



A Limited Performance Audit of The Department of Alcoholic Beverage and Control

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Mission Statement

We provide Utah taxpayers and government officials with an independent assessment of financial operations, statutory compliance, and performance management for state and local government.



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Why We Did This Audit

Every two years, beginning fiscal year 2013-14, the state auditor shall conduct an audit of the department's:

(a) Management operations, best practices, and efficiency; and

(b) Ethics and statutory compliance

Utah Code, Section 32B-2-302(3)



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Areas of Focus

1. Inventory Management
2. Retail Management
3. Independent Contractor Classification



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Areas of Focus

1. Inventory Management



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Inventory Turn Rates

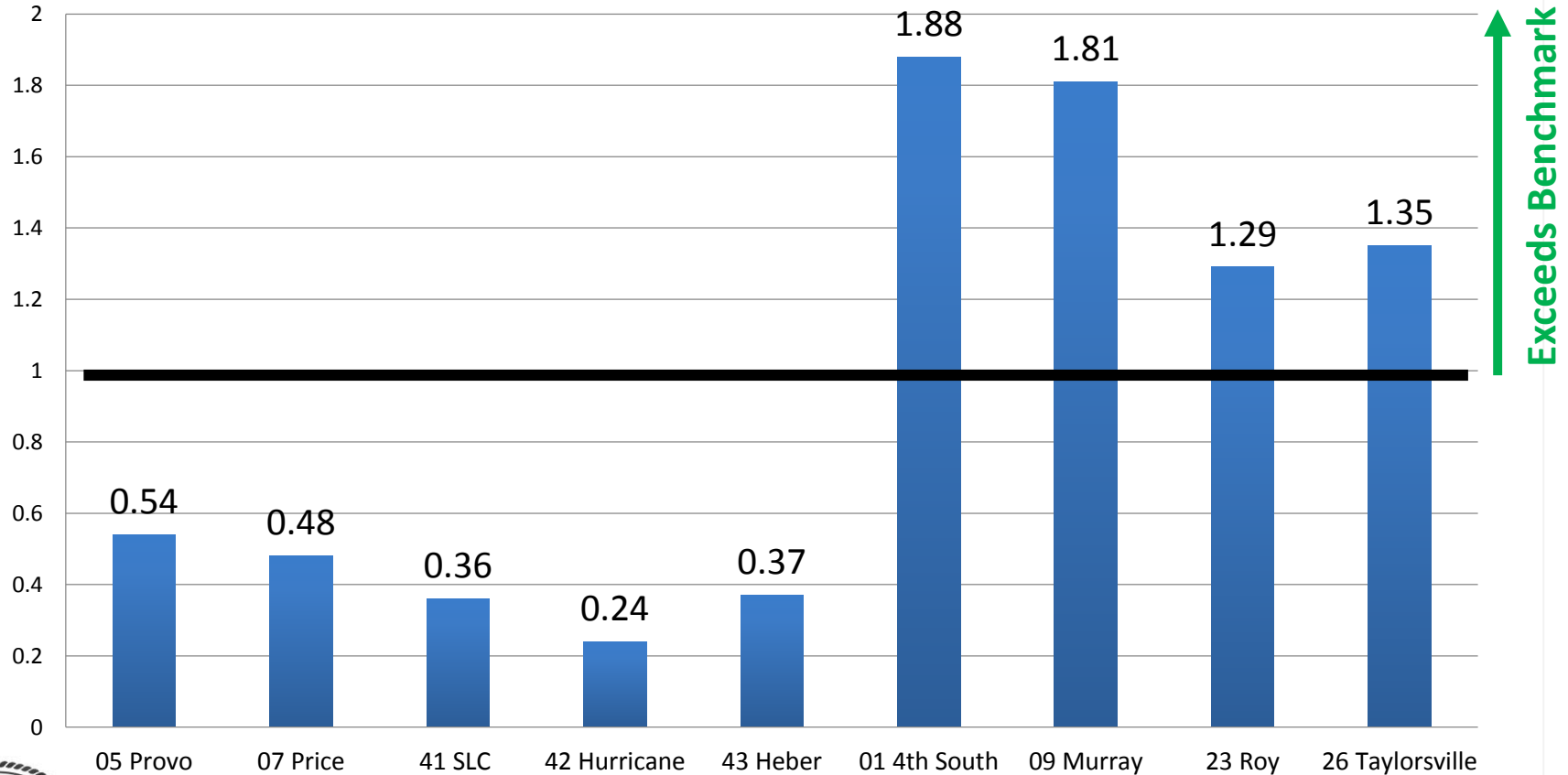
Figure 1.1	Retail Store Turn Rate Progress FY13 to FY14		
Turn Rate Improvement*	Number of Stores	Percent of Total Stores	Percent of Total Sales
Increase**	38	86.4%	86.8%
Decrease***	6	13.6%	13.2%
Total	44	100.0%	100%

Figure 1.2	Turn Rate Benchmark FY14	
Achieved Benchmark*	Number of Stores	Percent of Total
Yes**	14	31.8%
No***	30	68.2%
Total	44	100.0%

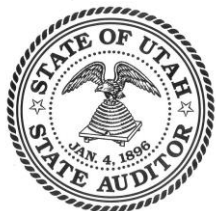


Average Monthly Turn Rates

Average Turns FY14

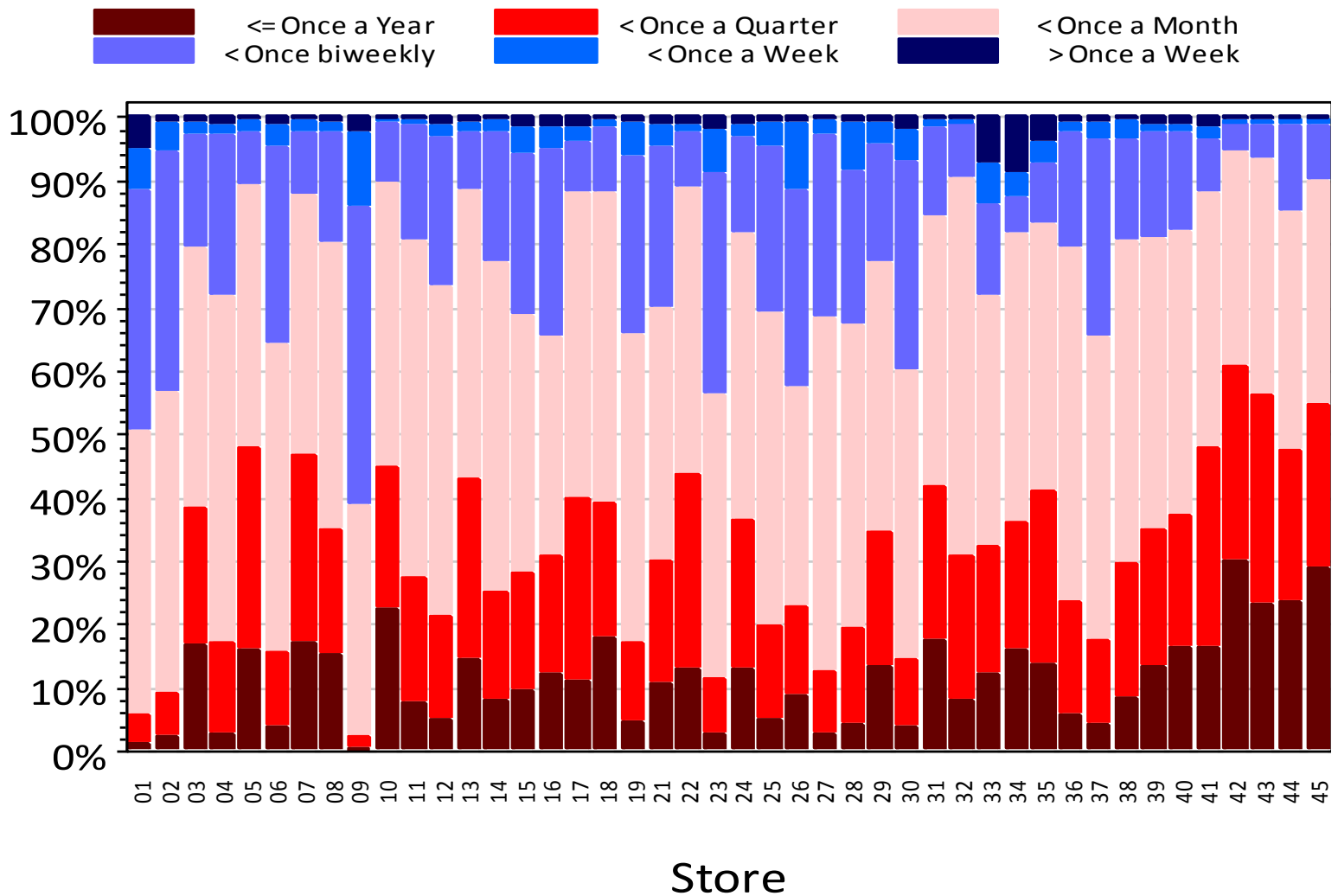


Exceeds Benchmark



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Inventory Turn Rate by Store

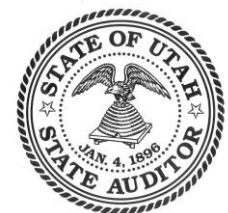


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Recommendations

Consider the following to meet the benchmark goal for inventory turnover:

- Identify and share best practices
- Convert to demand-driven inventory management
- Consider smaller, more frequent shipments



Inventory Management

- Missing UPC Codes
 - Required by DABC Policy
 - Increased possibility of receiving, inventory count, and shipment errors
 - May result in inventory excesses or shortages



Recommendations

- Adhere to DABC policy by requiring all products to be properly marked with both UPC and CSC codes to improve accuracy of inventory.



Areas of Focus

1. Inventory Management
- 2. Retail Management**



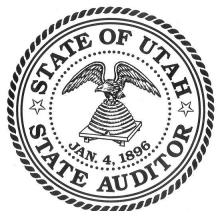
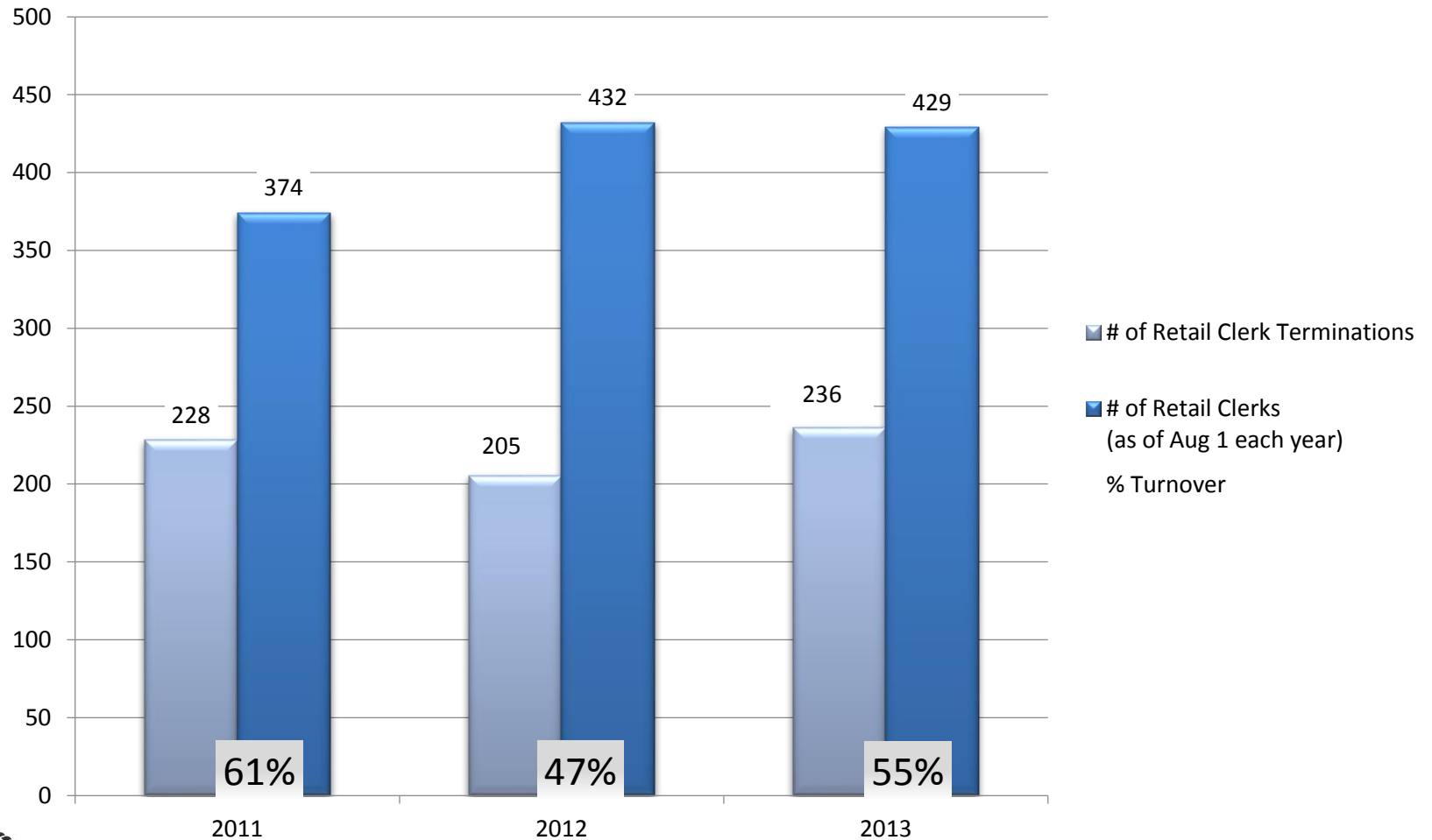
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Employee Survey of Retail Clerks

- Mailed 450 surveys to DABC Retail Clerks
- Received 152 responses (34% response rate)

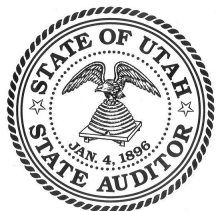
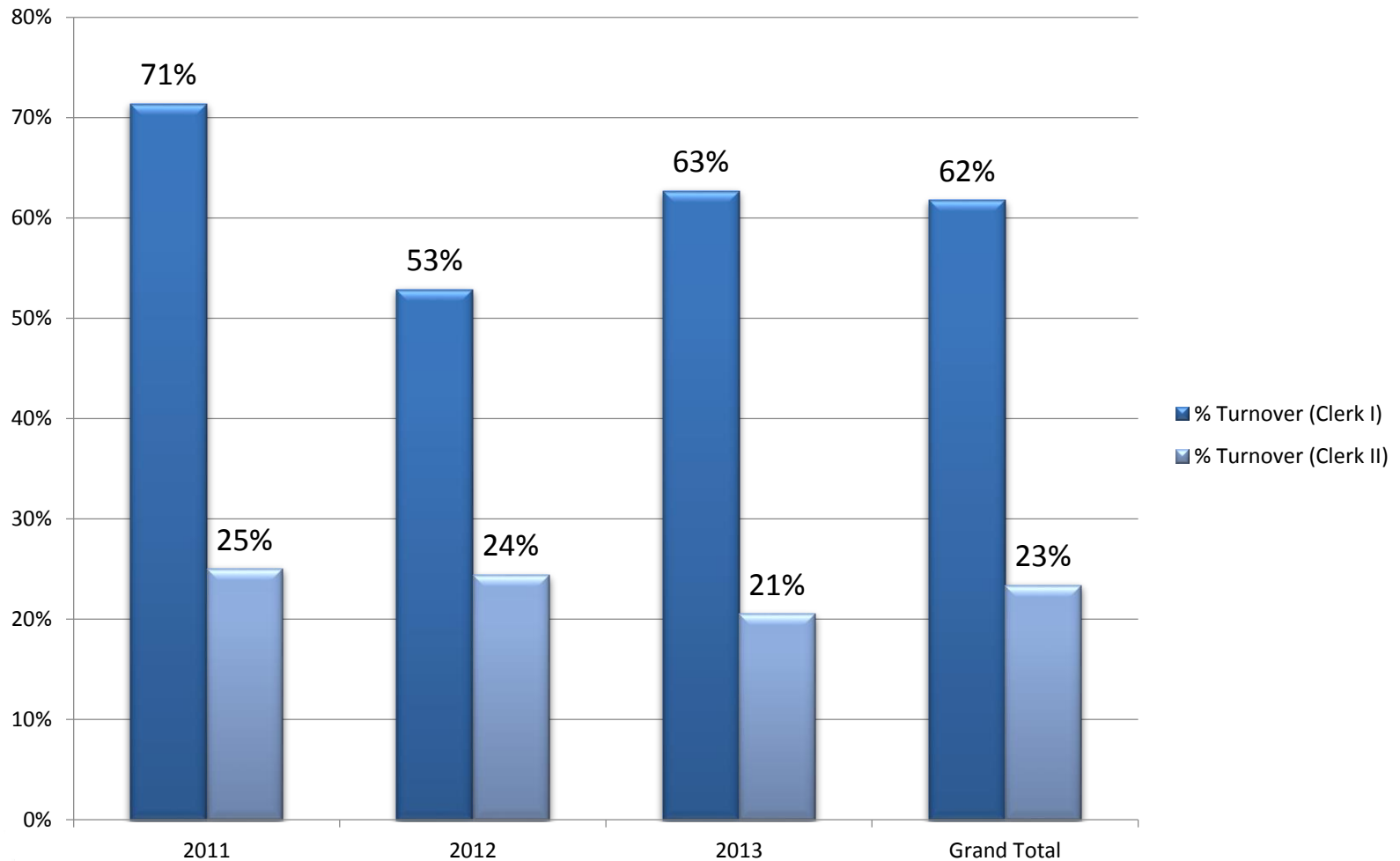


DABC Retail Sales Clerk Turnover Rates by Year



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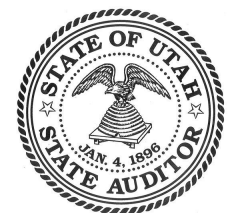
DABC Retail Sales Clerk Turnover Rates by Position



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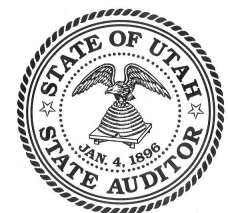
Recommendations

- Identify and share best practices for store managers
- Determine and track an appropriate turnover rate for employees
- Conduct exit survey



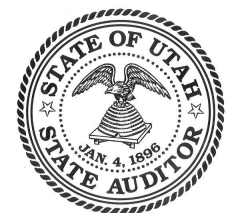
Performance Reviews

- DABC Store Manager Handbook states: “... employee evaluation should be viewed as an ongoing process instead of a once a year event. Every employee should, at the minimum, receive a quarterly informal review.”
- “Poor performance is effectively addressed throughout DABC”
 - 37% agree
 - 22% neutral
 - 41% disagree



Recommendations

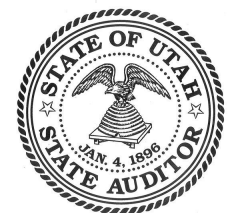
- Adhere to department policy regarding the performance review process to improve poor performance among employees.



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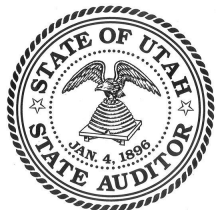


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Employee vs Independent Contractor

- The entity determines when and where the employee works
- The entity determines what tools or equipment the employee will use
- The entity determines how work must be performed

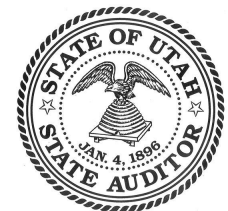
Internal Revenue Service Publication 15



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Recommendations

- Review IRS criteria and best practices to determine how to classify security guards (employee versus independent contractor).
- Revise the contract for security guards to comply with IRS guidelines accordingly.





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