



OFFICE OF THE  
STATE AUDITOR



◦ STATE OF UTAH ◦

# Department of Alcoholic Beverage Services

## Agreed-Upon Procedures

For the year ended June 30, 2024

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Report No. 24-01

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### Office of the State Auditor

Audit Leadership:

John Dougall, State Auditor

Bertha Lui, CPA, Audit Director

Jordan Kattelman, CPA, Audit Supervisor

# Table of Contents

**Management Letter No. 24-01 .....3**

**Findings & Recommendations .....4**

**Finding 1. DABS Operations Are Not Recorded in the State’s Accounting System  
    in a Timely Manner .....4**

**Finding 2. DABS is Not Actively Monitoring the Duration for Licensees to Utilize  
    Awarded High-Demand Licenses.....6**

**Appendices .....7**

**Appendix A. Control State Liquor Store Hours of Operation Analysis .....8**

**Appendix B. Utah Liquor Store Staffing and Sales Analysis .....9**



OFFICE OF THE  
STATE AUDITOR

# Management Letter No. 24-01

May 9, 2024

Members of the Utah Alcoholic Beverage Services Commission

And

Ms. Tiffany Clason, Executive Director Department of Alcoholic Beverage Services

Commissioners and Ms. Clason:

We have performed various procedures on certain aspects of the Department of Alcoholic Beverage Services (DABS) relating to the audit scope and focus described in the "State Auditor Proposed Audit Plan for Fiscal Year 2024." These procedures were performed in accordance with *Utah Code 32B-2-302*, agreed to by the Alcoholic Beverage Services Commission.

These procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, the objectives of which would be the expression of an opinion on DABS's internal control. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Our recommendations resulting from the procedures are found within this report.

In addition, during our audit, we gathered certain data that could be helpful to DABS management for future analysis. This information is included in the Appendix section of this report. We do not express any opinion, conclusion, or recommendation on this information.

By its nature, this report focuses on exceptions, weaknesses, or problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by DABS's personnel during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

Bertha Lui, CPA

Audit Director

[blui@utah.gov](mailto:blui@utah.gov)

801-808-0481

## Findings & Recommendations

### Finding 1. DABS Operations Are Not Recorded in the State's Accounting System in a Timely Manner

Because DABS is part of the State, its financial activities should be accurately recorded in the State's accounting general ledger system (FINET) to facilitate financial reporting and proper oversight. Most of DABS's financial operations are initially recorded in its own accounting system (D365) and must be subsequently transmitted into FINET. DABS intends for D365 to interface with FINET to automatically transfer data, but this process is not yet functional. DABS is working to resolve interface issues and has received a significant state appropriation for fiscal year 2025 for this purpose. Since the two systems do not interface properly, DABS must manually transmit data into FINET. DABS then should perform reconciliations to ensure that data within the two systems agree. Each reconciliation covers one month's data. When we began our audit in March 2024, DABS had recorded, but not reconciled, only one month of data (July 2023) in FINET. By the conclusion of our audit at the end of April, DABS had recorded data for all of fiscal year 2024 to date, but it had only completely reconciled the July 2023 data. DABS had performed preliminary reconciliations for the rest of the data but was still in the process of resolving differences and therefore had not completed any other reconciliations, including bank reconciliations. Data transmission and reconciliation should be performed regularly in a timely manner, which would typically be monthly for an organization like DABS.

DABS is considered a major fund for the State's Annual Comprehensive Financial Report (ACFR), with operations significant to the State. If DABS does not complete all data transfers and reconciliations by the State fiscal yearend closeout, the delay could impact ACFR preparation and issuance, which could further impact compliance with bond reporting requirements.

#### Recommendations:

We recommend that DABS:

1. Ensure that all data is recorded in FINET and reconciled in a timely manner.
2. Resolve interface issues.

#### DABS's Response:

1. Management agrees. The DABS is committed to ensuring our financial records are accurate and reconciled in a timely manner. At the time of this response, the DABS's financial records are recorded in FINET and are fully reconciled through March of this fiscal year.

The department has made extensive progress towards improvements in this finding at the time of this response. Period 10 transactions (April 2024) from D365 are being interfaced to

FINET and transactions executed in FINET moving back into D365 are being interfaced in a timely manner after the fiscal period close. Past months have taken an extended period of time to interface, however moving forward, all monthly financial transactions will be successfully interfaced and reconciled prior to the close of the subsequent month. Beginning in July, it is the goal of DABS to interface and reconcile on a weekly basis, rather than monthly.

While much of the interface and reconciliation process is still very manual, the DABS focused and prioritized resources to ensure the validity and integrity of reconciliations, including bank reconciliations. An independent accounting firm, Eide Bailly, was secured to assist with bank reconciliations. The DABS also has an FTE whose primary role and responsibility is bank reconciliations.

2. The DABS continues to work collaboratively with its intergovernmental partners at the Department of Government Operations- both the Division of Technology Services (DTS) and Division of State Finance. As mentioned in this audit, the DABS made requesting funds to address this issue a priority and were successful in receiving it. The DABS has worked hard to find opportunity in the challenges of the past 18+ months. With a combination of funding secured to improve the accounting systems and enable interfacing with a complete and thorough review of how to improve its accounting systems and processes, the DABS is optimistic about the legacy improvements that are planned. These improvements will not only make the DABS and its accounting division more efficient but will provide a greater degree of transparency, consistency, and reliability for its intergovernmental partners and Utah taxpayers.

## **Finding 2. DABS is Not Actively Monitoring the Duration for Licensees to Utilize Awarded High-Demand Licenses**

Historically, the demand for certain liquor license types has exceeded the number of available licenses. Throughout the course of our audit, we noted instances in which DABS awarded these types of high-demand licenses, but a significant time elapsed before the license holder sold alcohol to the public. Statute does not require licensees to sell liquor within a certain timeframe, nor does it require DABS to actively monitor the duration between when it awards a license and when a licensee commences liquor sales. However, DABS does have a statutory duty to “reasonably satisfy the public demand” for alcoholic products.<sup>1</sup> Ensuring that high-demand licenses are efficiently used to serve the public falls within the scope of this duty. As a best practice, DABS should actively monitor when licensees begin to sell liquor and follow up on delays.

During the most recent legislative session, the Legislature passed a bill increasing the number of available high-demand licenses and requiring DABS to issue any available licenses to qualified applicants, including those that qualify for a conditional license.<sup>2</sup> When the number of licenses available exceeds demand, it is not crucial for DABS to monitor the timeframe for commencing liquor sales. But demand can fluctuate. Whenever demand exceeds the number of available licenses, DABS should monitor the timely use of these limited licenses. In addition, while the new legislation likely limits DABS’s ability to take action related to delays in selling alcohol, monitoring the timeframe can provide key information to better inform policy and decision makers to continue to improve the licensing process.

### **Recommendations:**

We recommend that DABS actively monitor the timely use of licenses when demand exceeds supply.

### **DABS’s Response:**

The DABS is researching ways to use internal staff and resources to monitor the timely use of issued licenses when demand exceeds supply and develop reports that could better inform policy and decision makers.

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<sup>1</sup> UCA 32B-1-103(4)(a)

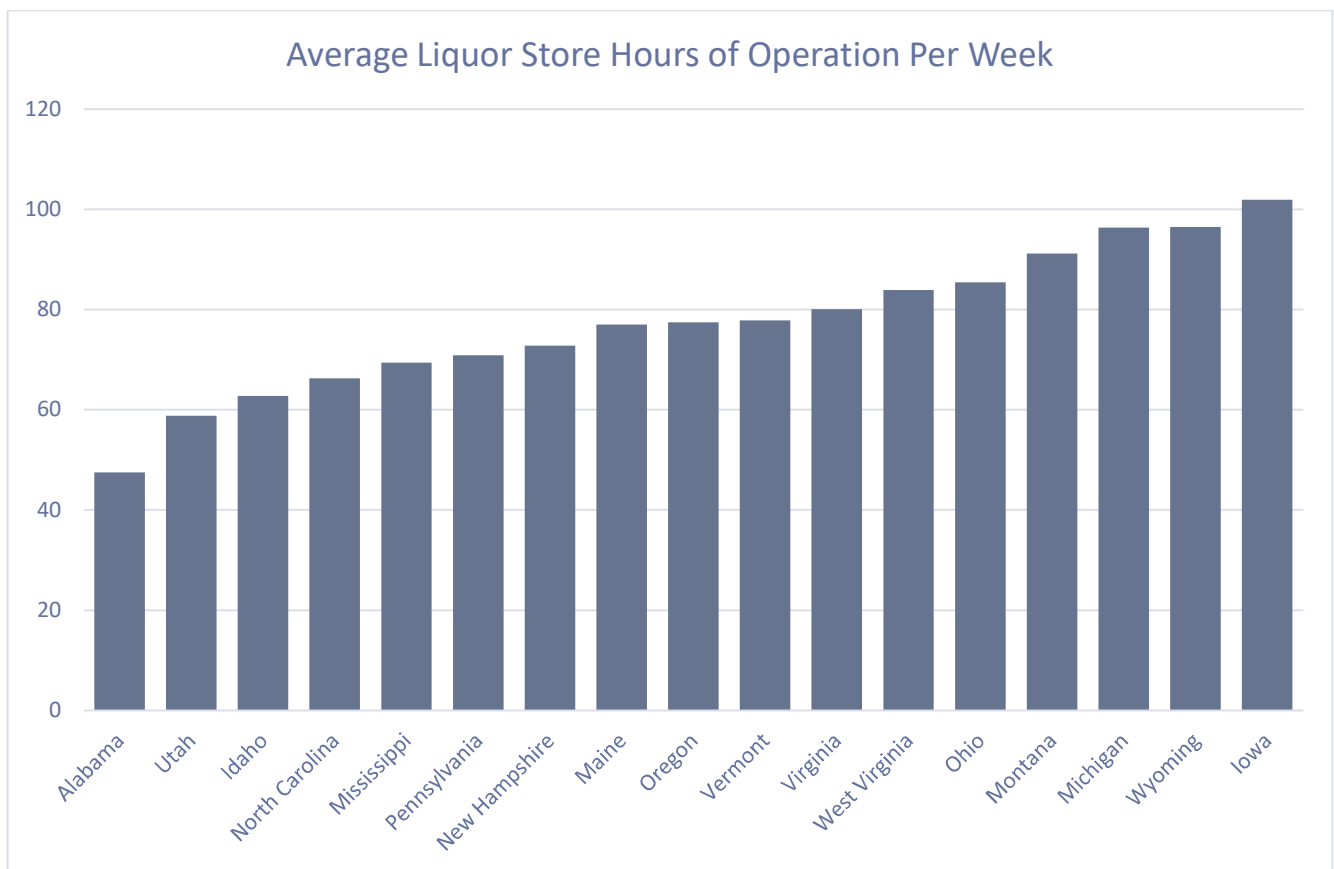
<sup>2</sup> Utah 2024 General Session House Bill 548 lines 970 and 1296

# Appendices

## Appendix A. Control State Liquor Store Hours of Operation Analysis

We compared DABS liquor store hours of operations to those of other liquor control states. To calculate the operating hours for each state, we randomly selected 25 state liquor stores from each state and calculated the average operating hours across a one-week period of time during our audit. The week selected did not contain any holidays or other factors that would impact operating hours and should be reflective of a standard week. See Figure 1 below.

Figure 1 – Control State Liquor Store Hours Per Store

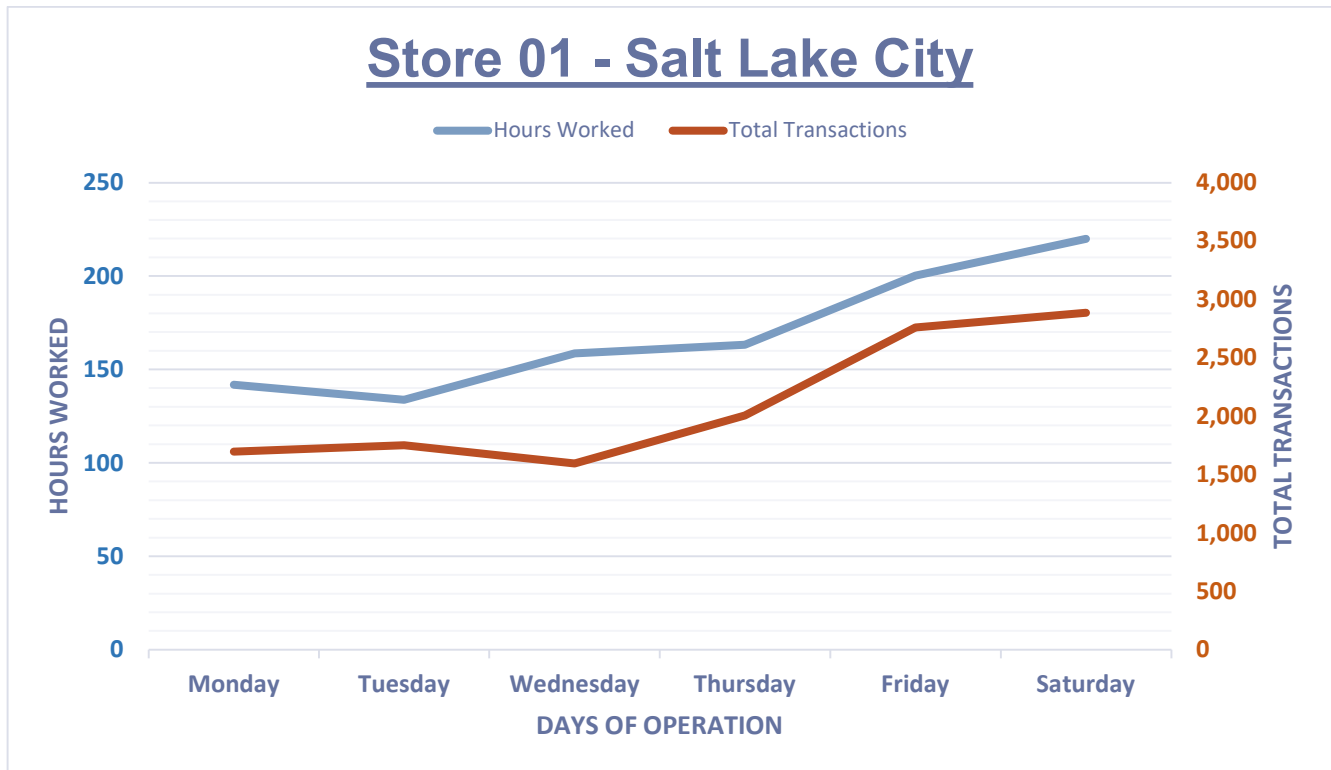




## Appendix B. Utah Liquor Store Staffing and Sales Analysis

For each DABS liquor store, we analyzed the hours worked by store employees compared to sales transactions for two one-week periods.<sup>3</sup> The weeks selected did not contain any working holidays and were from different times of the year to compensate for seasonal differences. Employee hours include all store administrative employees, not just those directly involved with liquor sales. A sales transaction consists of one customer purchase, regardless of the number of items purchased. We excluded club stores, #33 and #34, which primarily sell to vendors rather than individual consumers and have different operating days and hours than a typical liquor store. Store #20 is no longer in operation and was also excluded from our analysis. See Figures 2 through 50 below.

Figure 2



<sup>3</sup> The data presented is the sum of data for two weeks, 10/29/2023-11/4/2023 and 2/4/2024-2/10/2024.

Figure 3

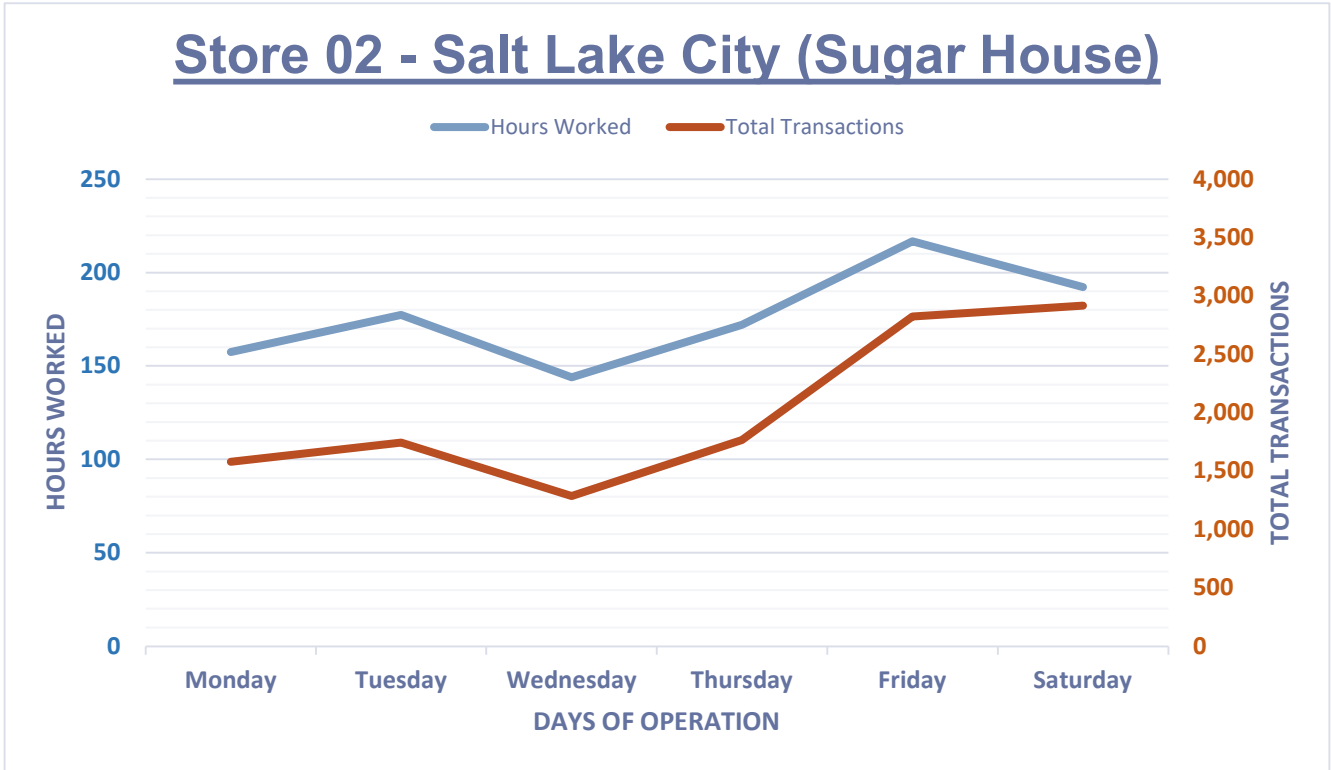


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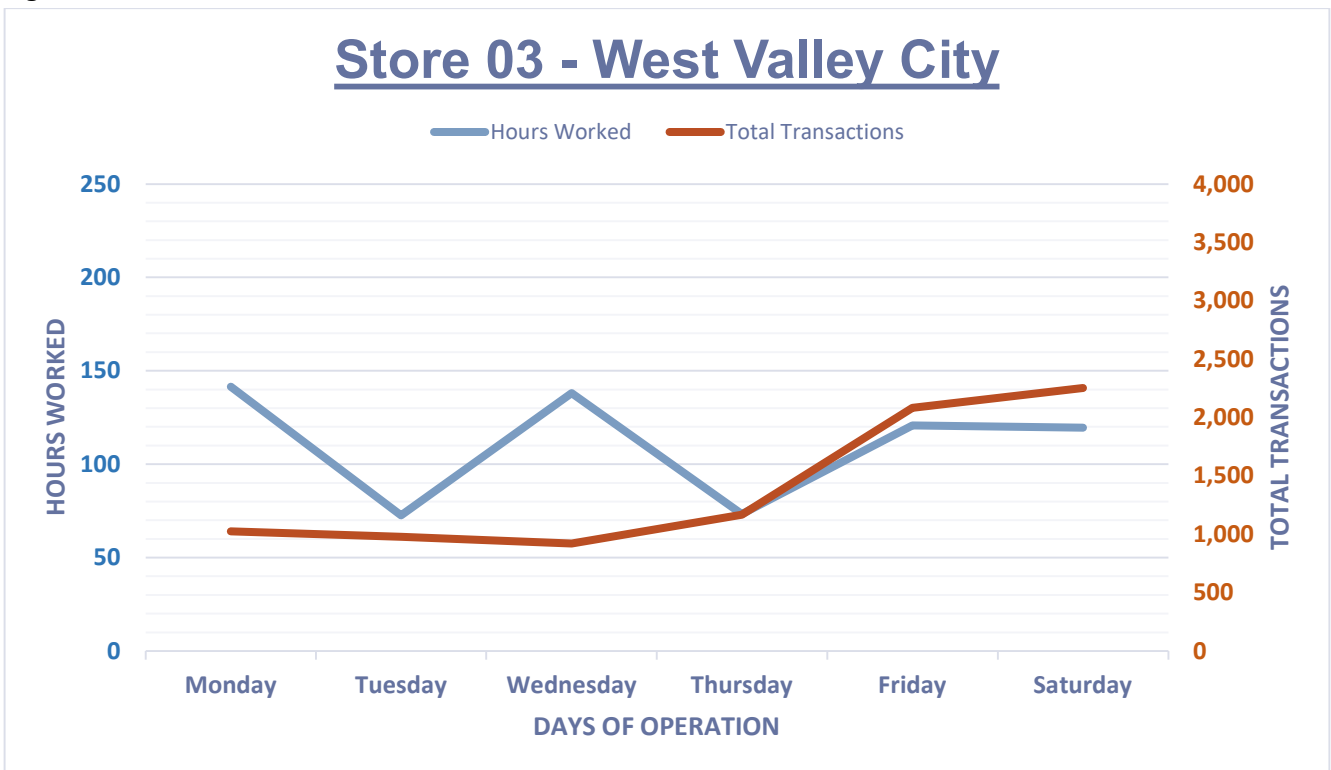


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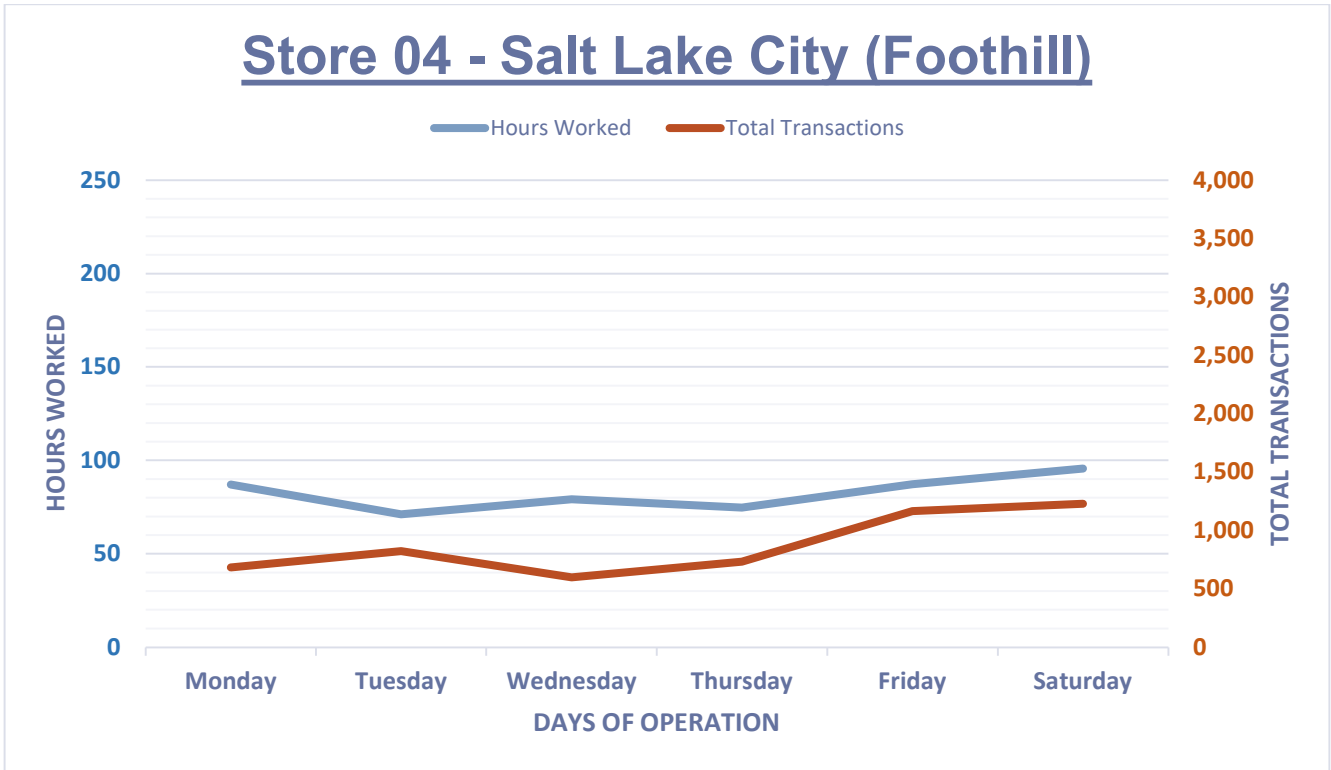


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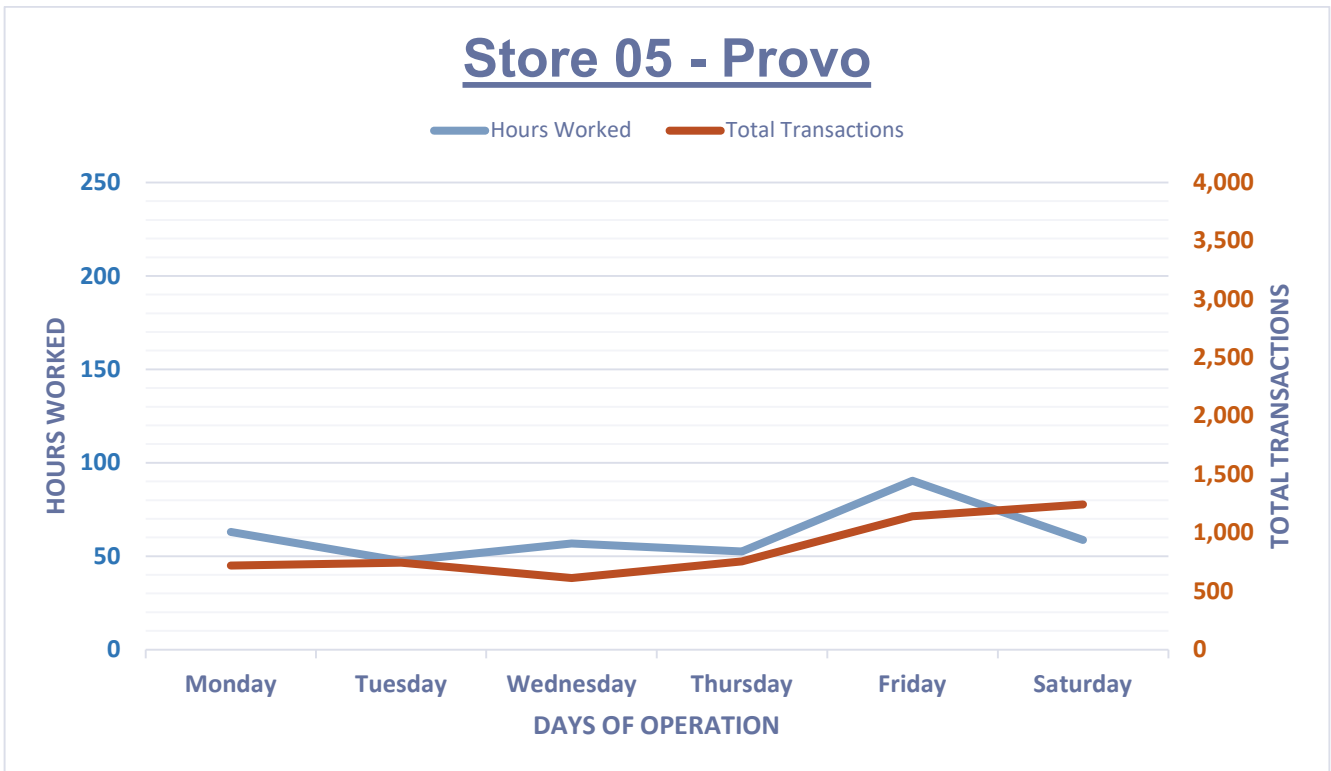


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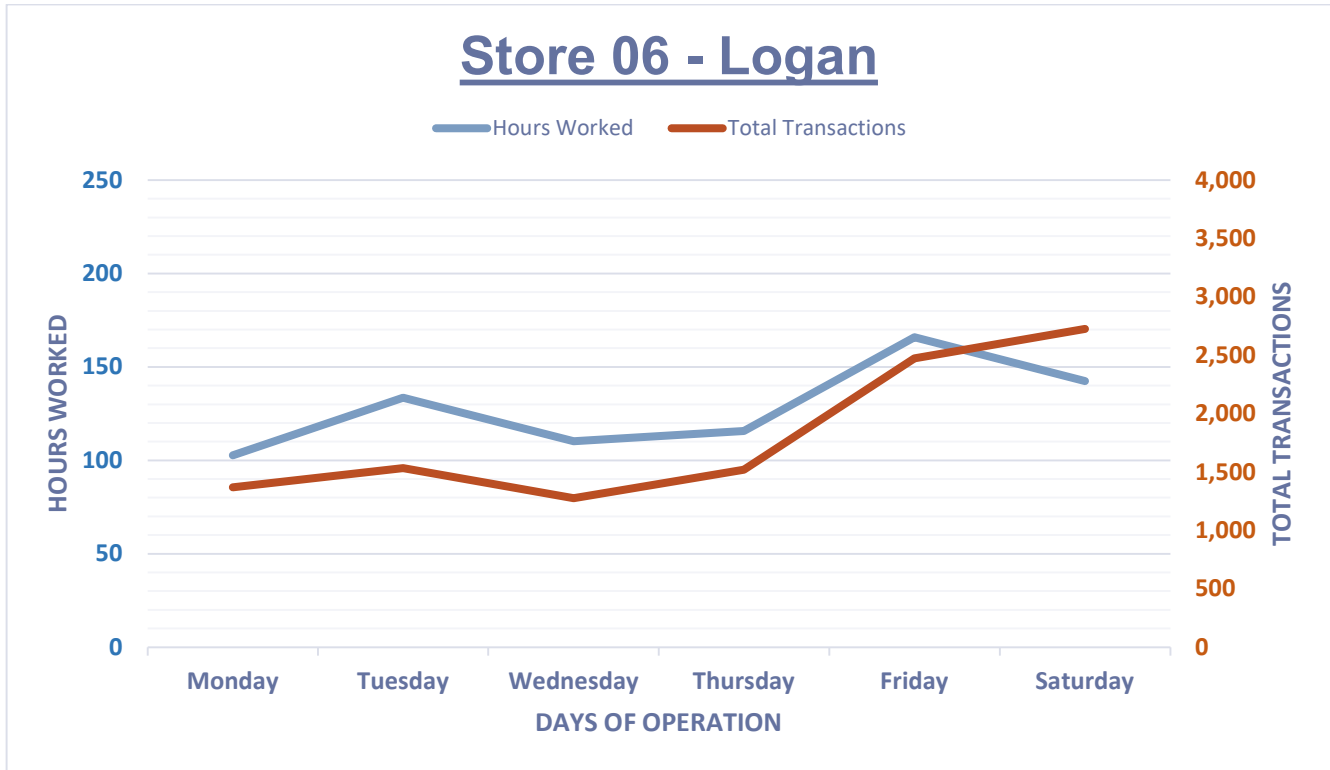


Figure 8



Figure 9

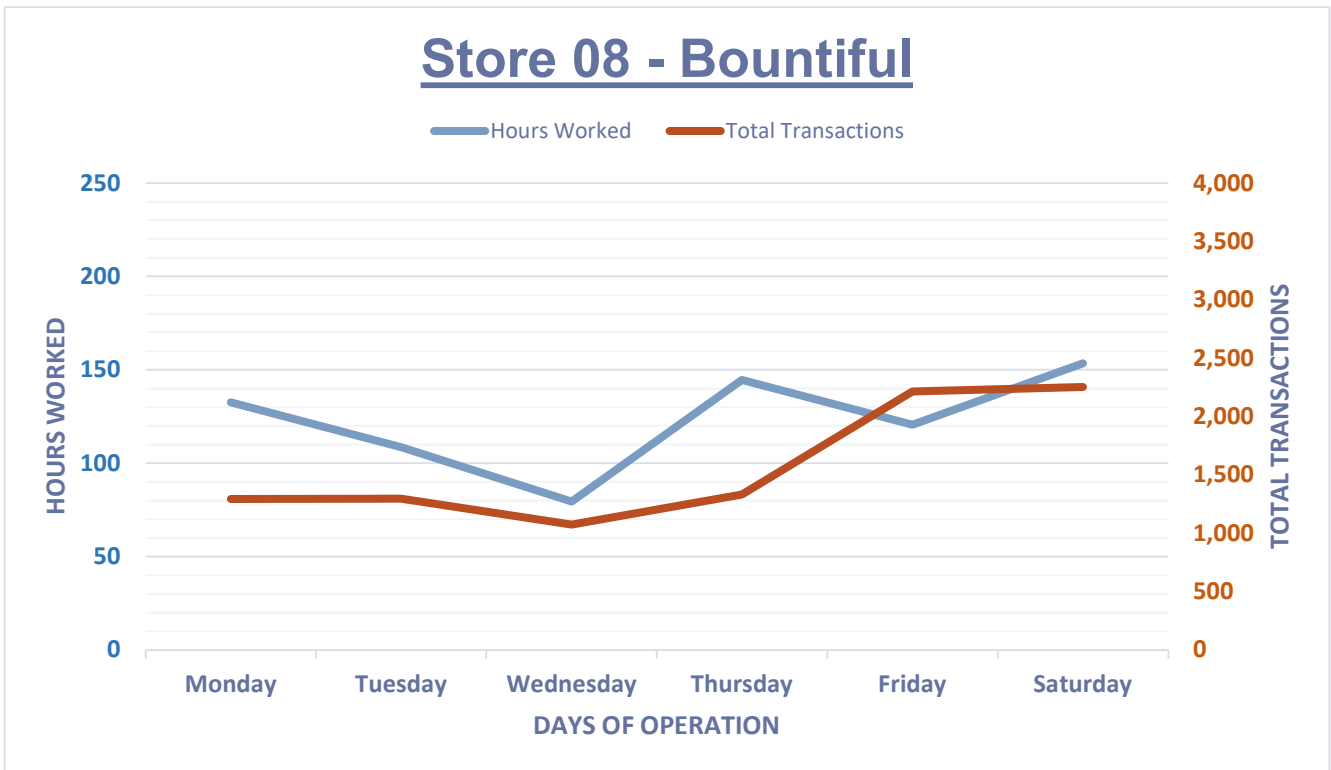


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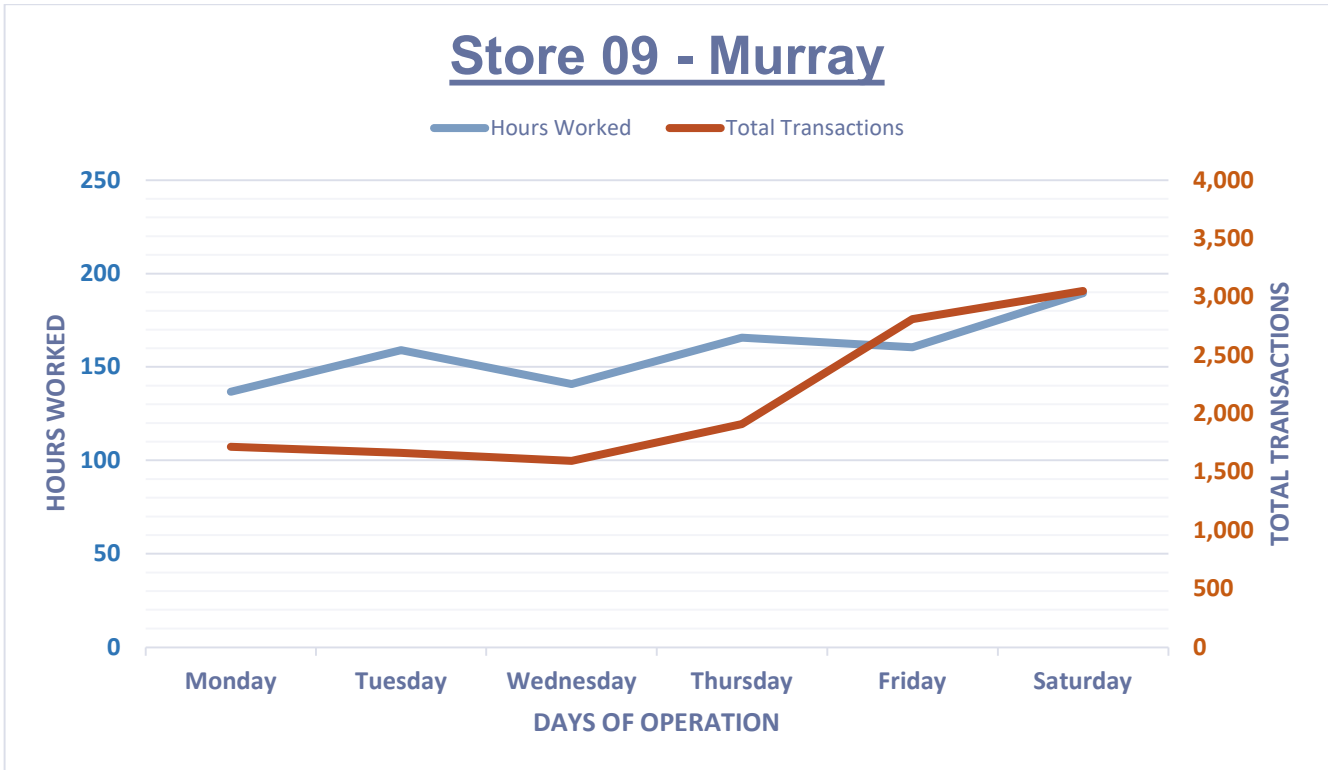


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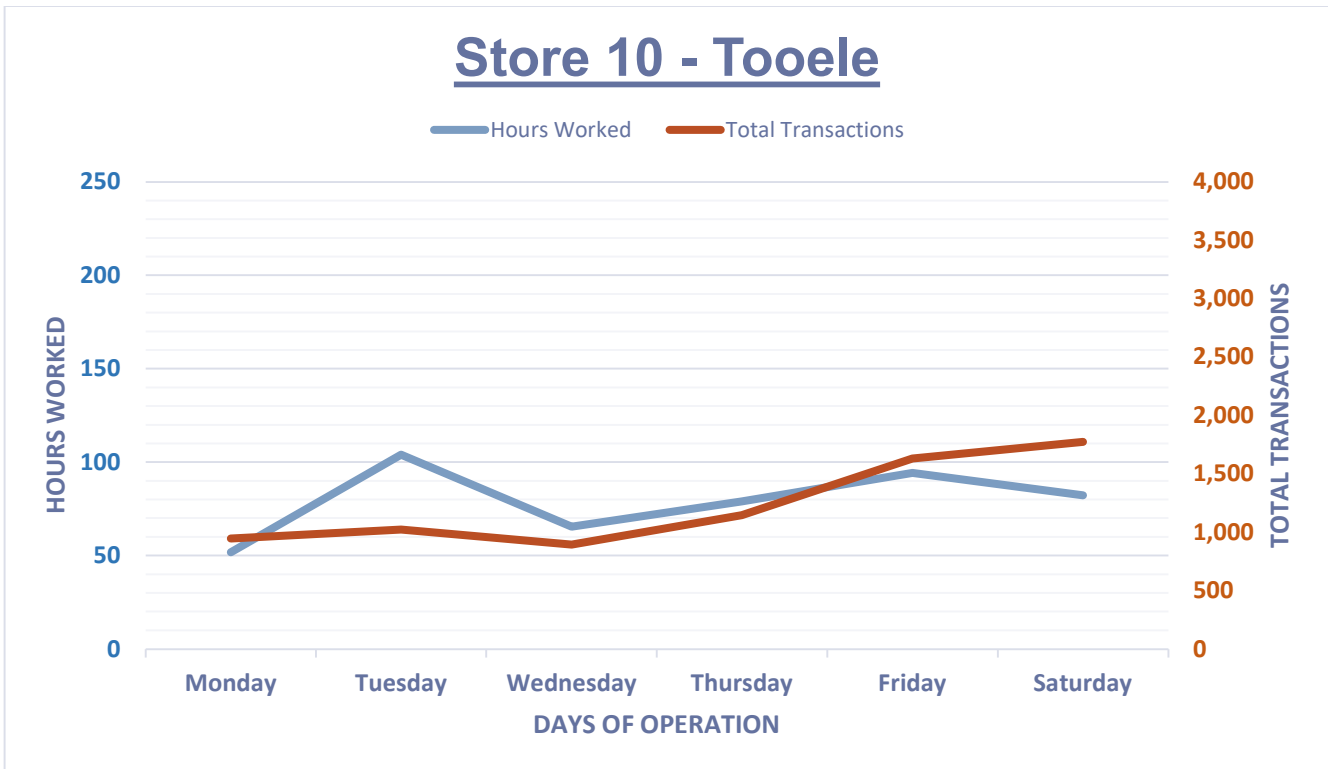


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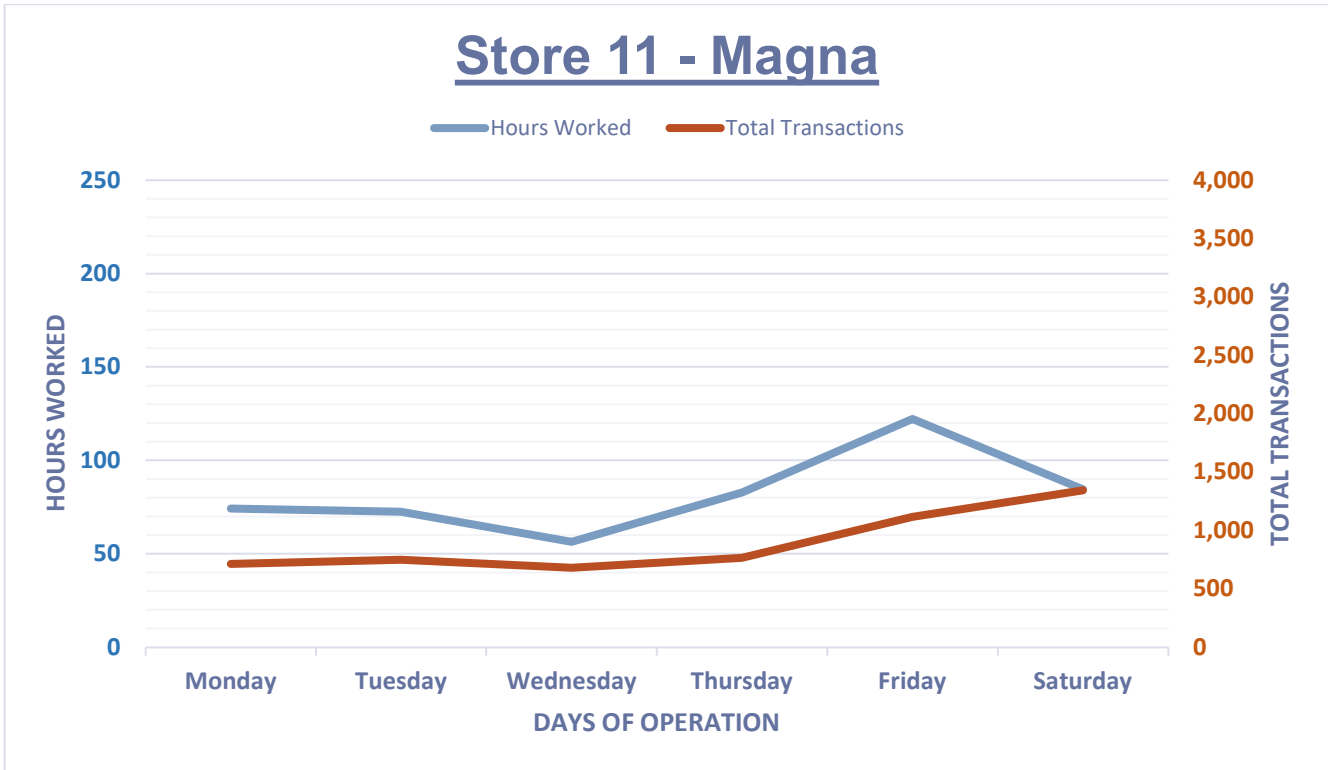


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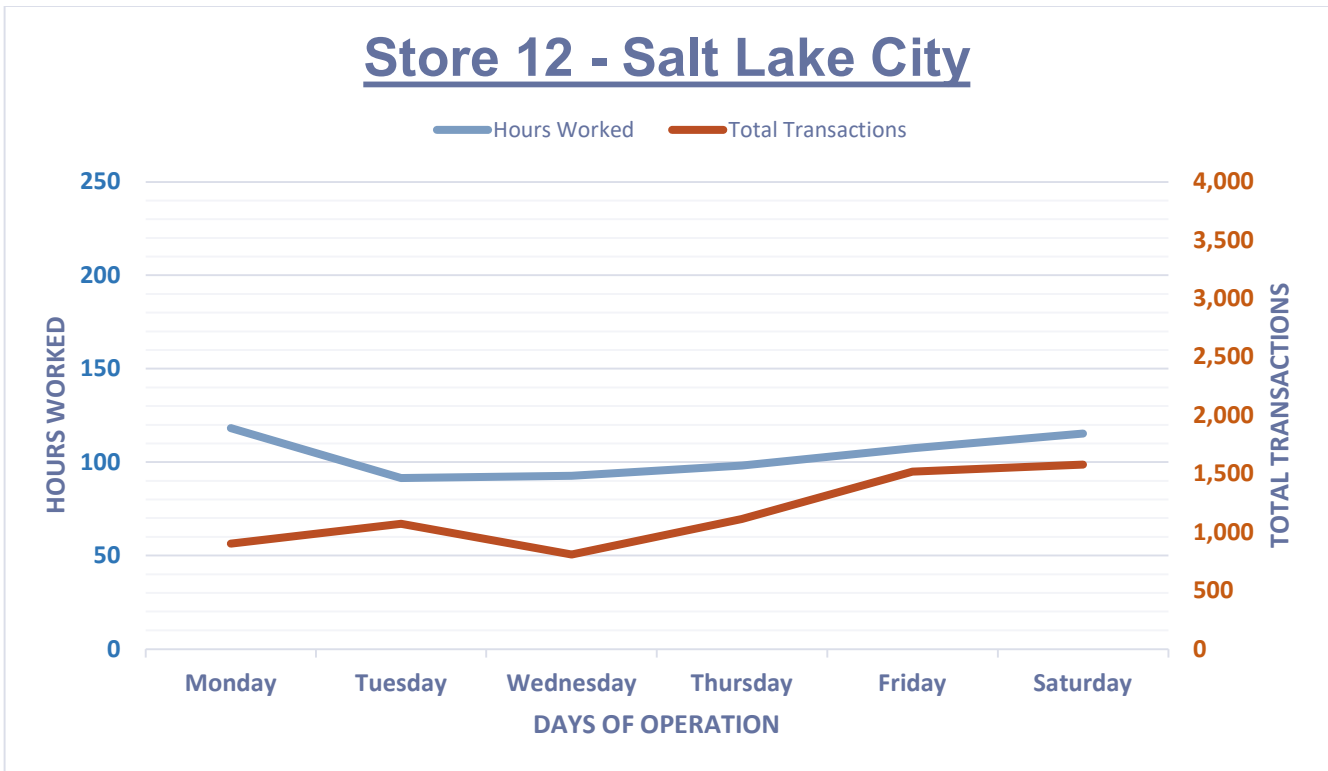


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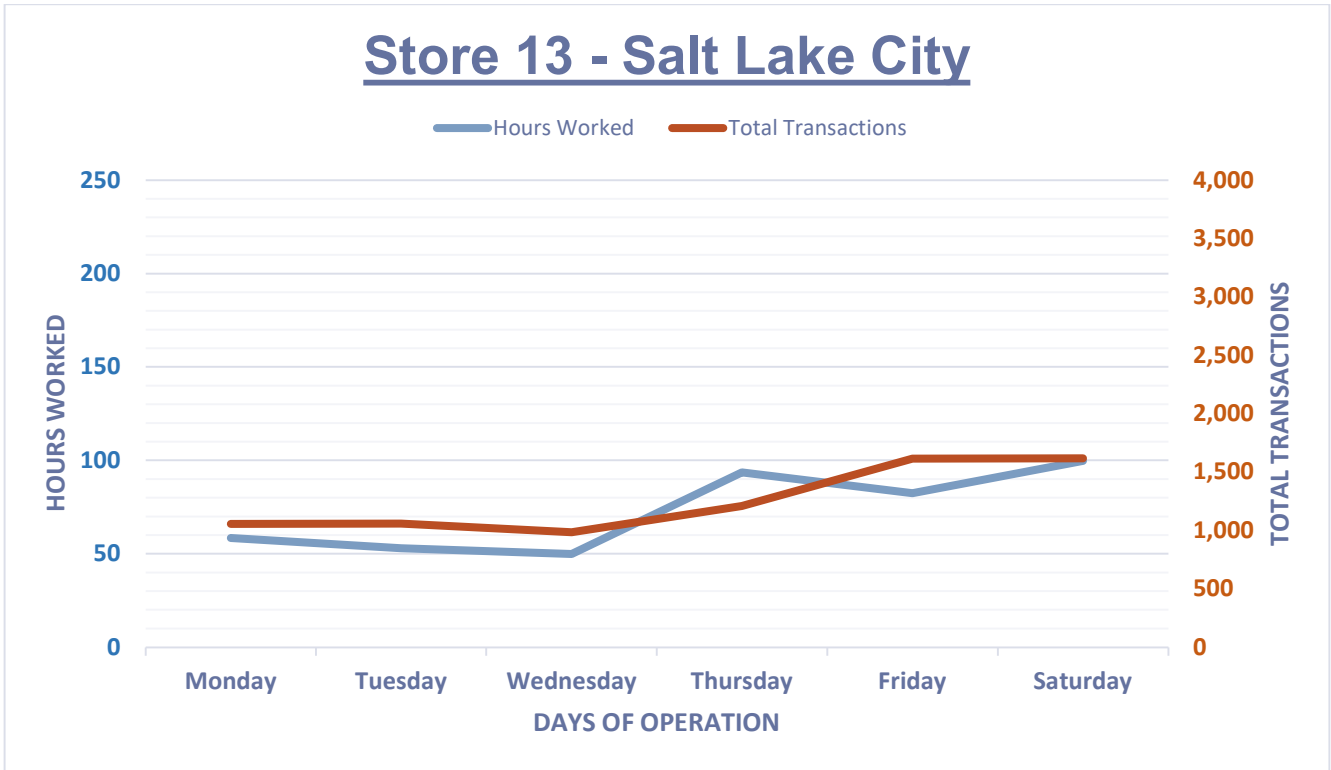


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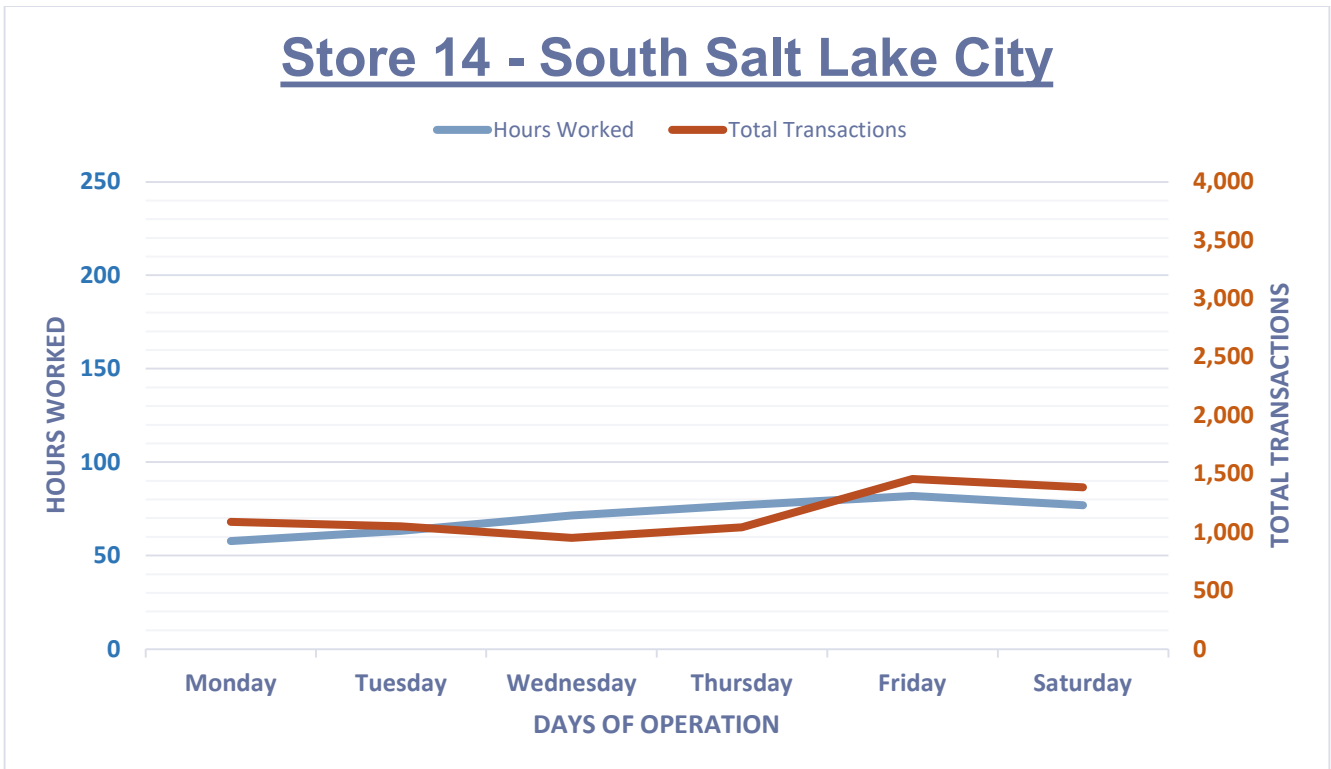




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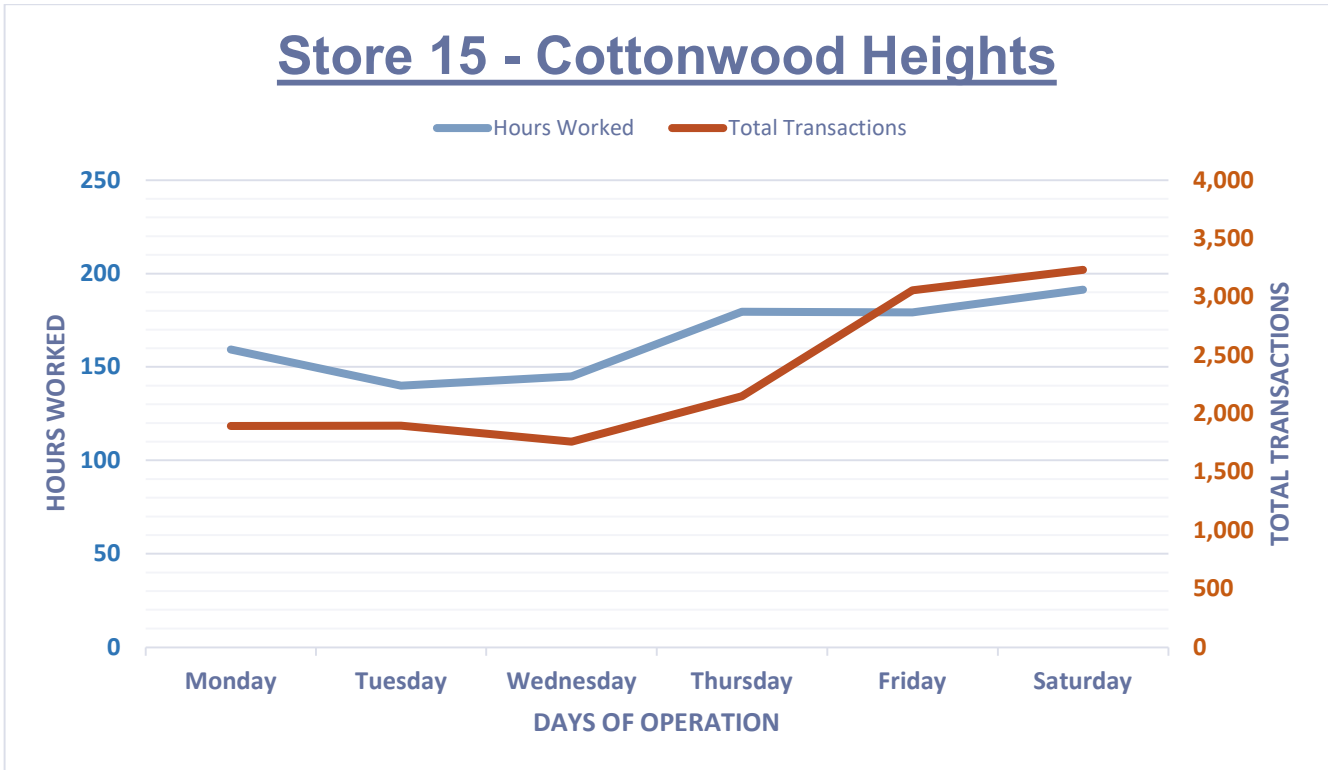


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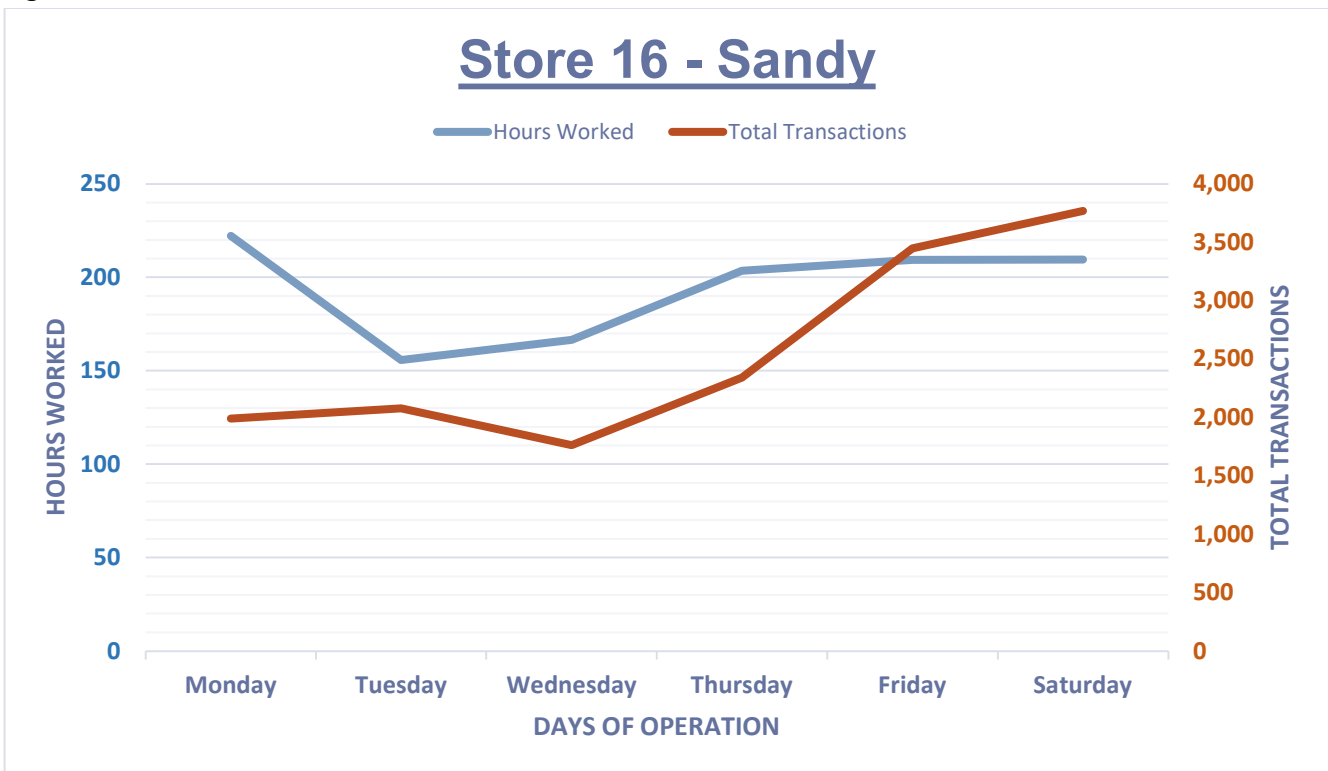


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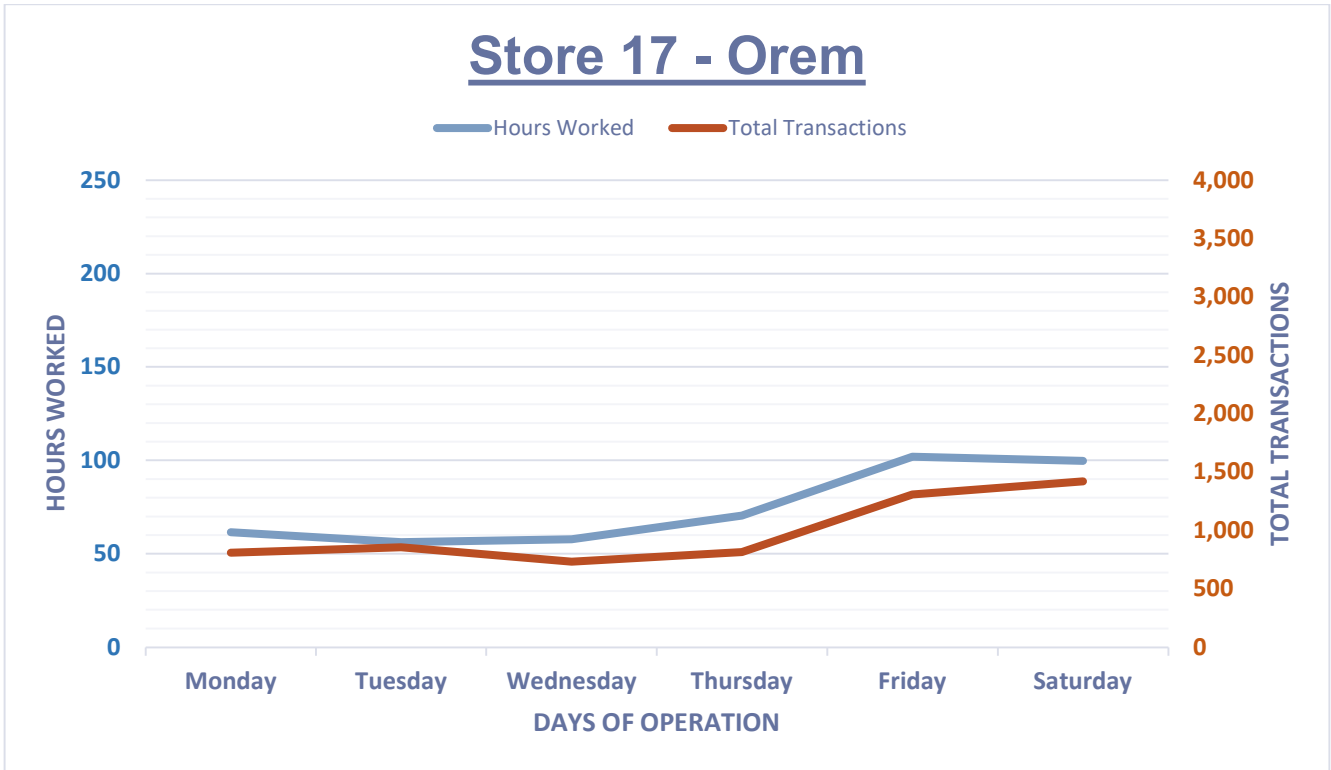


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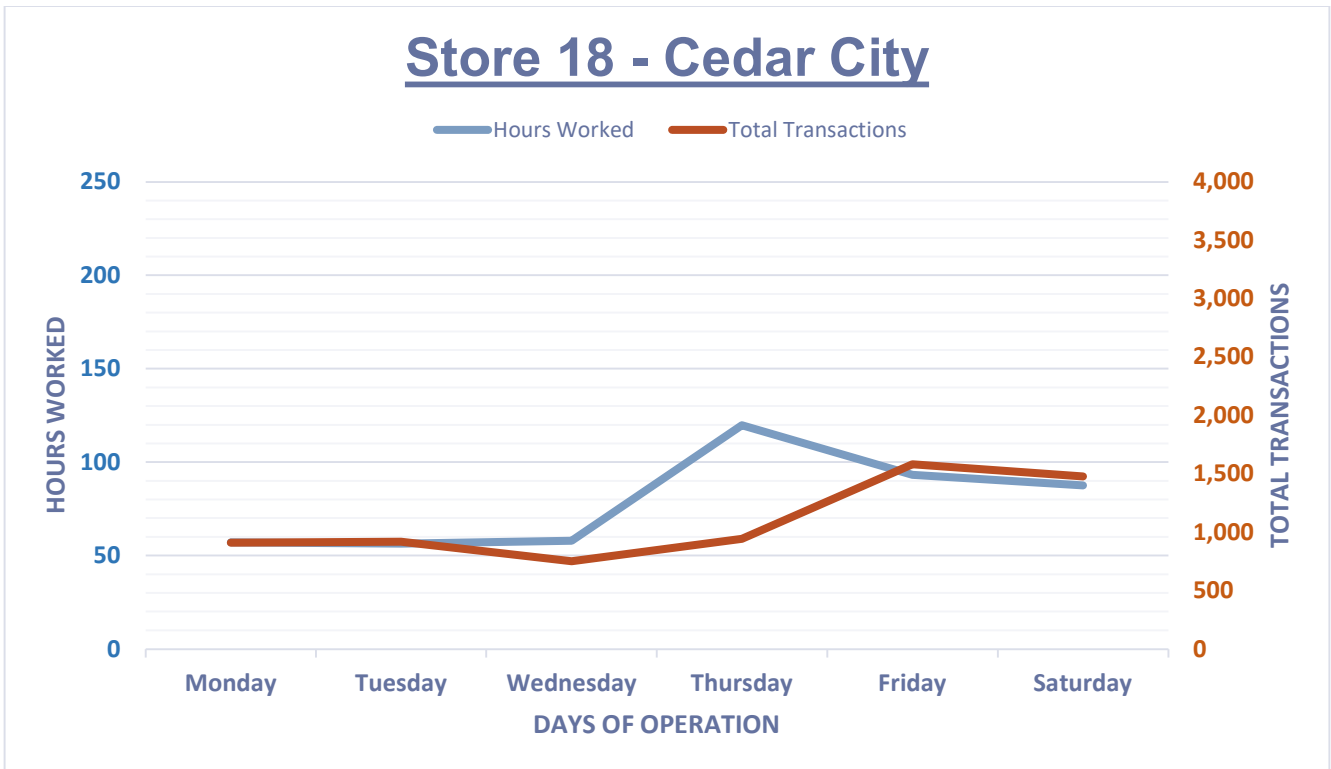


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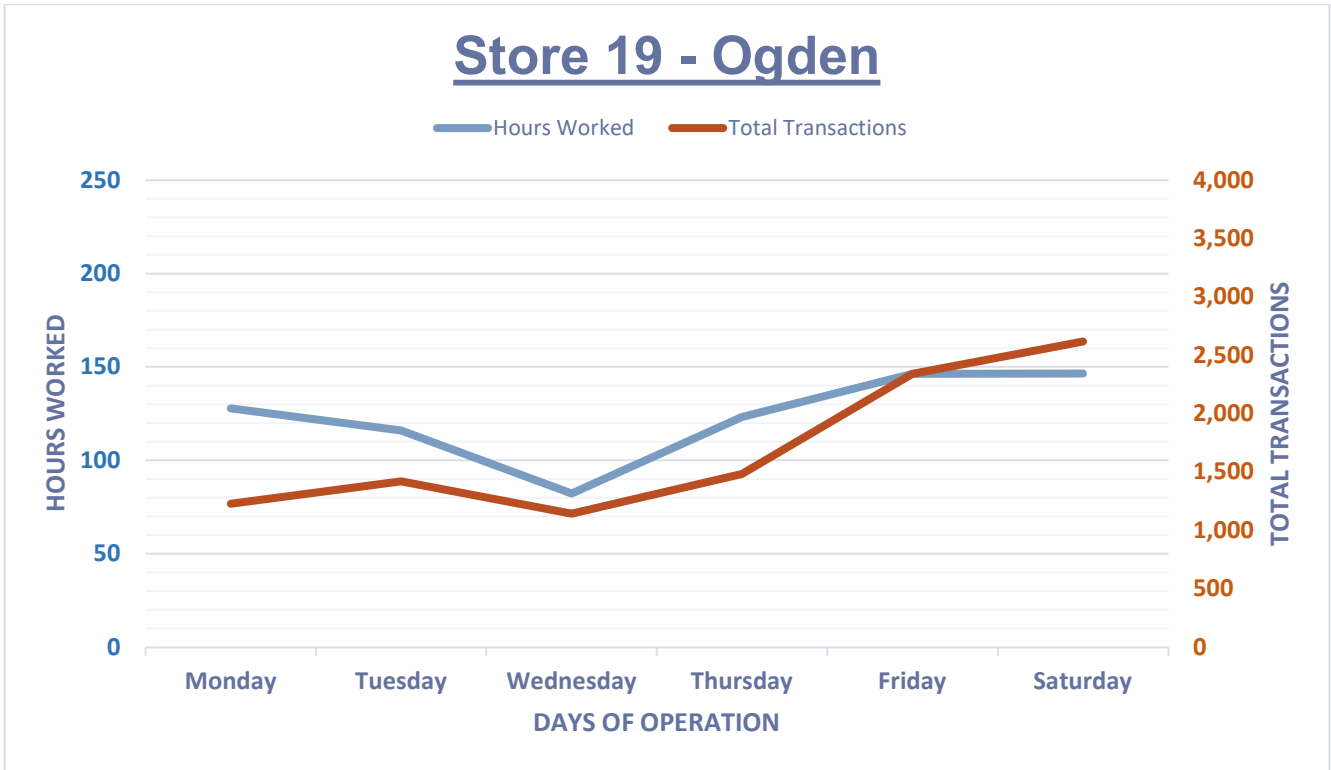


Figure 21



Figure 22

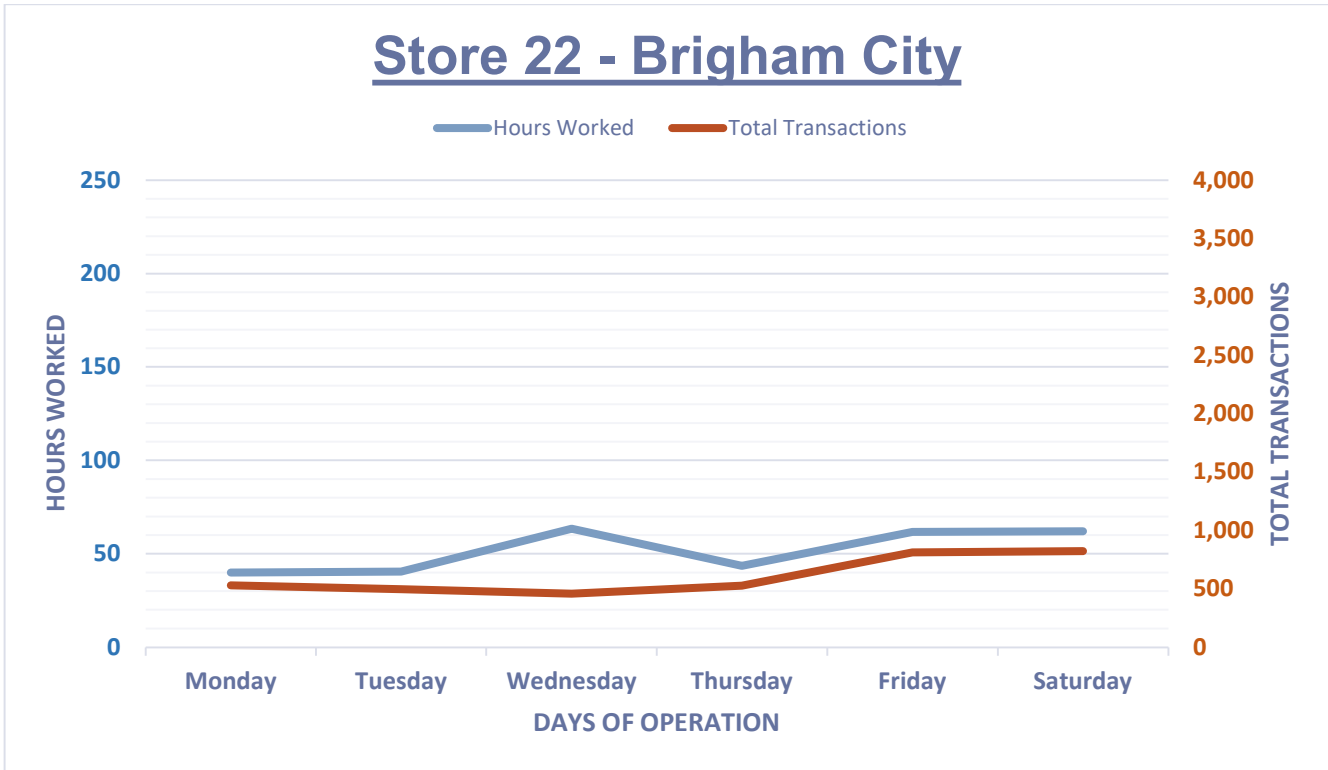


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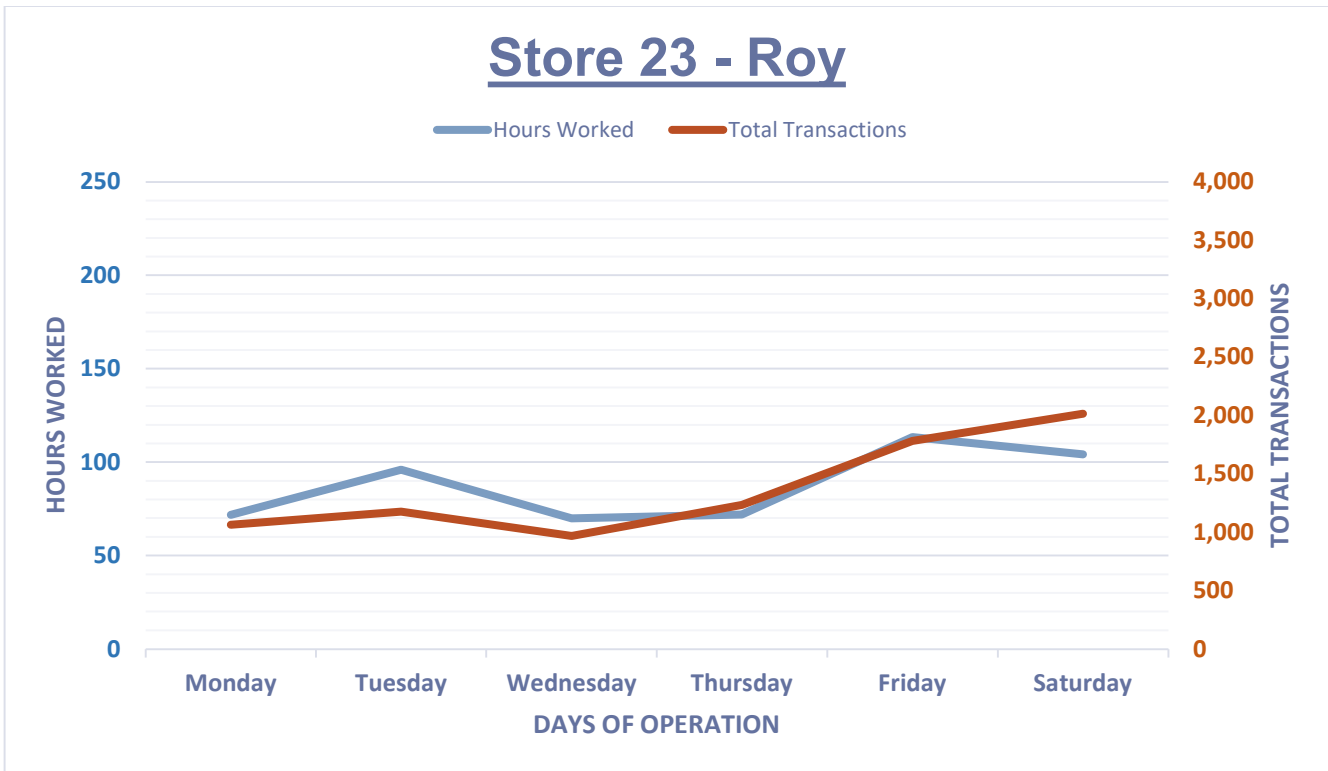


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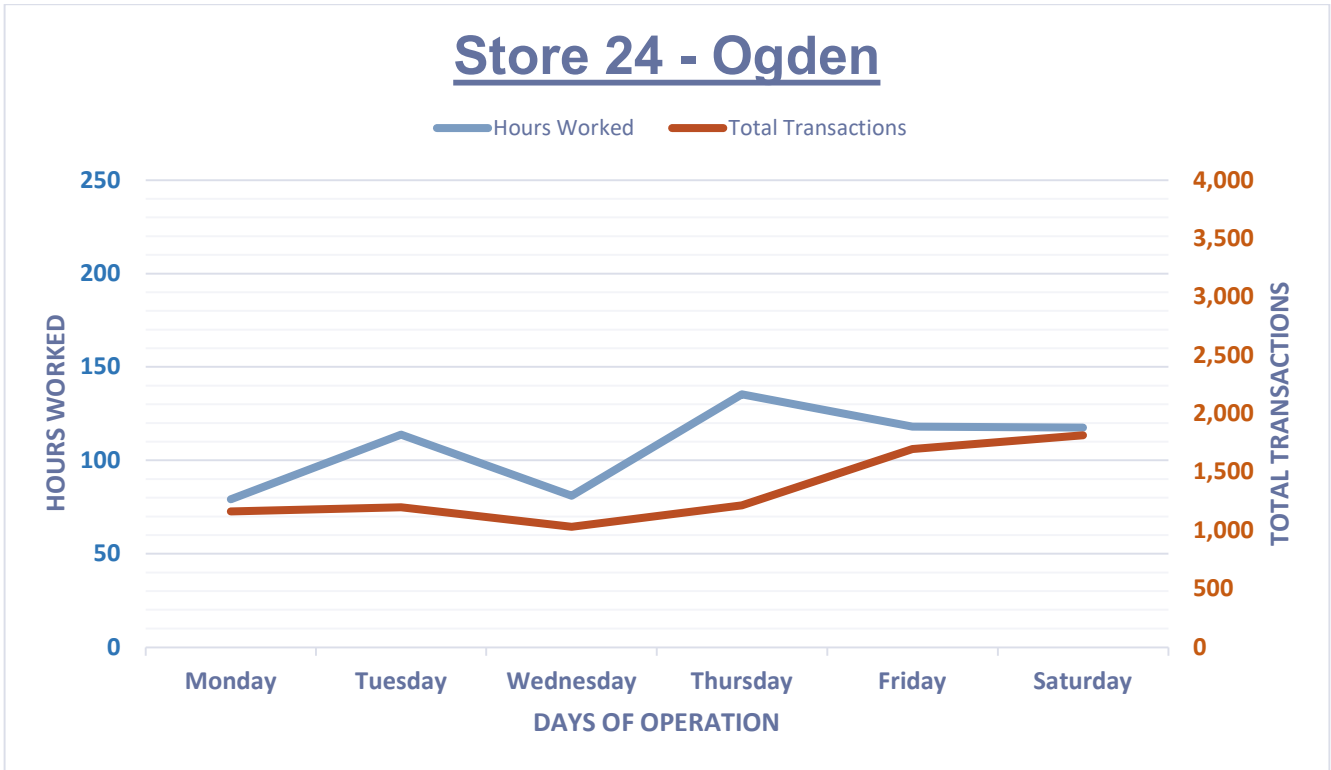


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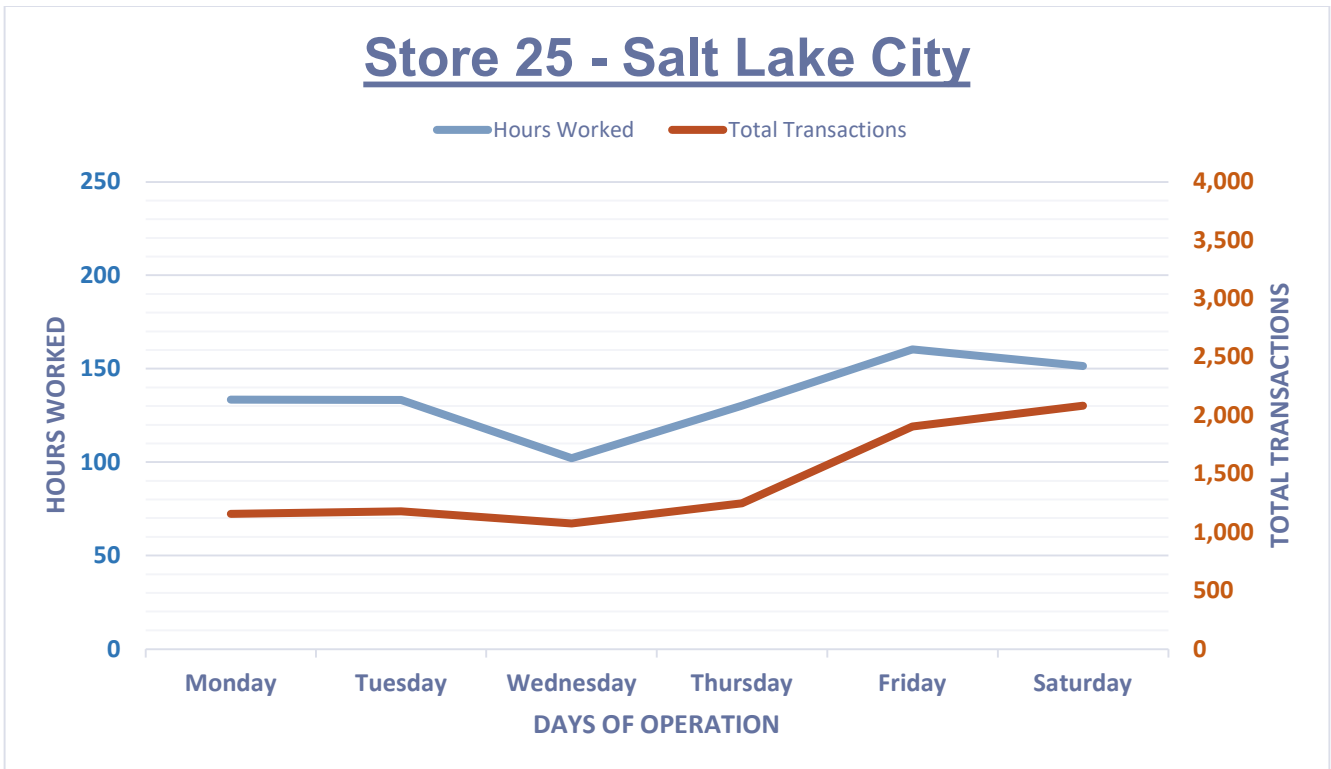


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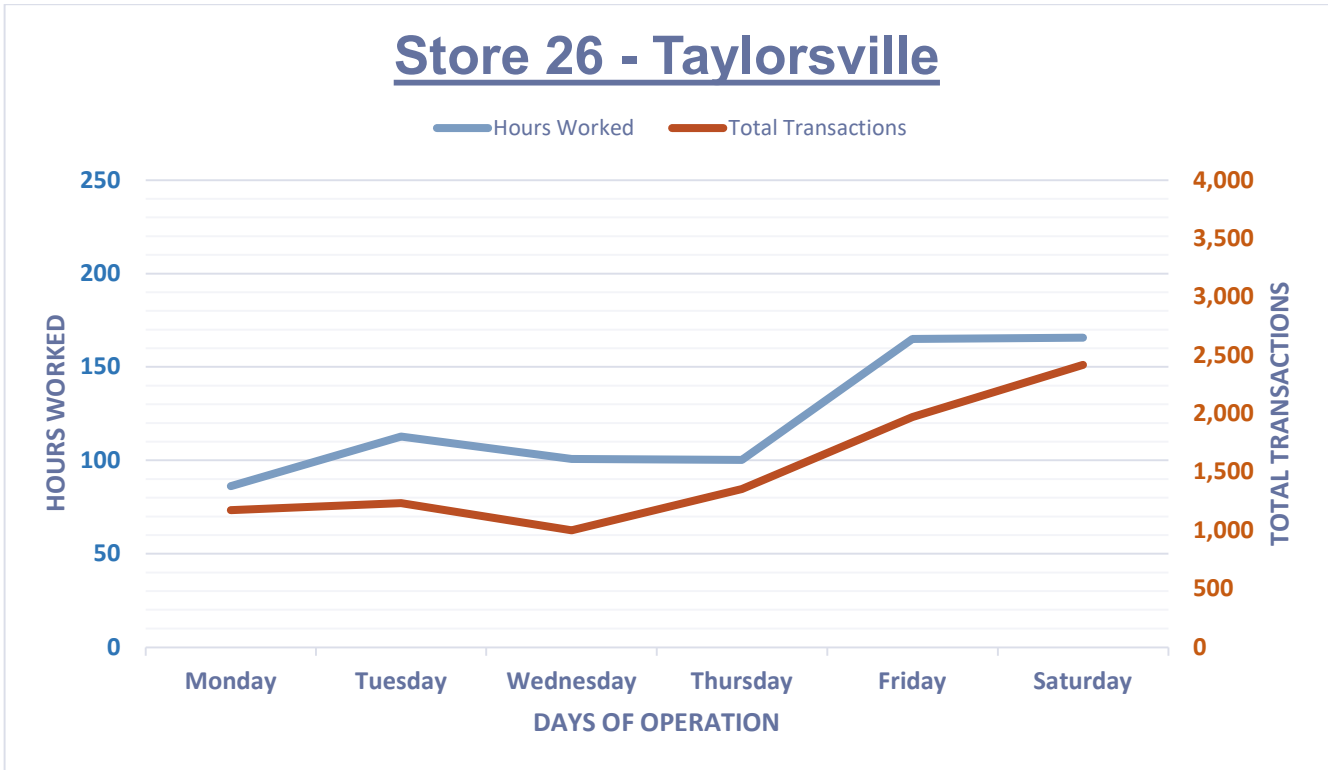


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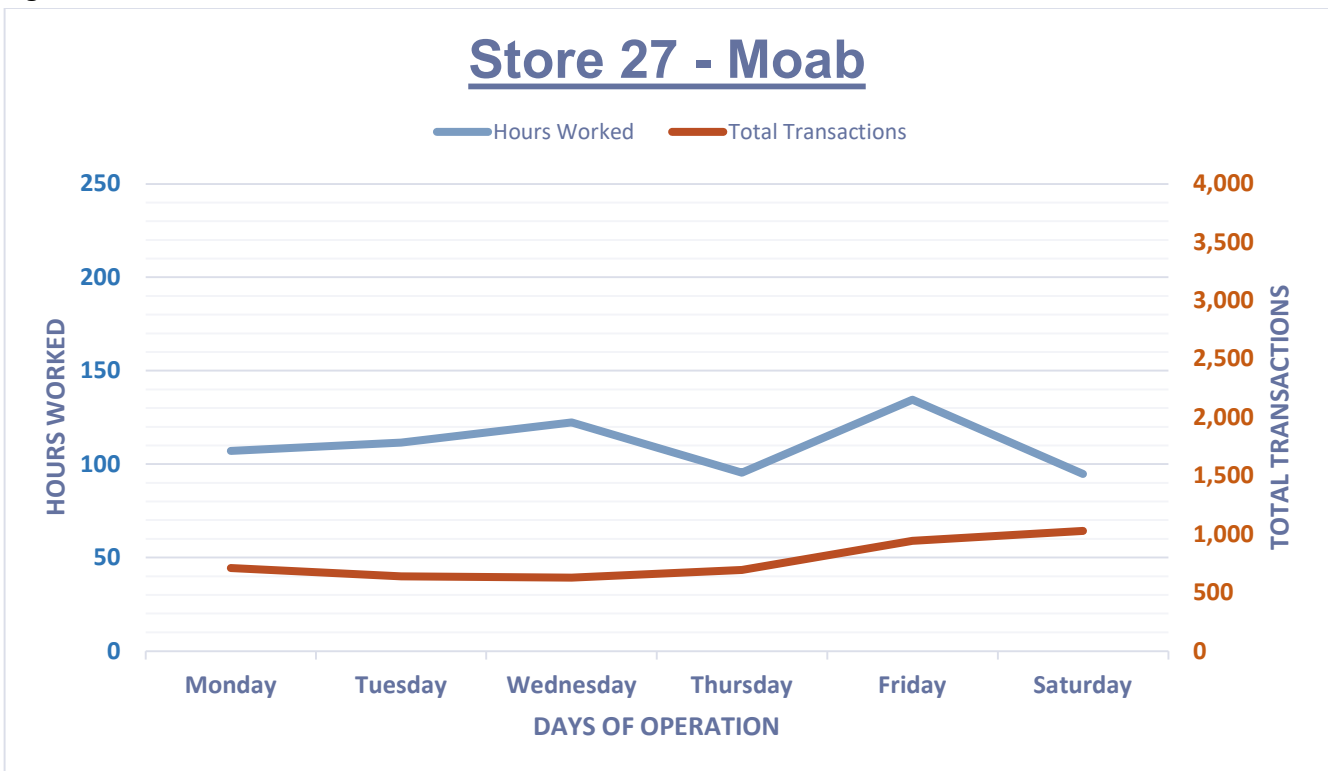


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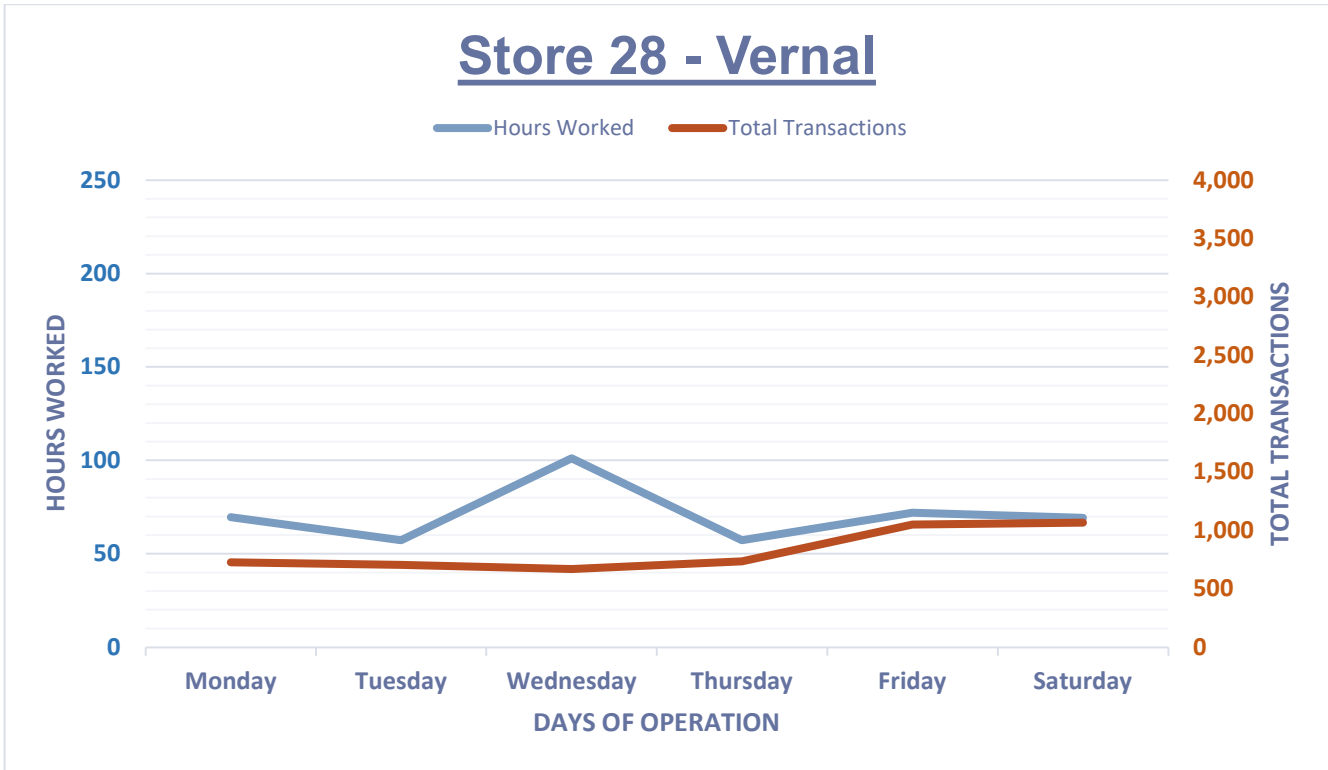


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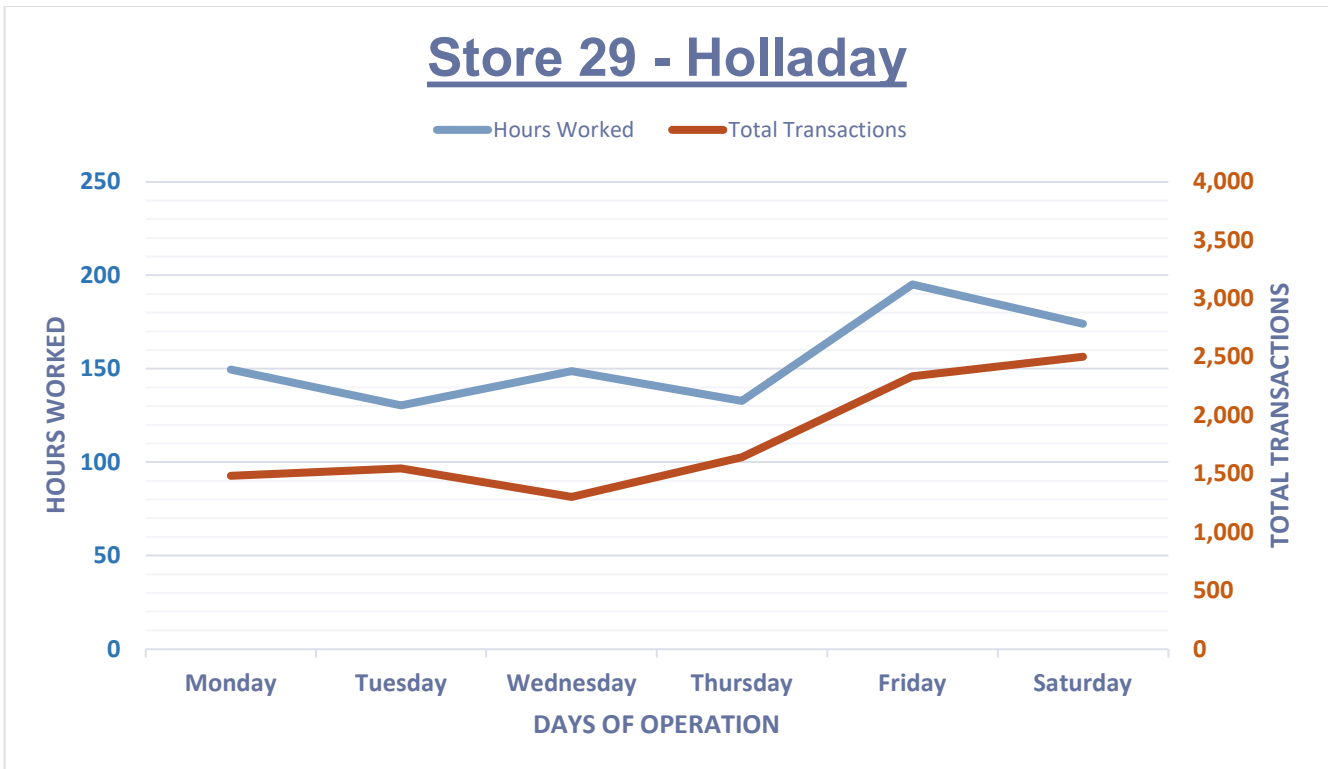


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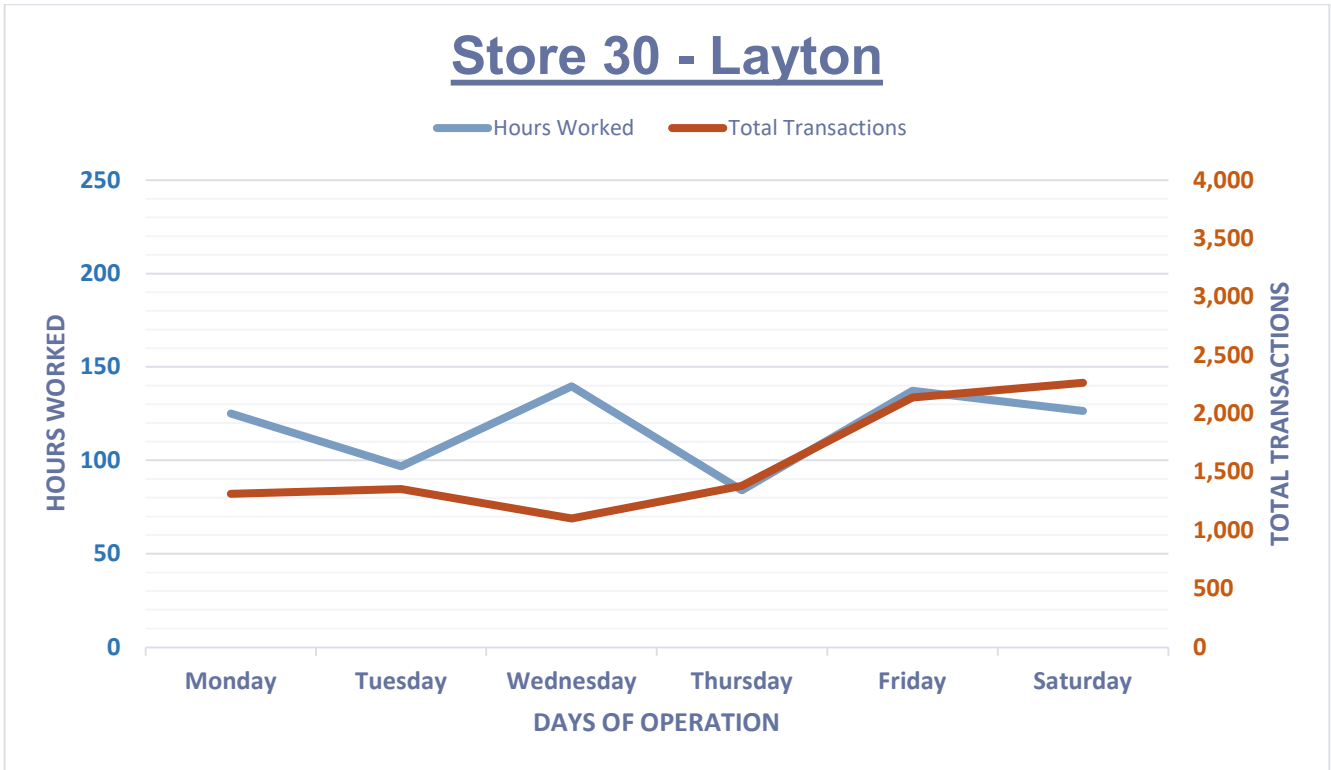


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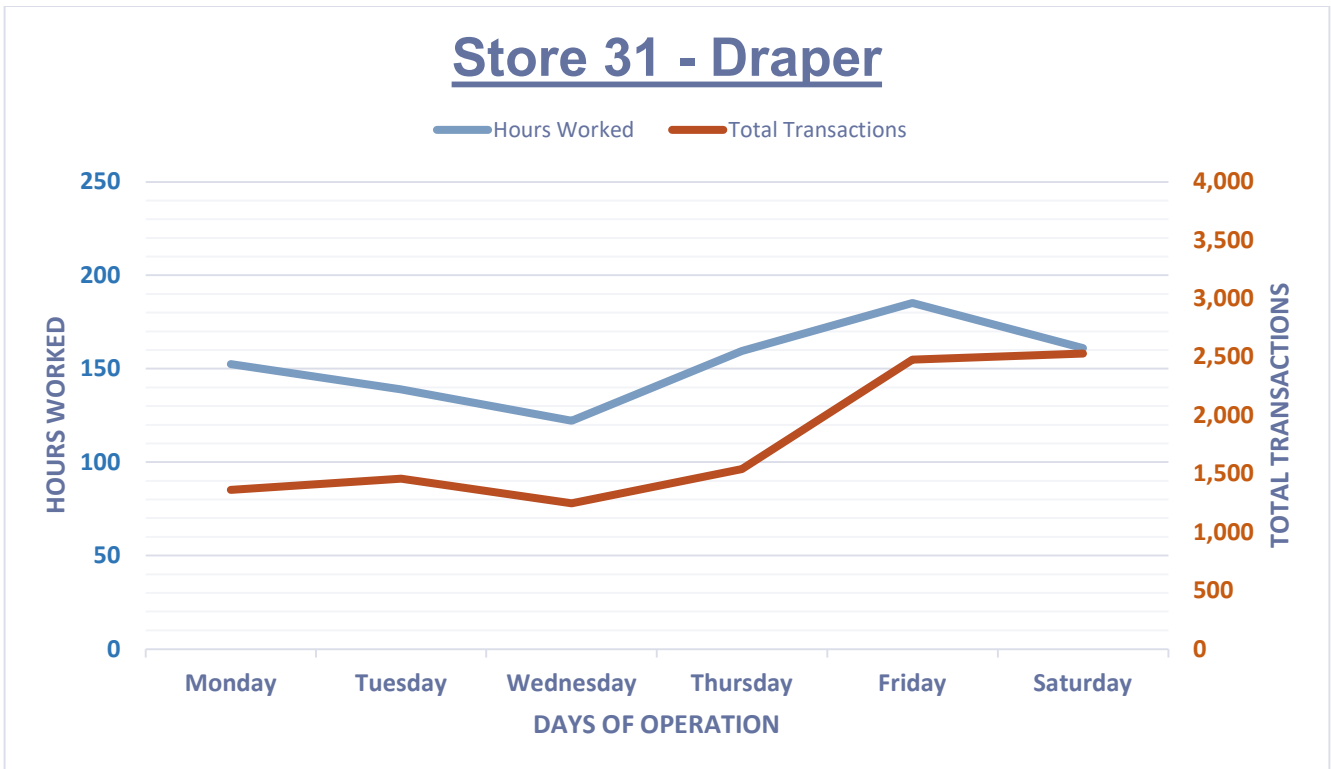




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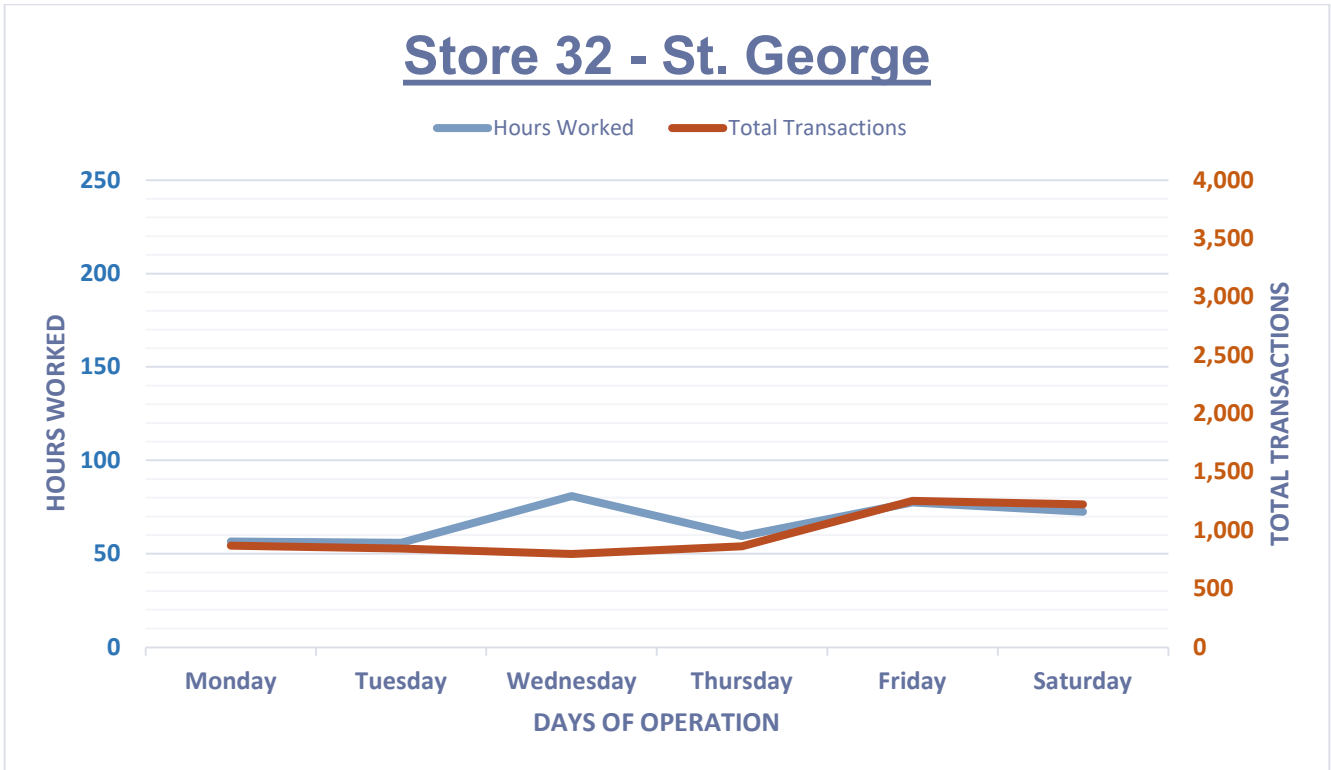


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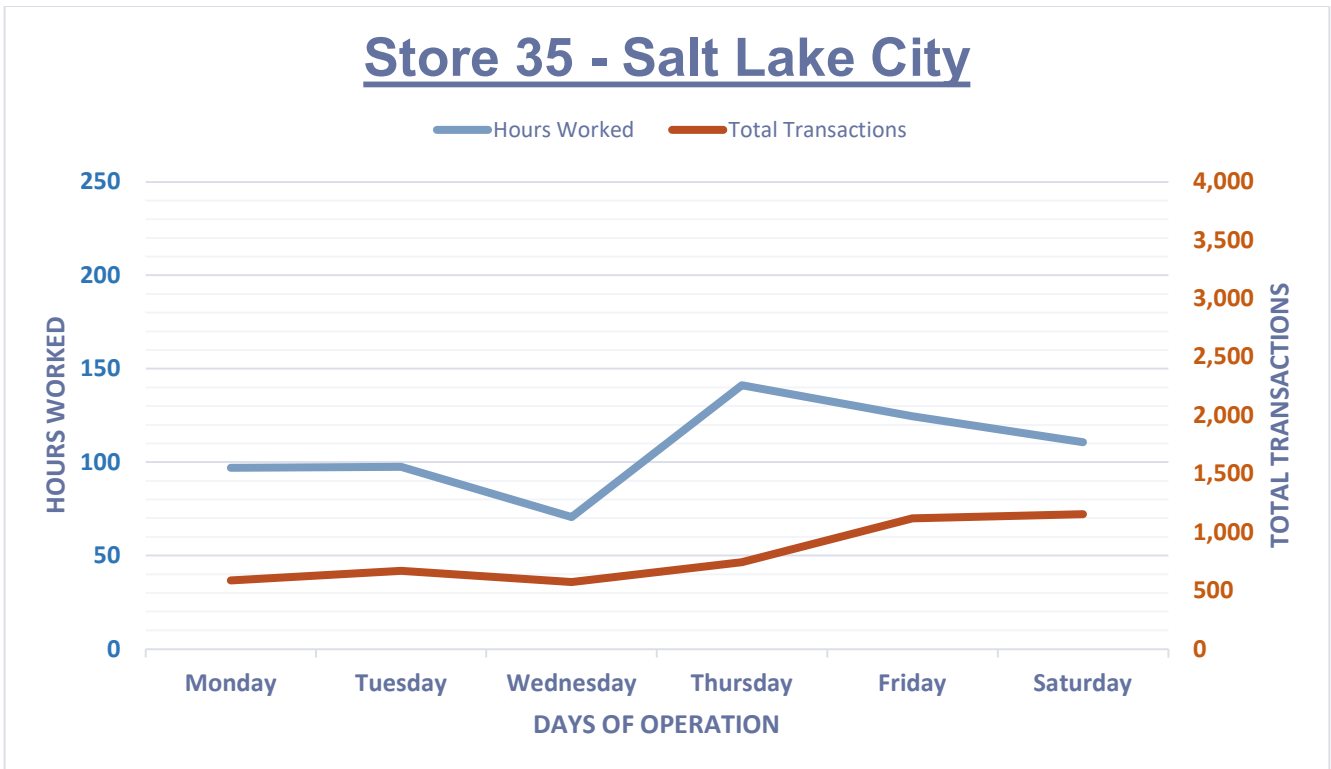


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Figure 35

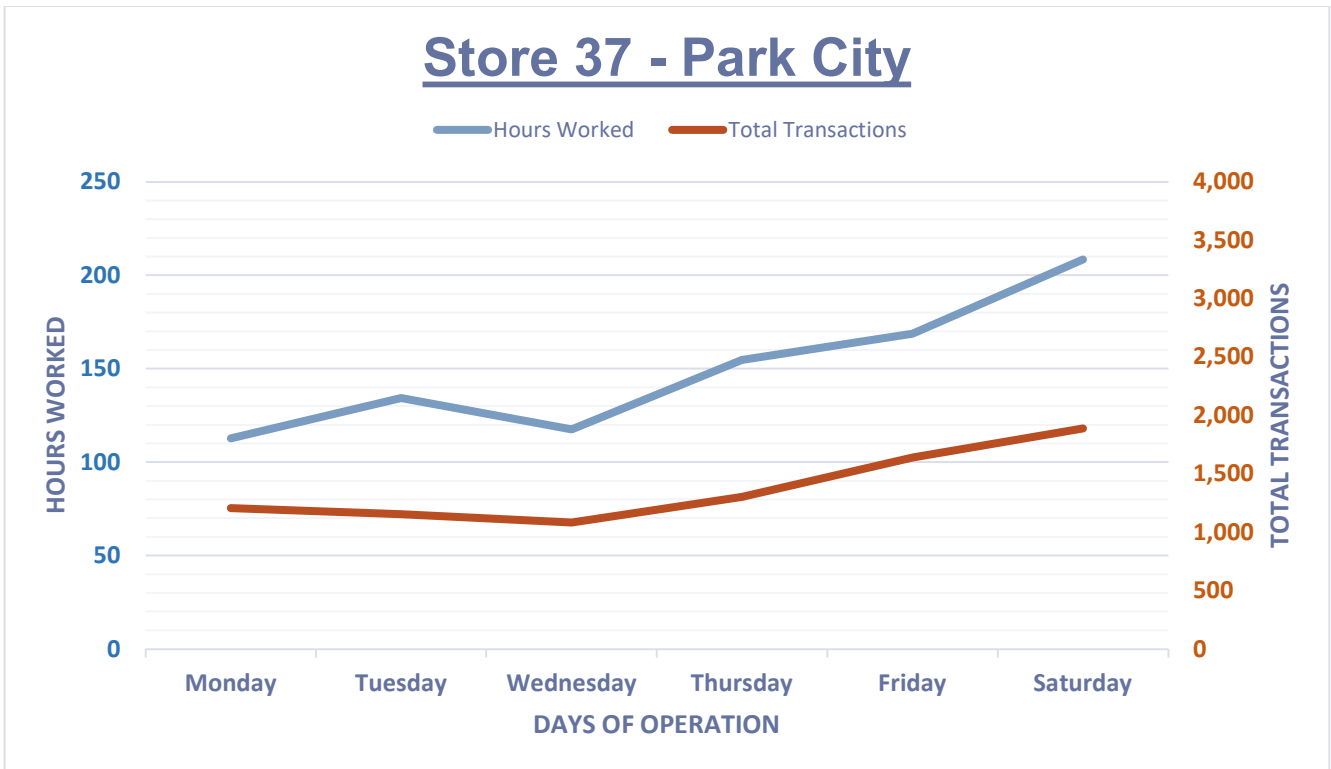


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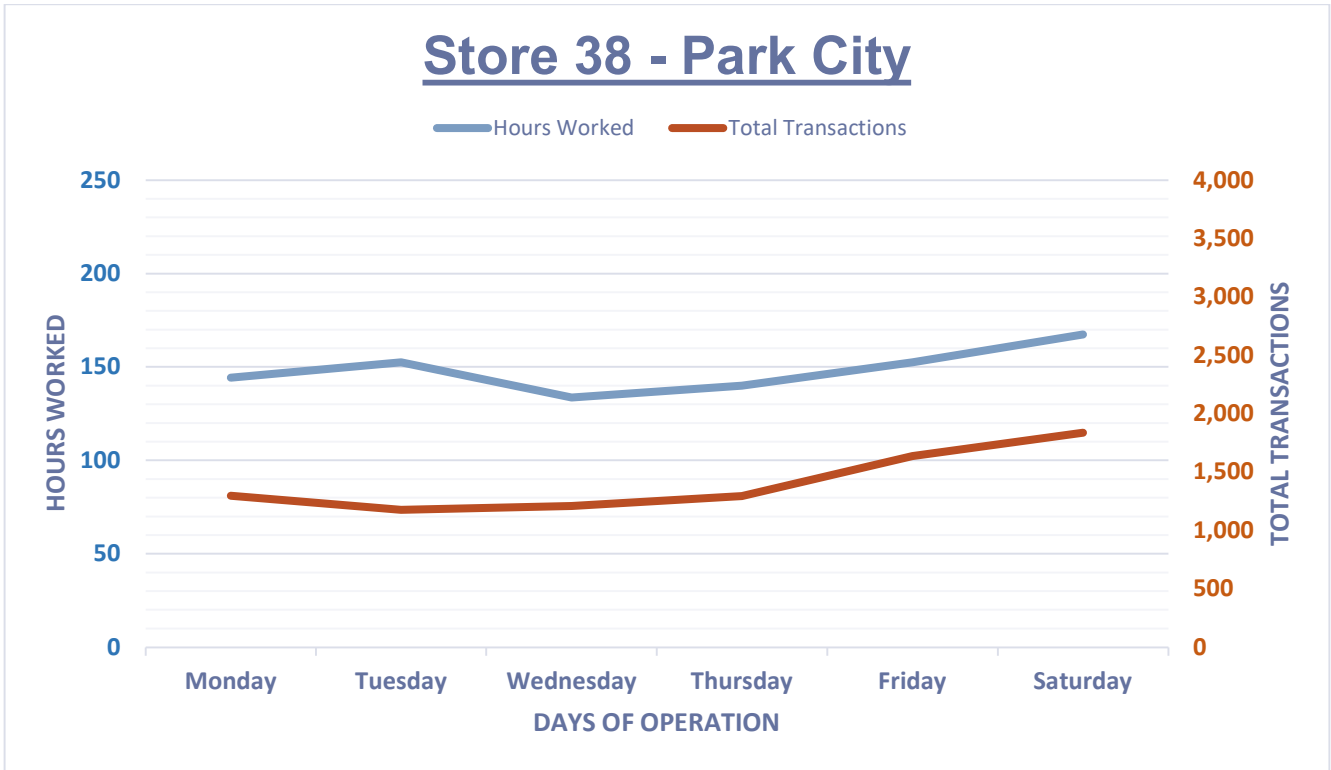


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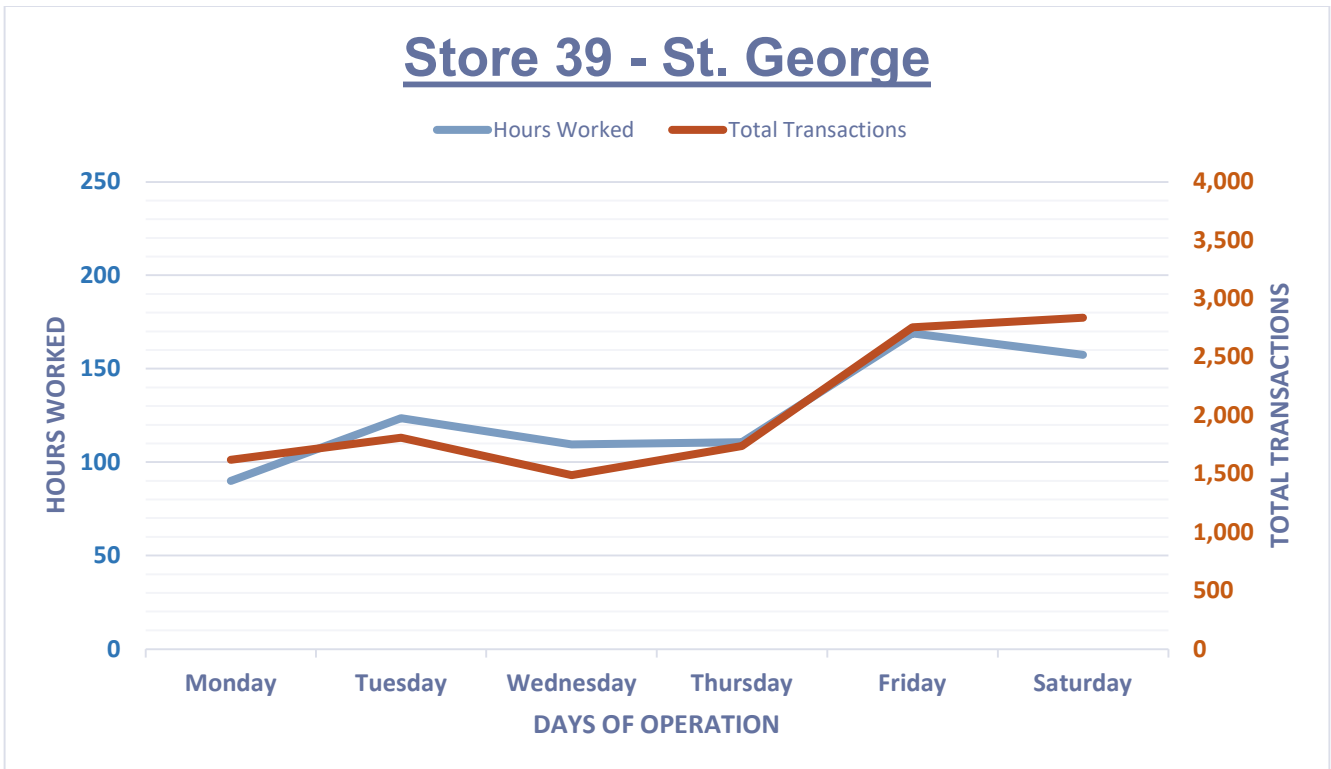


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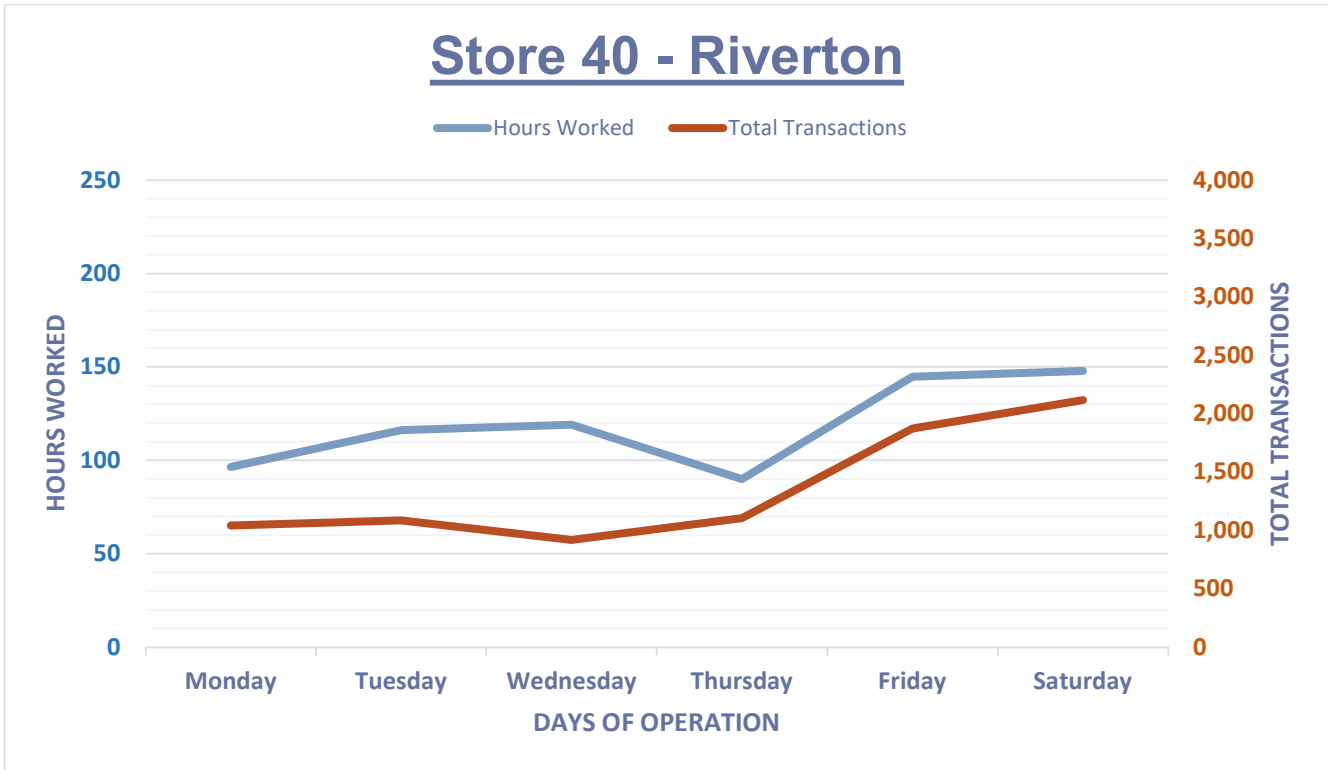


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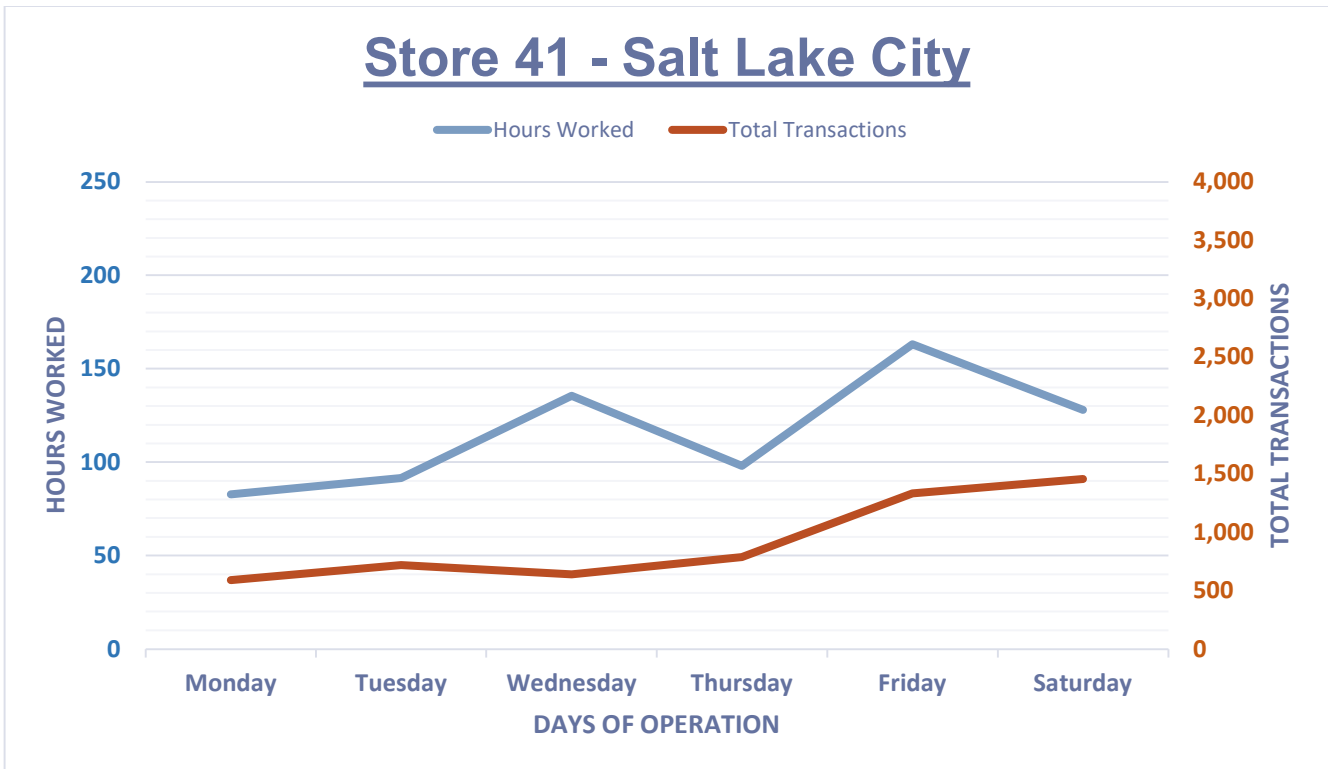


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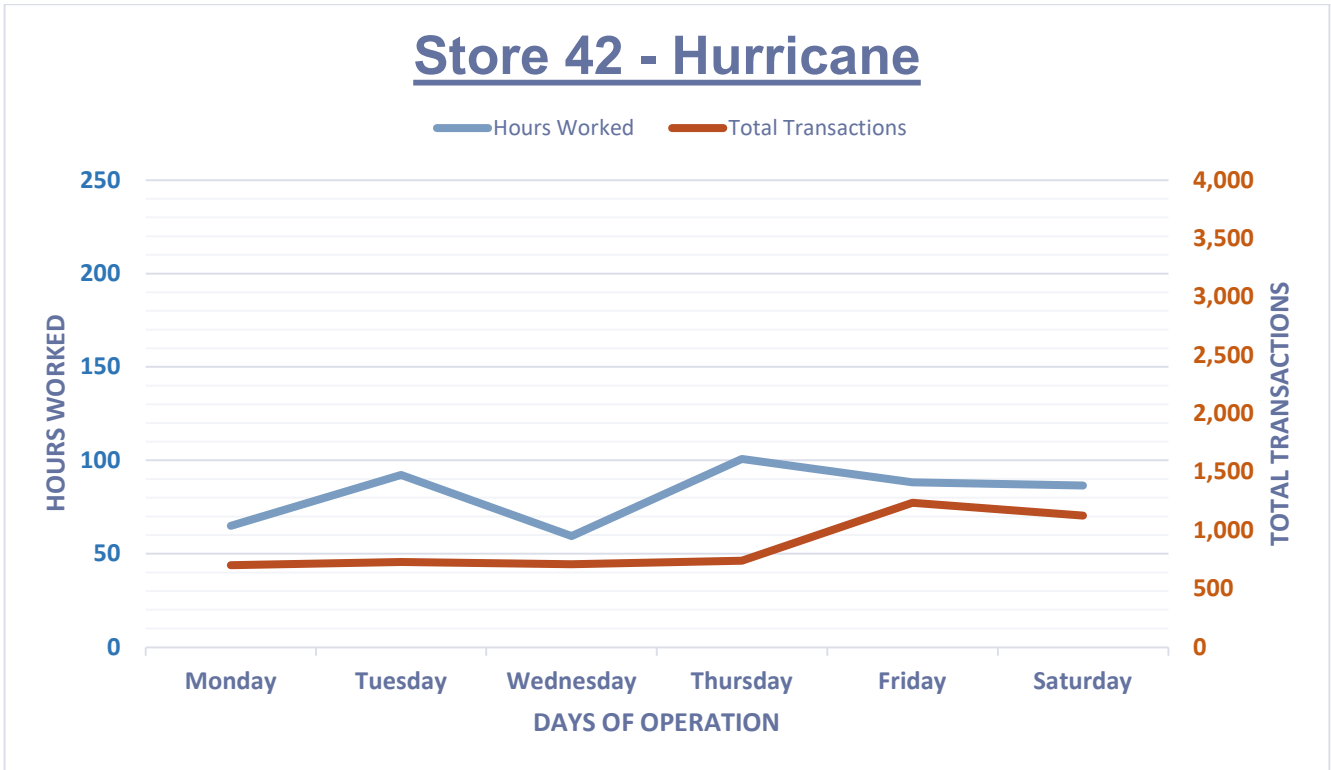


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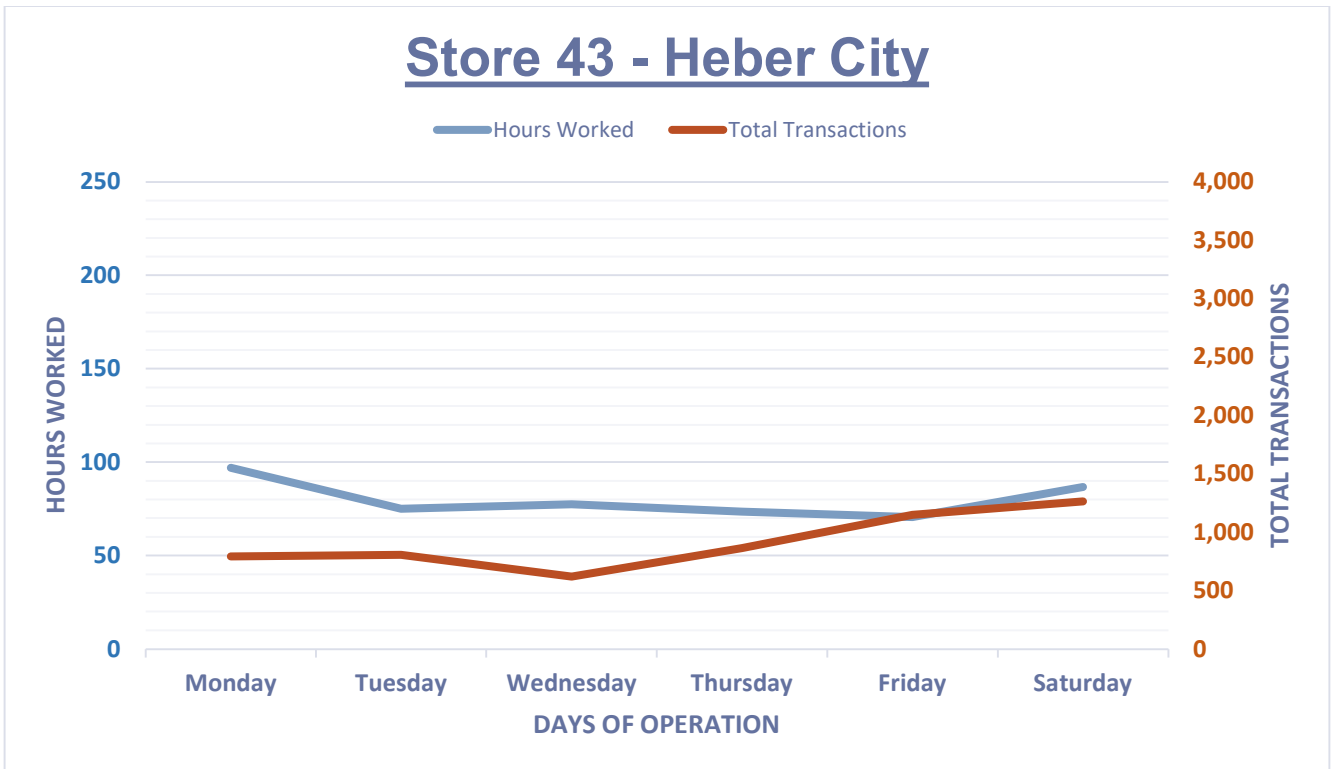


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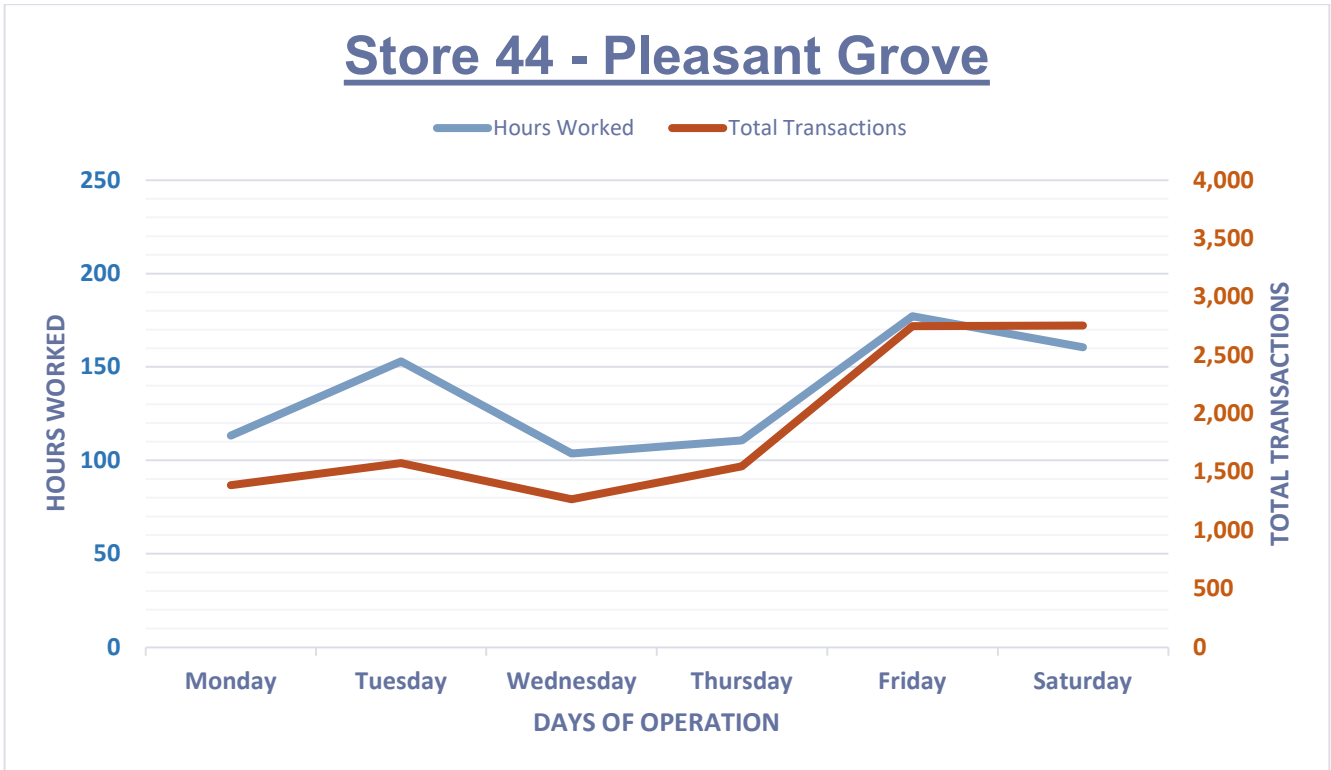


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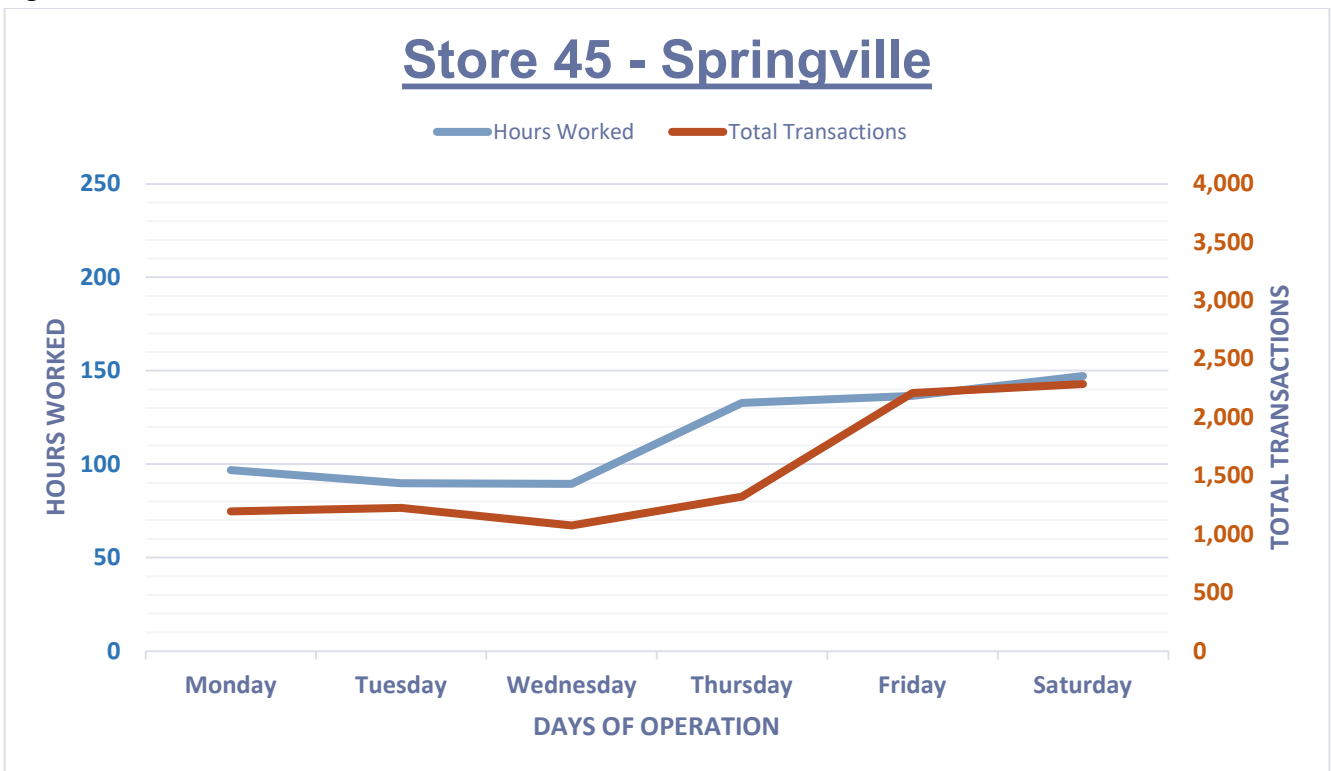


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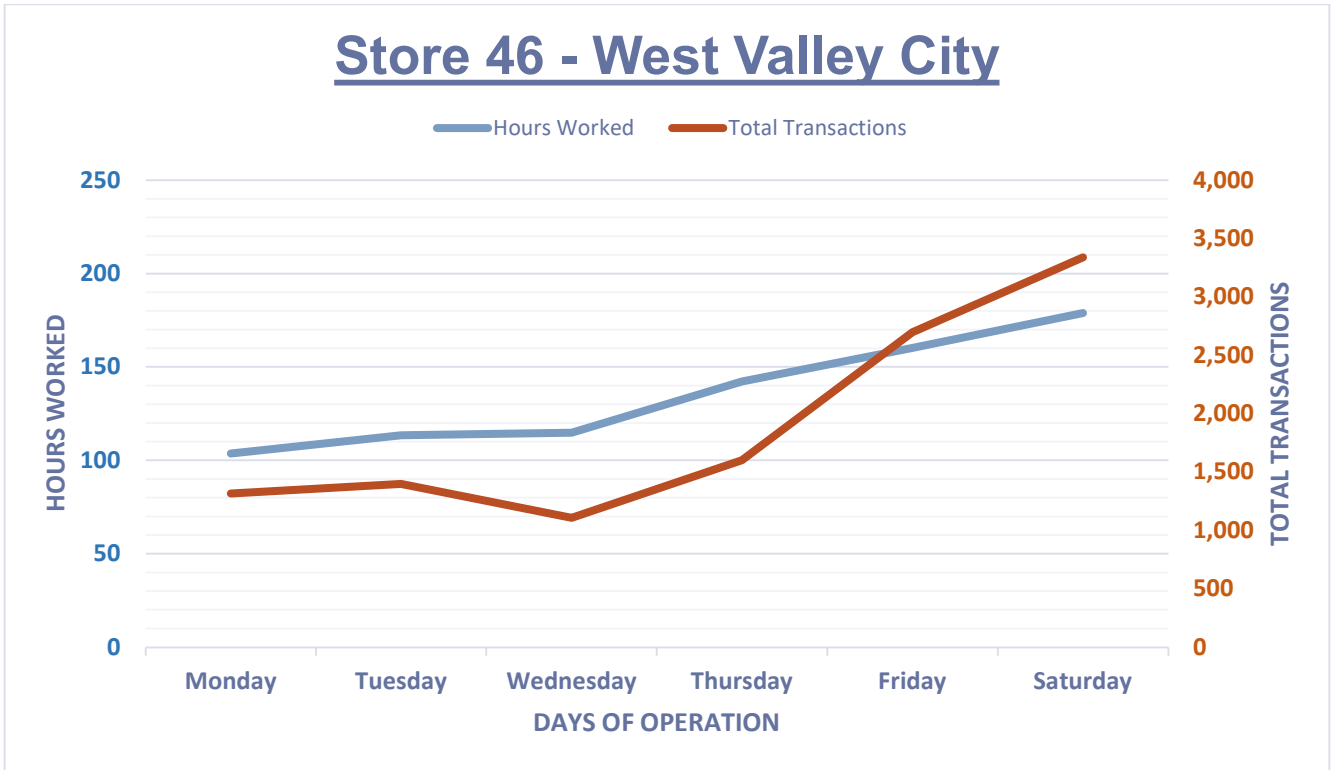


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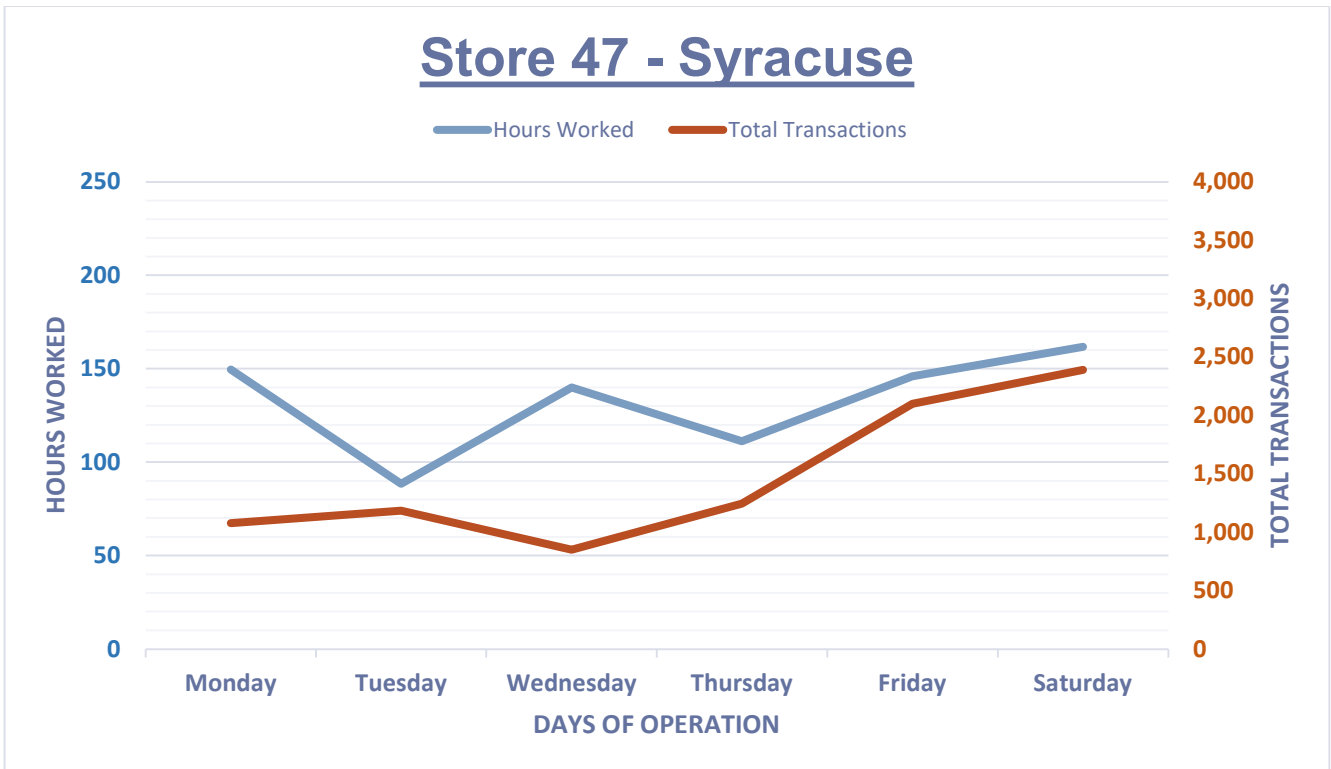


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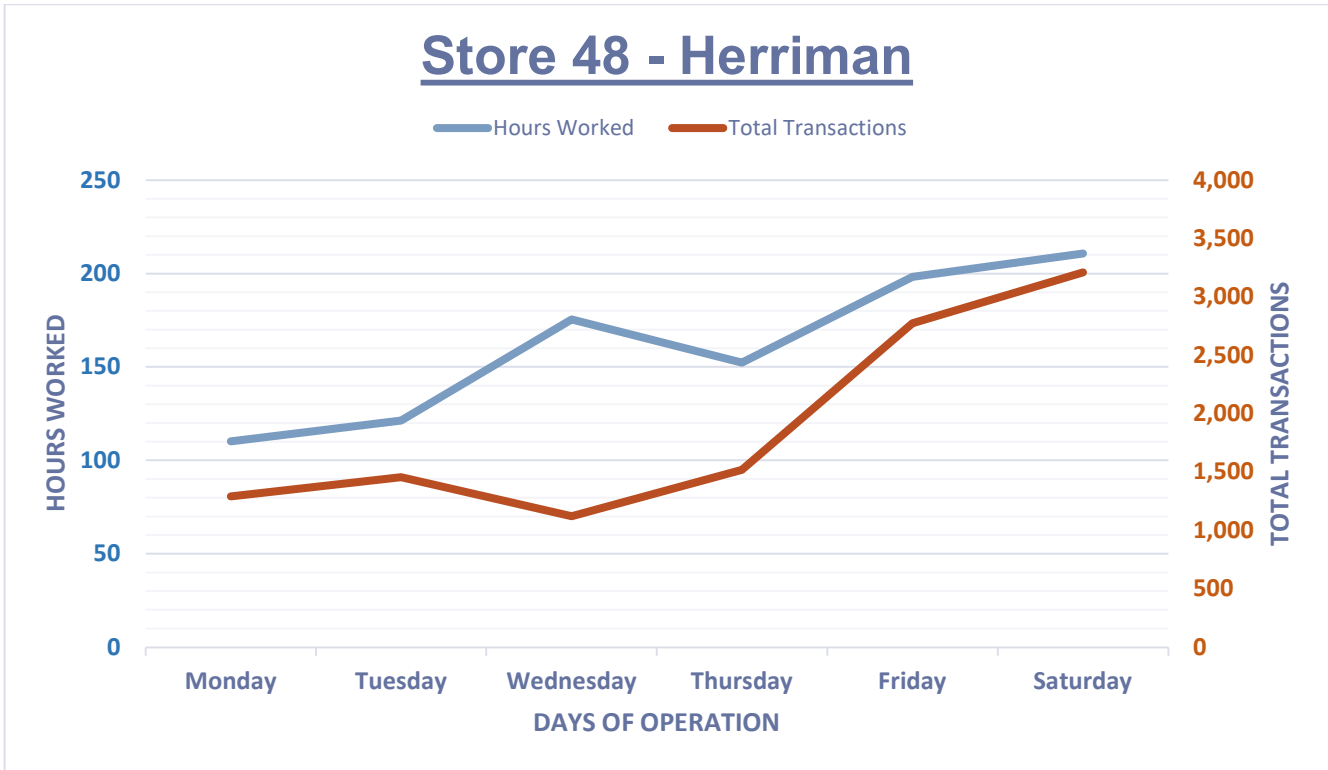


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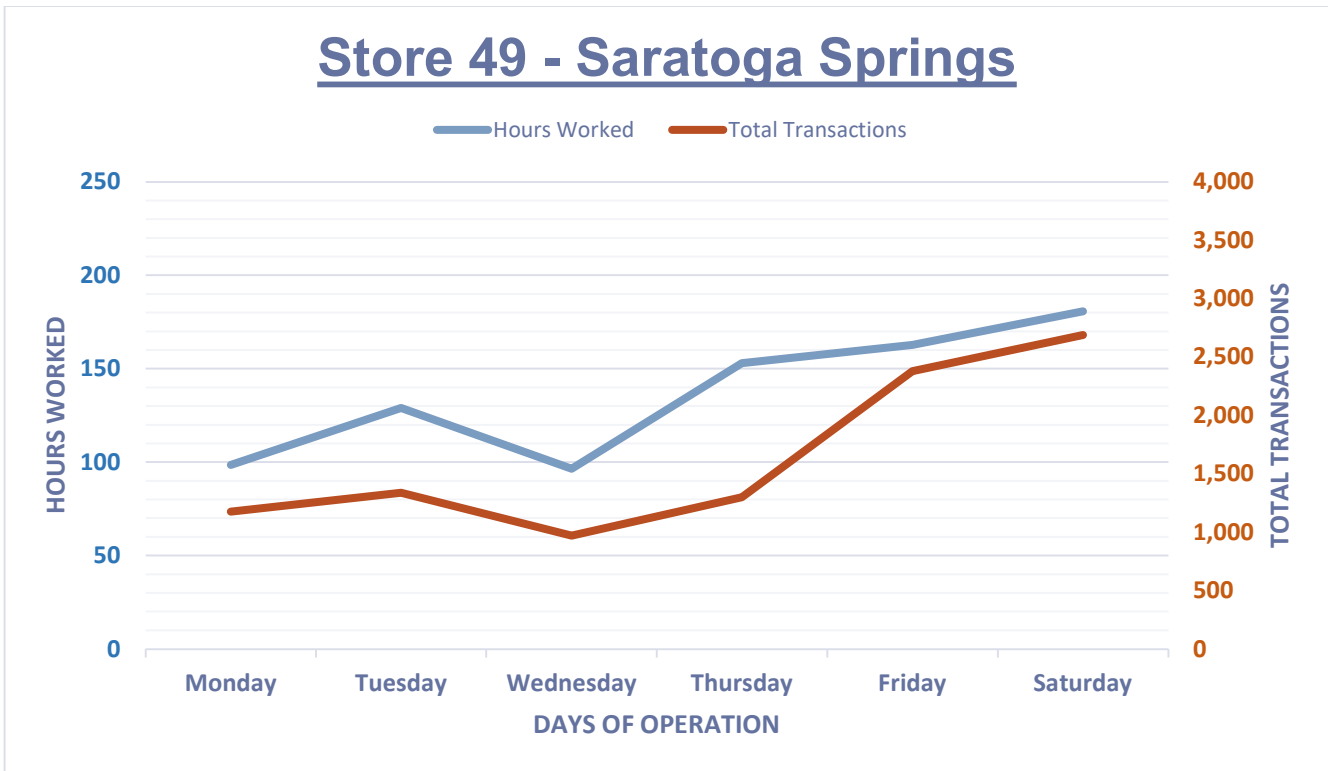




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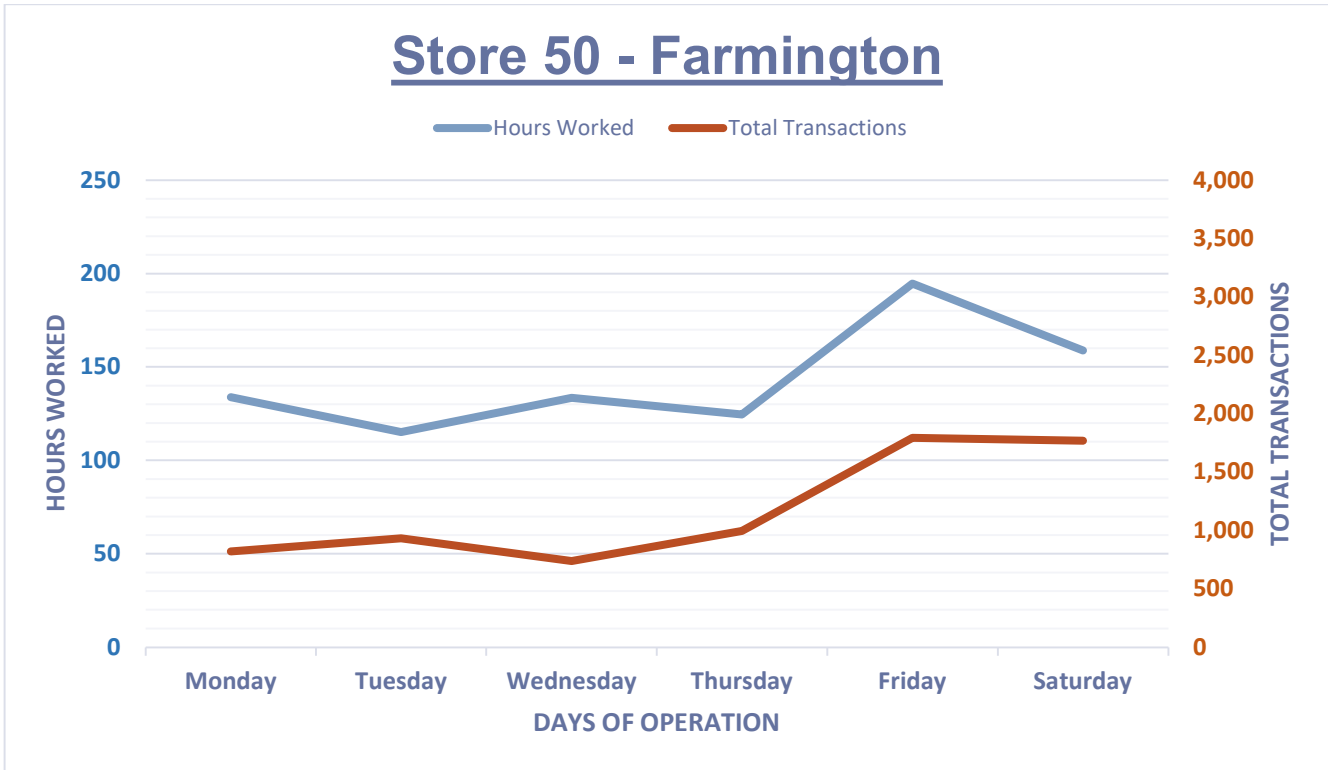


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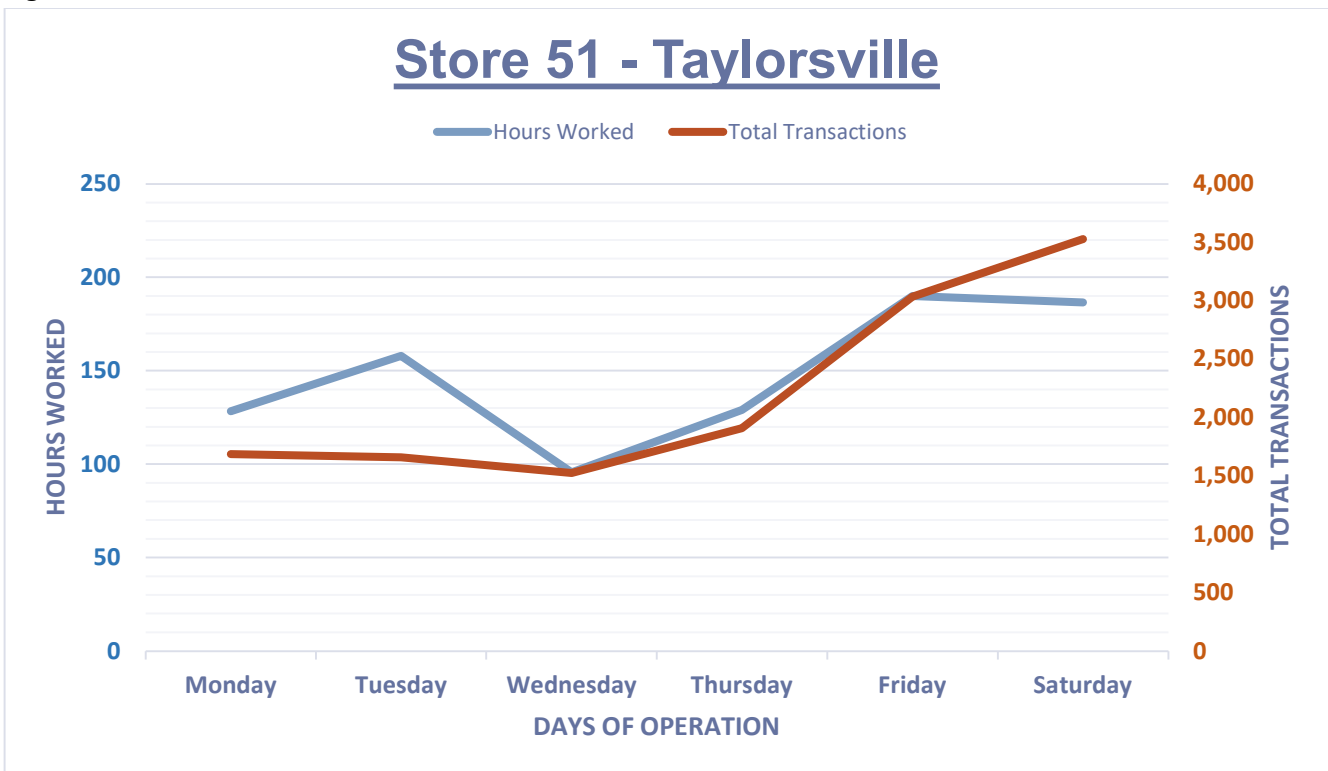


Figure 50

