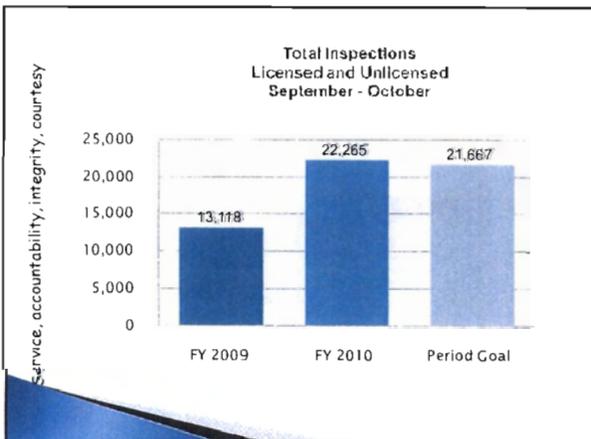
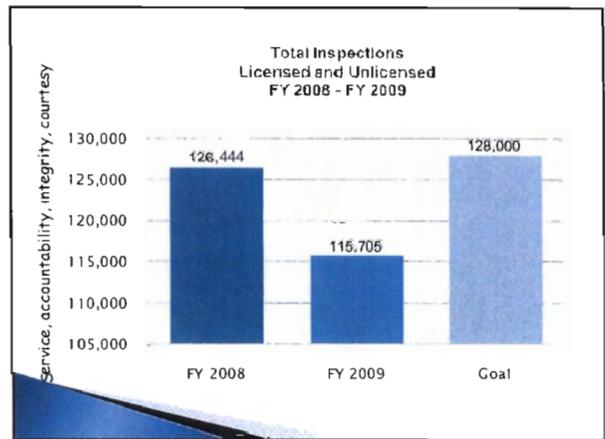
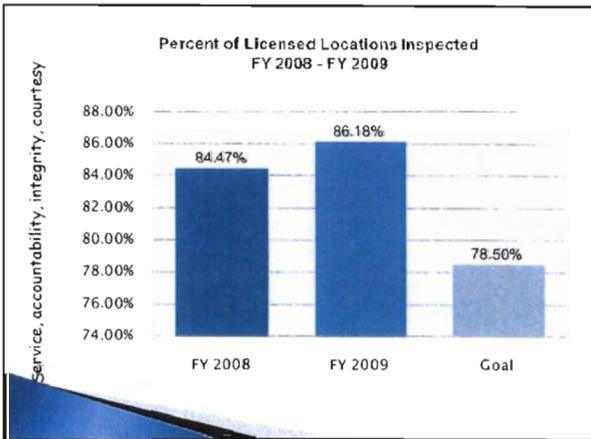
Service, accountability, integrity, courtesy

KEY PERFORMANCE MEASURES FIELD OPERATIONS

Chief Joel Moreno
Field Operations

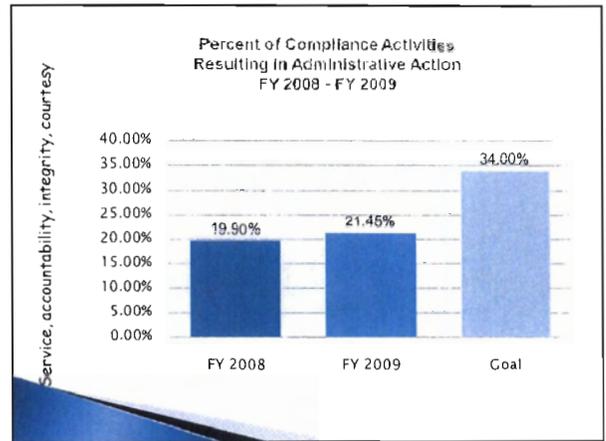
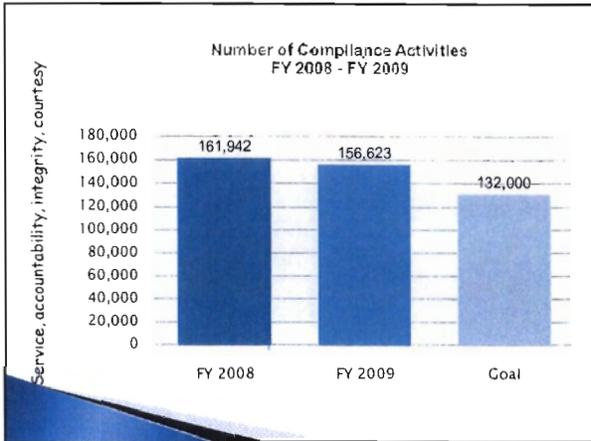
Service, accountability, integrity, courtesy

ENFORCEMENT KEY OUTCOME MEASURES



Service, accountability, integrity, courtesy

COMPLIANCE KEY OUTCOME MEASURES



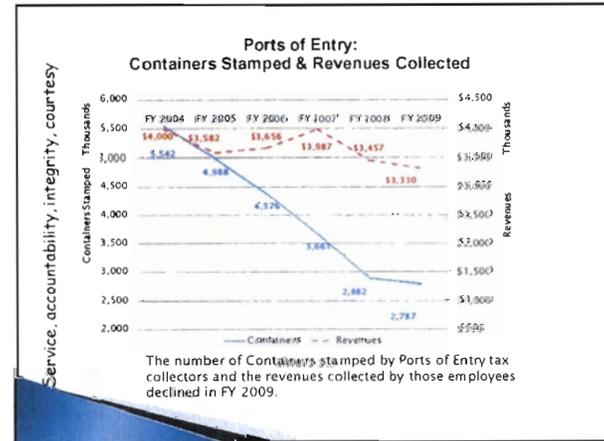
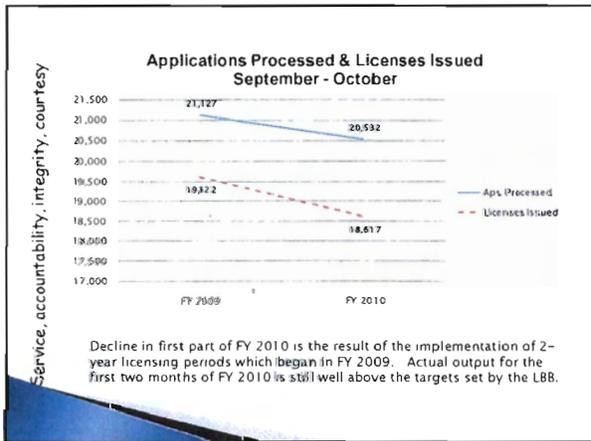
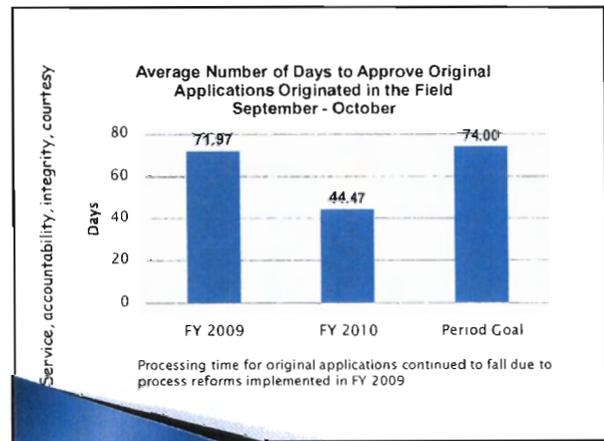
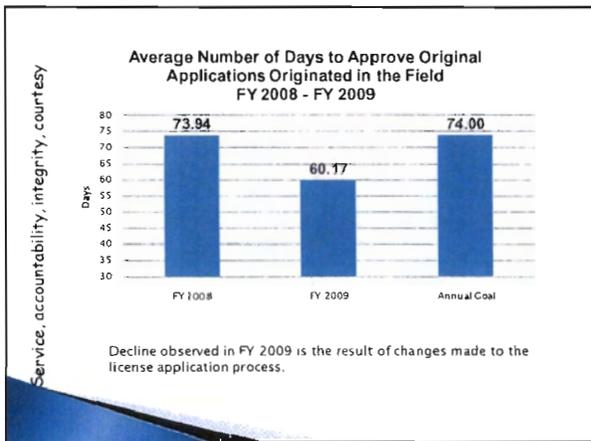
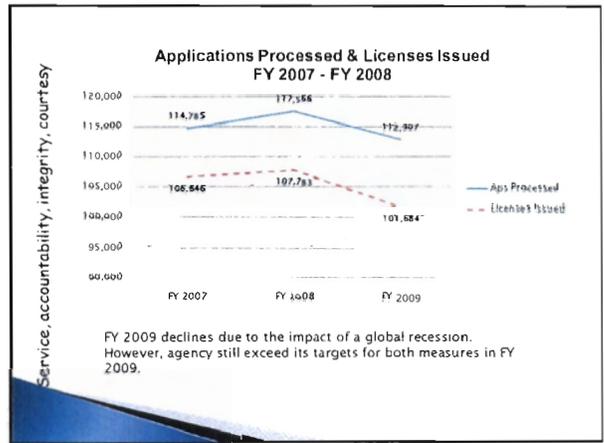
Attachment 9

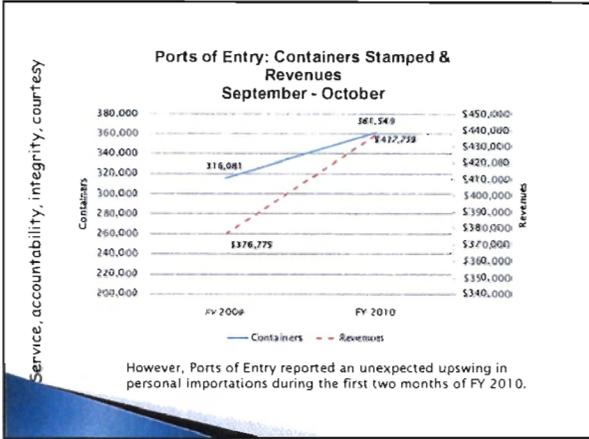
**Update on FY 2009 Fourth Quarter Performance
Measures and FY 2010 to Date Performance
Measures (Support Services)**

Service, accountability, integrity, courtesy

KEY PERFORMANCE MEASURES

Sherry Cook
Assistant Administrator





Service, accountability, integrity, courtesy

QUESTIONS?

Attachment 10

Enforcement Manual Update

Enforcement Manual

2009 Revision/Update Team

- ### Enforcement Manual
- ▶ This last summer a decision was made to look at the entire manual.
 - ▶ Started the process in August
 - ▶ Hank Blanchard, Lt. Harold Schreffler, Sergeants Cathleen Cavazos, Jeff Taylor and Joe Cavazos and Agents Darryl Darnell and Courtney McNutt
 - ▶ Working meetings in Abilene, San Antonio and The Woodlands
 - ▶ Two reviews at HQ

- ### Enforcement Manual
- ▶ The new manual incorporates all of the agency's mission, vision, Guiding Principles and our four cornerstones
 - ▶ Accountability at every level has been emphasized
 - ▶ The manual reflects our direction and continued emphasis on investigations
 - ▶ Every peace officer employed at TABC will have a manual

- ### Enforcement Manual
- ▶ **Ledger to acknowledge receipt of the manual and all updates or changes**
 - ▶ Individual peace officer will sign the ledger.
 - ▶ That peace officer's supervisor will sign the ledger.
 - ▶ **Risk-Based Inspections**
 - ▶ Too much time occurs once a locations is identified as a priority location
 - ▶ Notification and education occur on a faster pace
 - ▶ Violation follow-up inspection happens sooner
 - ▶ Priority locations treated as a priority

- ### Enforcement Manual
- ▶ **Training**

All supervisors will be taught the manual on December 1st and 2nd at the DPS Academy.

Supervisors will take the new manual and teach it to every peace officer in their offices before January 15, 2010.
 - ▶ **Implementation**

January 15, 2010 will be the effective date for the manual.

CERTIFICATION

REGULAR COMMISSION MEETING

9:30 a.m. – November 24, 2009

5806 Mesa Drive
Austin, Texas 78731



TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

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 November 24, 2009.

A handwritten signature in black ink, appearing to read "Alan Steen".

Alan Steen
Administrator

Sworn and subscribed before me this the 11th day of January 2010.



A handwritten signature in black ink, appearing to read "Gloria Darden Reed".

Gloria Darden Reed
Notary in and for Nueces County