



OFFICE OF THE
UTAH STATE AUDITOR

News Release

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**Office of the State Auditor Releases Report on
Department of Alcoholic Beverage Control
*Special Financial and Limited Performance Audit
For Procedures Performed During Fiscal Year 2016***

Salt Lake City, UTAH –

The Office of the State Auditor (Office) today released its report on the Department of Alcoholic Beverage Control - Special Financial and Limited Performance Audit For Procedures Performed During Fiscal Year 2016. This report provides recommendations in five performance and financial areas to strengthen Department of Alcoholic Beverage Control (DABC) operations, internal controls, and accounting practices.

Control State Best Practices

The Office surveyed and compared operational practices between Utah and other alcohol control jurisdictions to identify business best practices and found:

- DABC has inadequate tracking and evaluating of store level costs
- Key metrics used by other jurisdictions could benefit DABC
- Enhanced store performance evaluations could benefit DABC
- DABC's warehousing square footage is better utilized than at most other jurisdictions

Staffing Analyses

The Office analyzed DABC's available staffing data and found:

- DABC's staffing of stores could be more responsible to sales, particularly on weekends.
- Feedback to employees can be strengthened.
- Hourly wages trend lower than control states but are comparable to the convenience store industry in the West.
- DABC employee benefits are richer than those for employees within the convenience store industry
- DABC should continue to develop and expand its product knowledge trainings to strengthen store employees' expertise.

Product Ordering System

The Office reviewed the use and effectiveness of the product ordering system and found the following:

- Ordering and stocking of limited product could be improved by use of forecasting tools to replace uninformative out-of-stock reports

- More frequent monitoring of limited product levels could improve product selection
- The Product Special Request System appears to be operating effectively

Follow-up of Prior Year Findings

The Office reviewed issues identified in prior year audit reports and found:

- Certain accounting controls are still not in place
- Reconciliations still are not occurring as required by DABC
- Brewery, distillery, and winery reports are still not verified
- Security guard contracts have been revised to follow IRS guidelines

Financial Reports

The Office performed procedures to verify the accuracy of the information presented in financial reports prepared for the DABC Commission. The Office found that these reports were generally accurate but could be modified to provide the Commission with key performance metrics.

“Ultimately, DABC management lacks the flexibility, data, and tools to achieve the level of operational success we expect,” said State Auditor John Dougall. “DABC retail operations could be improved, by possibly modeling best practices within the convenience store industry. Too often DABC is burdened with legacy government procedures, systems, compensation, and employment practices which impair efficient and effective operations within a control-state structure.”

The report may be found on the Office’s website, auditor.utah.gov, and specifically <http://financialreports.utah.gov/saoreports/2016/16-02DABCFin&PARptAlcoholicBeverageControl,Departmentof.pdf> .

About the Office of the State Auditor

The Office of the State Auditor provides Utah taxpayers and government officials with an independent assessment of financial operation, statutory compliance, and performance management for state and local government.

Specific activities of the Office include performing financial audits, conducting Federal funds compliance audits, providing local government oversight, conducting agency and program performance audits, performing fraud and compliance audits, and operating the State Auditor Hotline for citizens to report suspected financial issues or improprieties. These capabilities strengthen Utah State Government and help taxpayers have confidence in the integrity of Utah’s government agencies.

The State Auditor is a Constitutional Officer of the State of Utah, elected directly by the state’s citizens every four years. The role of the State Auditor is authorized in Article VII, Section 15 of the Utah Constitution. For more information, see auditor.utah.gov.

Contact:

Nicole Toomey Davis
Public Information Officer
Office of the Utah State Auditor
801-678-4835
ndavis@utah.gov