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October 12, 2011

The Honorable Rick Murphy, Chair
Joint Legislative Audit Committee

The Honorable Carl Seel, Vice Chair
Joint Legislative Audit Committee

Dear Senator Murphy and Representative Seel:

Our Office has recently completed a 24-month followup of the Arizona Department of Liquor Licenses and Control (Department) regarding the implementation status of the 18 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in August 2009 (Auditor General Report No. 09-08). As the attached grid indicates:

- 10 have been implemented;
- 4 are in the process of being implemented; and
- 4 have not been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the August 2009 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ss
Attachment

cc: Alan Everett, Director
Arizona Department of Liquor Licenses

Arizona Department of Liquor Licenses and Control

Auditor General Report No. 09-08

24-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Finding 1: In order to enhance its law enforcement presence and the effectiveness of investigations, the Department should

<p>1.1 In order to enhance its law enforcement presence and the effectiveness of investigations, the Department should:</p> <ul style="list-style-type: none"> a. Develop and implement policies and procedures that incorporate guidance and direction to its officers regarding how to prioritize their workloads, conduct various investigative activities, effectively plan investigation shifts, and define performance expectations; b. Establish and implement specific monitoring requirements for its investigations supervisors, including monitoring officer activities against the guidance that it implements; c. Inform all licensees who have been the target of an investigation, covert or otherwise, of the outcome of the investigation; and; d. Develop and implement a formal program for conducting targeted follow-up investigations at problem establishments. 	<p>Implemented at 6 months</p> <p>Implemented at 6 months</p> <p>Implemented at 24 months</p> <p>Implementation in process Although the Department has established weekly investigator meetings to discuss problem establishments, and developed a policy to target problem establishments, it has not developed and implemented policies and procedures regarding the collection and analysis of investigative data to help identify problem establishments and determine whether additional investigative activities are warranted. According to the Department, it will implement a more formal process for collecting data and then generate reports for targeting problem establishments when the Department's new Web-based Electronic Licensing Information System (ELIS) is complete. The Department expects this system to be implemented in January 2012.</p>
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Recommendation

Status/Additional Explanation

1.2 The Department should establish and implement policies and procedures that ensure its investigations data is complete and accurate, and supports its revised approach by:

- a. Developing procedures specifying how to code investigative activities on weekly logs, and requiring the use of unique identifiers for each licensee investigated;
- b. Entering all investigation information into the Department's database, including information for all complaints and all investigations, regardless of whether violations are found or not;
- c. Monitoring the information collected and entered into the database and ensuring that staff follow the new policies and procedures;
- d. Analyzing the information collected to help track and identify the licensees who have and have not been investigated, the types of investigative activities performed, and the results of those activities to more effectively direct and prioritize its investigative activities; and
- e. Identifying and generating any additional reports it would need to direct its investigative activities.

Implementation in process

According to the Department, policies and procedures for using unique identifiers will be drafted after ELIS is implemented, which is expected in January 2012. In the meantime, the Department has revised its procedures for how to code investigative activities on weekly logs.

Not implemented

The Department reported that it is waiting for the implementation of ELIS before it develops and implements policies and procedures for entering and monitoring data entry, and analyzing investigative information. See explanation 1.2a.

Not implemented

See explanation 1.2b.

Not implemented

See explanation 1.2b.

Implementation in process

Because ELIS has yet to be implemented, the Department does not have the ability to generate system reports that would help direct its investigative activities. The Department reported that it is still addressing this recommendation in the interim with weekly investigator meetings, investigator planners, and daily reports completed by investigators to review, direct, and monitor investigative activities.

Finding 2: The Department should either establish or make the following revisions to its enforcement policies and procedures and ensure that it implements and consistently follows the revised policies and procedures

<p>2.1 The Department should either establish or make the following revisions to its enforcement policies and procedures and ensure that it implements and consistently follows the revised policies and procedures:</p>	
<p>a. Expand its penalty guidelines to ensure that these guidelines incorporate penalties for all possible violations;</p>	<p>Implemented at 6 months</p>
<p>b. Expand its violation groupings to encompass all liquor law violations;</p>	<p>Implemented at 6 months</p>
<p>c. Revise its grouping policy to ensure that serious violations, regardless of the group, can be used to escalate fines against serious and repeat state liquor law offenders;</p>	<p>Implemented at 6 months</p>
<p>d. Revise its policies to consider any prior violations committed within the previous 2 years as aggravating factors against the new violation, regardless of the nature of the prior violations;</p>	<p>Implemented at 6 months</p>
<p>e. Eliminate or revise the 50 percent discount for minor first offenses. If the Department opts to keep but revise the policy, those revisions should include a definition for minor and a requirement to apply reduced fines for only minor violations; and</p>	<p>Implementation in process The Department has opted to retain this policy. Specifically, the policy makes the discounted fine option available for all violations, regardless of the nature of the violation. According to the Department, it has retained this policy because it reduces the number of cases that would result in costly hearings and contribute to a backlog of cases. However, the Department has taken some steps to implement this recommendation. First, the Department has defined "minor violations" as any first-time offense that does not require immediate response or action, or cause concern for public safety and well-being; or any egregious act or combination of violations that show the lack of capability, reliability, and qualification by a licensee or controlling person. In addition, according to the Department, it does not apply its 50-percent discount in all cases, such as for violations resulting from restaurant audits.</p>
<p>f. If the Department retains its policy to offer a discounted fine for a minor first-time offense, it should revise its policies to ensure that a discounted fine for a minor first-time offense is offered to a licensee only once.</p>	<p>Not implemented The Department reported that it does not plan to revise this policy, which includes the option of offering licensees a discounted fine for a first-time offense once every 2 years. As a result, licensees could receive a discounted fine more than once.</p>

Recommendation**Status/Additional Explanation**

2.2 The Department should ensure that it documents any deviations from its penalty guidelines.

Implemented at 6 months

Sunset factor #3: The extent to which the Department has operated within the public interest

1. The Department should lock all checks and monies during the day.

Implemented at 6 months

2. The Department should stop circulating copies of checks and/or sensitive bank account information along with the license application as applications are processed. Instead, department staff should note the appropriate payment information, such as the amount and the date of payment, on the application.

Implemented at 6 months
