

Alcoholic Beverage Commission

**For the Years Ended
June 30, 1999, and June 30, 1998**

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John G. Morgan
Comptroller

March 29, 2000

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Mr. Gregory Harrison, Executive Director
Alcoholic Beverage Commission
Suite 300, Capitol Boulevard Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Alcoholic Beverage Commission for the years ended June 30, 1999, and June 30, 1998.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Alcoholic Beverage Commission's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Alcoholic Beverage Commission is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Alcoholic Beverage Commission's management in a separate letter.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/ms
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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Alcoholic Beverage Commission
For the Years Ended June 30, 1999, and June 30, 1998

AUDIT SCOPE

We have audited the Alcoholic Beverage Commission for the period July 1, 1997, through June 30, 1999. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, equipment, confiscated inventory, the Alcohol Server Training Program, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The audit report contains no findings.

Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
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Audit Report
Alcoholic Beverage Commission
For the Years Ended June 30, 1999, and June 30, 1998

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	2
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	2
Revenue	2
Equipment	4
Confiscated Inventory	4
Alcohol Server Training Program	5
Financial Integrity Act	5
PRIOR AUDIT FINDINGS	6
OBSERVATIONS AND COMMENTS	6
Title VI of the Civil Rights Act of 1964	6

Alcoholic Beverage Commission For the Years Ended June 30, 1999, and June 30, 1998

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Alcoholic Beverage Commission. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The commission consists of three members, one from each grand division of the state, appointed by the Governor for terms concurrent with the Governor’s term. The executive director of the commission, a licensed attorney, is the chief administrator and is aided by an assistant director and a chief law enforcement officer. The commission also employs special agents who are authorized to enforce the provisions of the applicable criminal statutes, as well as those rules and regulations enacted by the commission. These agents are responsible for regulatory inspections and liquor and/or drug investigations which may be covert or overt.

The commission’s primary responsibility is to enforce the rules and laws governing the liquor industry in Tennessee. Regulation and enforcement of alcoholic beverages containing less than five percent alcohol, i.e. beer, are handled by the local jurisdictions and vary significantly from place to place.

In 1995, the General Assembly passed legislation creating a statewide server training program and assigned the commission as the administrator. The purpose of the program is to make alcoholic beverage industry employees aware of the responsible service, sale, and dispensing of alcoholic beverages. The ultimate goal of the program is to help reduce the number of deaths and injuries caused by intoxicated drivers, reduce the numbers of intoxicated drivers on state highways, and reduce the property damage resulting from alcohol-related accidents. Servers also receive training on identifying underage drinkers and intoxicated individuals. The server training program is financed entirely by fees generated from class registration.

An organization chart of the commission is on the following page.

The commission is part of the general fund of the State of Tennessee. The audit covered allotment code 316.03.

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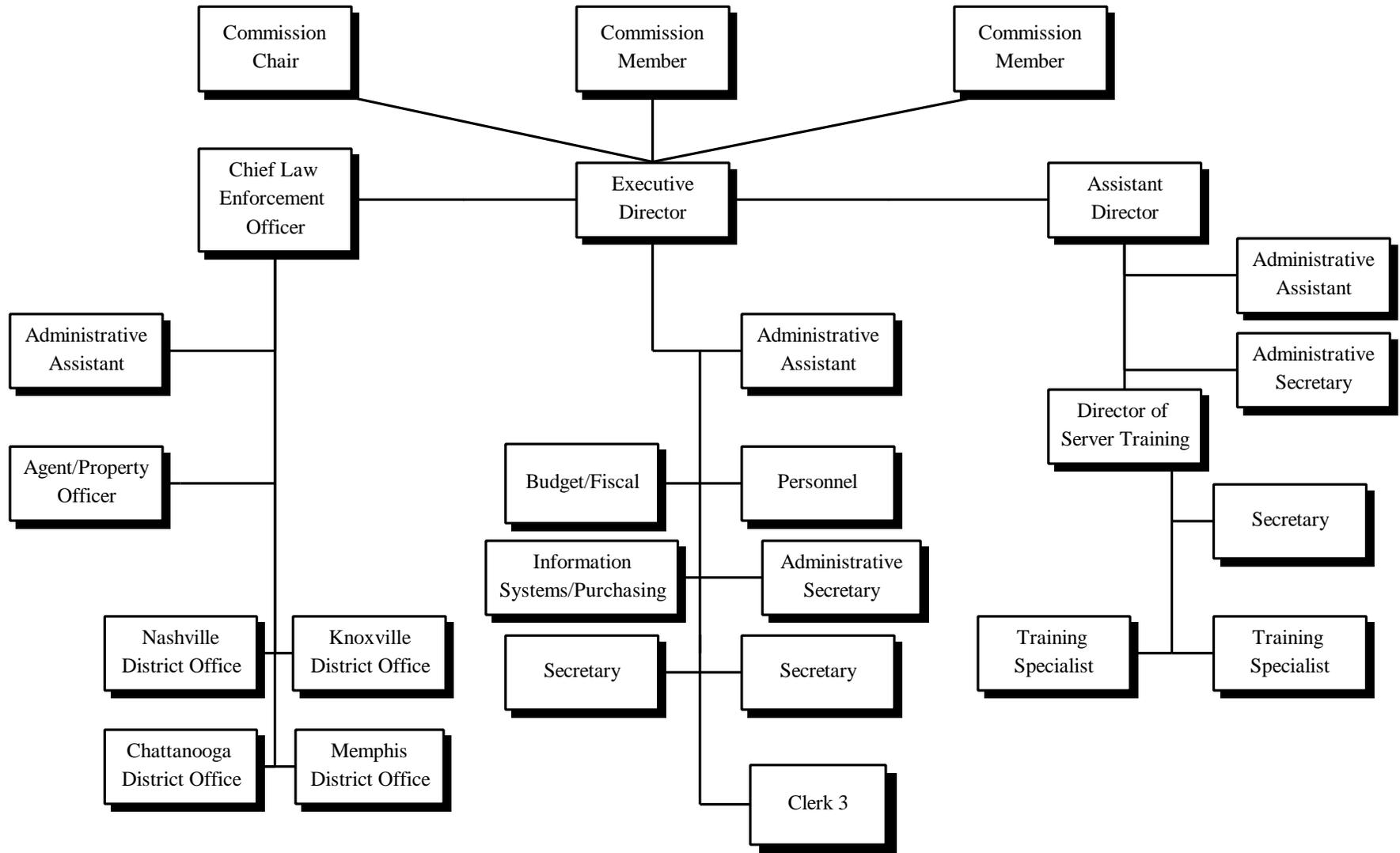
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in the area of revenue were to determine whether

- cash collected during the audit period was deposited timely and recorded properly,
- physical controls over cash were adequate,
- revenues or fees had been billed or charged and recorded at the correct amount,
- petty cash or change funds had been authorized by the Department of Finance and Administration,
- records were reconciled with Department of Finance and Administration reports, and
- liquor dealers had paid their taxes before their licenses were renewed.

Alcoholic Beverage Commission Organization Chart



We interviewed key commission personnel to gain an understanding of the commission's procedures for and controls over revenue transactions and liquor dealers' licenses. We reviewed supporting documentation and tested nonstatistical samples of revenue transactions and liquor dealers' files.

We had no findings related to revenues; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

EQUIPMENT

Our objectives in reviewing controls and procedures over equipment were to determine whether

- the information on the Property of the State of Tennessee (POST) system was accurate,
- lost and missing equipment was reported to the Comptroller of the Treasury and removed from the equipment listings, and
- property and equipment were adequately safeguarded.

We interviewed key commission personnel to gain an understanding of the commission's procedures for and controls over equipment transactions. We reviewed supporting documentation and tested nonstatistical samples of equipment transactions.

We had no findings related to equipment; however, other minor weaknesses were reported to management in a separate letter.

CONFISCATED INVENTORY

Our objectives in reviewing the confiscated inventory were to determine whether

- controls and procedures for confiscated inventory were adequate, and
- inventory recorded represented a complete listing of the commission's confiscations and such items were physically on hand.

Key commission personnel were interviewed to gain an understanding of the commission's procedures for and controls over confiscated inventory. We reviewed supporting documentation and performed inventory test counts.

We had no findings related to confiscated inventory; however, other minor weaknesses were reported to management in a separate letter.

ALCOHOL SERVER TRAINING PROGRAM

Our review of this program focused on determining whether

- controls and procedures for the program were adequate,
- the correct server permit and training program certification fees had been charged and collected, and
- a system is in place to ensure that programs licensed to train more than 25 servers a year post an indemnity bond.

We interviewed key commission personnel to gain an understanding of the commission's procedures for and controls over the Alcohol Server Training Program. We reviewed supporting documentation and tested nonstatistical samples of server permits and training program certifications issued.

We had no findings related to the Alcohol Server Training Program; however, other minor weaknesses were reported to management in a separate letter.

FINANCIAL INTEGRITY ACT

The Financial Integrity Act of 1983 requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30, 1999, and each year thereafter. In addition, the head of each executive agency is also required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

The objectives of our review of the Alcoholic Beverage Commission's compliance with the Financial Integrity Act were to determine whether

- the commission's June 30, 1999, responsibility letter and December 31, 1999, internal accounting and administrative control report were filed in compliance with the Financial Integrity Act of 1983;
- documentation to support the commission's evaluation of its internal accounting and administrative control was properly maintained;

- procedures used in compiling information for the internal accounting and administrative control report were adequate; and
- corrective actions have been implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the report to gain an understanding of the commission's procedures. We also reviewed the supporting documentation for these procedures and the June 30, 1999, responsibility letter and December 31, 1999, internal accounting and administrative control report submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

We determined that the Financial Integrity Act responsibility letter and internal accounting and administrative control report were submitted on time and support for the internal accounting and administrative control report was adequate. We had no findings related to the Financial Integrity Act; however, a minor weakness was reported to management in a separate letter.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Alcoholic Beverage Commission filed its report with the Department of Audit on May 25, 1999. A follow-up of all prior audit findings was conducted as part of the current audit.

The current audit disclosed that the Alcoholic Beverage Commission has corrected previous audit findings concerning controls over cash receipts, renewal of licenses, and controls over confiscated inventory.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The Alcoholic Beverage Commission filed its compliance reports and implementation plans on July 29, 1998, and July 8, 1999.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

On October 15, 1998, the commissioner of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.