



DEPARTMENT OF BUSINESS & PROFESSIONAL REGULATION
OFFICE OF INSPECTOR GENERAL

CHARLIE CRIST
GOVERNOR

CHARLES W. DRAGO
SECRETARY



MEMORANDUM

TO: Charles W. Drago, Secretary

FROM: Ron Ferguson, Acting Inspector General

SUBJECT: Six-month Status of Corrective Actions, Auditor General Report
No. 2008-181, Distribution of Alcoholic Beverage License Taxes
To Counties and Municipalities

DATE: November 4, 2008

In accordance with the provisions of s. 20.055(5)(h), Florida Statutes, we have reviewed the status of corrective actions taken by the Division of Alcoholic Beverages and Tobacco in response to recommendations made by the Auditor General in the above-referenced report. The Office of Inspector General also updated the corrective action status for the Prior Audit Finding portion. A copy of the original Auditor General report is included for your review.

The findings, recommendations, and the current status of actions as of October 2008 are attached.

Please contact me if you have any questions.

Thank you.

RF/rf

cc: Charlie Liem, Chief of Staff
Jerry Geier, Director of Alcoholic Beverages and Tobacco
Joint Legislative Auditing Committee

Attachment

Department of Business and Professional Regulation
Division of Alcoholic Beverages and Tobacco
Status of Corrective Actions
Auditor General Report No. 2008-181
Distribution of Alcoholic Beverage License Tax to
Counties and Municipalities

Finding No. 1:

The Division did not have effective controls in place to ensure the accuracy or completeness of the LicenseEase data used in the distribution process.

Recommendation:

We recommend that the Division:

- Take actions to detect and correct inaccurate license holders' business location designations recorded in LicenseEase;
- Revise the current beverage license application to more clearly communicate the party that is responsible for properly identifying the business location;
- Adopt other procedures to more reasonably ensure LicenseEase data validity. At a minimum, the procedures should address the following:
 - Completeness of applications received;
 - Capture of all changes in license holders' business location designations resulting from newly incorporated municipalities and annexations; and
 - Documentation and proper authorization of changes made to LicenseEase license records.

Agency Response:

We agree with this finding.

The current license application has a section to be completed by the zoning authority governing the applicant. If no zoning information is required, the location designation is left incomplete, and the license processor is responsible for determining the municipality designation for the license. This can cause inaccurate or incomplete information to be entered into the licensing database and cause an incorrect fee distribution for that license. The Division is revising their application to include a section for the license applicant to include the municipality and/or county designation for their license location. This should reduce the incidence of incomplete or incorrect locations in the licensing database.

The Division has not identified changes in business location designations caused by municipal annexations or newly incorporated municipalities. The Division has relied on the affected municipality to inform us of such changes. Procedures will be written and implemented that will assist in detecting and documenting such boundary changes, and applicable license record changes will be made.

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The Division has identified necessary changes to be made to the license records pertaining to location designations via emails, phone calls, or letters from the affected entities, or through distribution reviews. The Division has not always maintained adequate documentation to support or track changes made to license records. Beginning in March 2007, when this item was first discussed with Auditor General staff during their visit, we required that all adjustments to our database records initiated by the cities and counties be in writing, either by email or formal letter. We will develop written procedures for making any adjustments to our database. These procedures will include detailed requirements for the initiation, authorization, and recording of all adjustments to LicenseEase and our AB&T Distribution Database. As part of the procedures, we will develop a standard form to be used during the entire process, from initiation to final review, to document and track the changes made to the records.

It is anticipated that these revised procedures can be developed and implemented by June 30, 2008.

Division status of corrective action October 2008

On June 25, 2008, we completed written procedures that detail the responsibilities of both the AB&T Auditing staff and the AB&T Licensing staff. Included in these procedures are detailed instructions on researching and verifying physical locations of alcoholic beverage licensed businesses. In addition, the procedures implement a new "Adjustment Tracking Form" to be used for researching, verifying, and changing any LicenseEase records that affect the distribution of the alcoholic beverage license tax to counties and municipalities.

Finding No. 2:

Adjustments made during the calculation of the amounts to be distributed were not fully documented.

Recommendation:

We recommend that the Division:

- Adopt a standardized form to document and control adjustments made through the Database. Each standardized form should include a unique identifying number to provide a means to account for and control the adjustment.
- Create control accounts to facilitate corrections of over and under payments of distribution amounts.
- Implement procedures to address and correct errors in distributions.

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- Maintain copies of all key documents used to support the distribution process.

Agency Response:

We agree with this finding.

The Division has not utilized a standard form to document and control adjustments made to the databases, nor have we used a unique identifying number for those adjustments. Written procedures are being developed for making any adjustments to our databases, to include detailed requirements for the initiation, authorization, and recording of all adjustments to LicenseEase and our AB&T Distribution Database. A tracking form will be utilized during the entire process, from initiation to final review, and will be retained as documentation for the adjustments. The tracking form will include a unique identifier for each adjustment, along with the name of the initiator, authorizer, recorder, and reviewer of each adjustment. In June 2007, the Division developed a Crystal Reports tool that identifies carry-forward adjustments for the distribution database. This is recognized as an interim resolution of the issue, and the running of this report each quarter will be part of our written procedures. A major enhancement to the existing distribution adjustment database is necessary to properly account for the adjustments. Retroactive adjustments have been made based on the applicant's request. Without specific statutory guidance for this area, the Division can use the same logic and guidance provided in Section 215.26, Florida Statutes, for refund applications. This statute guides that a refund can be requested within three years after the right to such refund has accrued. As with other refunds, we will limit adjustments to a maximum of three years from when requested. The revised procedures and forms should be implemented by June 30, 2008.

Division status of corrective action October 2008

On June 25, 2008, we completed written procedures that implement a new "Adjustment Tracking Form" to be used for researching, verifying, and changing any LicenseEase records that affect the distribution of the alcoholic beverage license tax to counties and municipalities. The tracking form includes the use of a control number for tracking purposes, and identifies the adjustment initiator, researcher, authorizer, and LicenseEase record changer. In addition to the written procedures, we have developed a quarterly checklist of computer programs and reports to be run. This checklist, a sequential list of tasks, will help insure the quarterly process flows smoothly.

Finding No. 3:

Duties of employees had not been assigned in a manner that reasonably ensured the timely detection of errors, should they occur.

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Recommendation:

We recommend that the Division redesign its distribution process workflow to eliminate these incompatible duty assignments.

Agency Response:

The Division has a minimal staff that can perform the fee distribution workflow. The majority of the processing, reviewing, adjusting, and approving duties have been placed on two employees within the Bureau of Auditing. Procedures are being developed that will give some of the duties to Bureau of Licensing employees, thus accurately segregating the duty assignments. It is anticipated that this can be accomplished by June 30, 2008.

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On June 25, 2008, we completed written procedures that detail the responsibilities of both the AB&T Auditing staff and the AB&T Licensing staff. As part of the procedures we identified specific areas of responsibility for tasks in the process so that the licensing staff is engaged only in the correction of licensing records, while the auditing staff is engaged in the identifying of possible errors and the eventual contact with the Department's Finance and Accounting staff for eventual distribution of funds.

Prior Audit Finding:

The Department has yet to complete an annual review of the data integrity, reliability, and security over its Single Licensing System.

Recommendation:

We recommend that annual reviews of Single Licensing System data integrity, reliability, and security be performed.

Agency Response:

As stated, the Department does concur with the recommendation. However, as stated previously in the Department's response to Auditor General Report 2007-010, although one review of the Single Licensing System regarding the data integrity, reliability, and security has not been performed, several procedures have been conducted to increase the integrity, reliability and security of the data as summarized below.

- In March 2004, the Department engaged the International Data Corporation (IDC) to conduct a risk assessment of information security practices and procedures which included the Single Licensing System. All recommendations have been instituted.
- In 2005, DynTek Services, Inc. performed a risk assessment which included an analysis of department policies, processes and procedures, as well as the vulnerability of information technology resources. In a follow-up review in 2006, DynTek found

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that all vulnerabilities had been corrected. Although this risk assessment was not directly on the Single Licensing System, the Single Licensing System does reside within the confines of the Department's network, which was the focus of this review.

- While conducting audits during fiscal year 2004-2005, the Office of Inspector General began including audit steps to verify the integrity and reliability of data on the Single Licensing System. This may include testing a data sample to the source file to ensure the integrity and reliability of data during its course through the business process, as well as a review of controls such as policies and procedures.
- The Office of Inspector General's approved audit plan for fiscal year 2006-2007 did include an audit regarding the Office of Technology and the areas of application software/network security with an emphasis on the Single Licensing System. The Office of Inspector General did engage with the Office of Technology on February 28, 2008 to evaluate agency access controls with an emphasis on the Single Licensing System. Fieldwork was begun in April of 2008, with an anticipated completion date of June 30, 2008. The Office of Inspector General plans to include further review of the Single Licensing System within the annual audit plan for fiscal year 2008-2009.

The Department will continue to explore additional procedures to increase the integrity, reliability and security of the Single Licensing System data.

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The Division of Technology is currently completing the 2008 Florida Risk Assessment Survey to be submitted to the Agency for Enterprise Technology by the end of December 2008. Florida Statutes, Chapter 282, requires each state agency to conduct and update every 3 years, a comprehensive risk analysis to determine the security threats to information technology systems. The Risk Assessment Survey process requires an independent verification of the information by the agency Inspector General.

The Office of Inspector General has engaged with the Division of Technology to evaluate agency access controls. This audit is planned to be concluded by the end of December 2008.