



An Audit Report on

Complaints Processes at the Alcoholic Beverage Commission

- Processes for business and employee complaints generally complied with requirements.
- The Commission should strengthen its policies and procedures over complaints management.
- The Commission did not have adequate logical controls or documented policies and procedures for certain information technology processes.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

The Alcoholic Beverage Commission (Commission) generally had processes and related controls to help ensure that it reviewed, investigated, and resolved complaints in accordance with applicable requirements. However, certain policies and procedures for complaints management and information technology should be strengthened.

- *Background* | p. 3
- *Audit Objective* | p. 21

This audit was conducted in accordance with Texas Government Code, Section 321.0132.

LOW

COMPLAINT MANAGEMENT

The Commission generally complied with requirements for reviewing, investigating, and resolving complaints.

[Chapter 1 | p. 6](#)

MEDIUM

COMPLAINT POLICIES AND PROCEDURES

The Commission should ensure that all complaint allegations are tracked and reviewed consistently.

[Chapter 2 | p. 10](#)

HIGH

INFORMATION TECHNOLOGY

The Commission had significant weaknesses in certain controls over information technology.

[Chapter 3 | p. 16](#)

For more information about this audit, contact Audit Manager Jim Timberlake or State Auditor Lisa Collier at 512-936-9500.

October 2022 | Report No. 23-004

Summary of Management Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Commission agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on methodology for issue ratings, see Report Ratings in [Appendix 1](#).

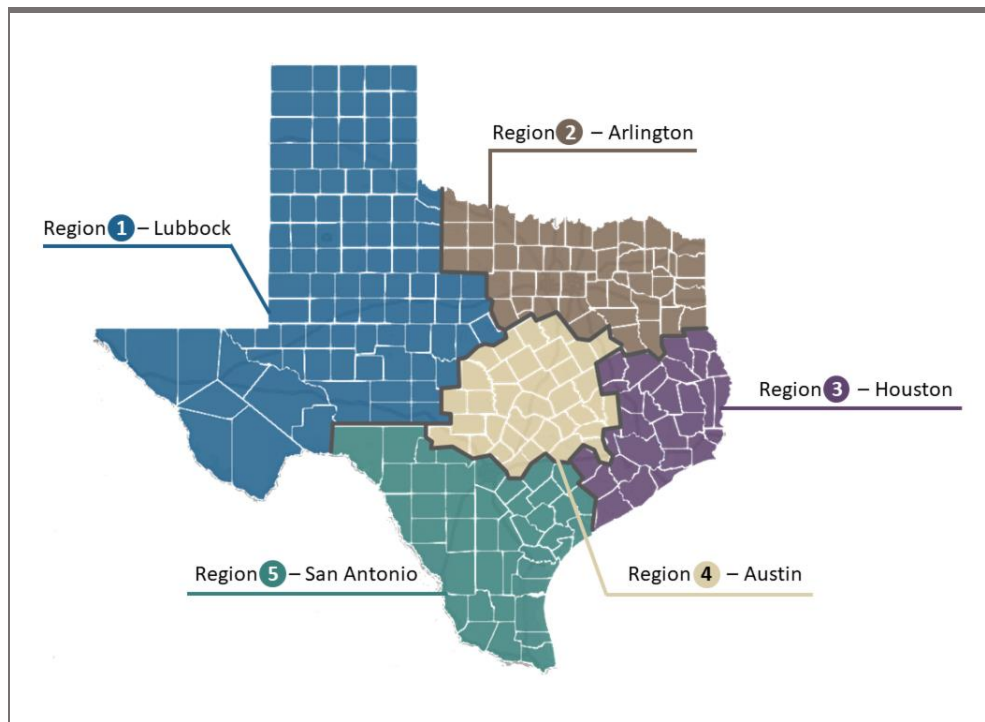
Background Information

The Commission investigates complaints against businesses and against its employees.

The Alcoholic Beverage Commission (Commission) licenses businesses such as retailers, wholesalers, and manufacturers of alcoholic beverages. The Commission established five regions in Texas (see Figure 1), and assigns agents in its Enforcement Division and auditors in its Audit and Investigations Division to each region. Each division investigates complaints made against businesses located in its assigned regions.

Figure 1

Commission Regional Map



Source: The Commission.

Business Complaints. Complaints against businesses can be made by Commission employees, the public, or other governmental agencies. These complaints can be submitted via the Alcohol Industry Management System (AIMS), email, mail, fax, phone call, or in person.

The Enforcement Division investigates complaints related to public safety; the Audit and Investigations Division investigates other complaints. (See text box for details about the types of business complaints investigated.)

- In addition to agents assigned to each region who investigate public safety complaints, the Enforcement Division also includes the following units that operate statewide:
 - The Special Investigations Unit and the Financial Crimes Unit investigate complaints related to human trafficking, major drug-related offenses, and financial crimes.
 - The TRACE (Target Responsibility for Alcoholic Connected Emergencies) Unit investigates the source of alcohol if someone is seriously hurt in connection with an alcohol-related incident, such as traffic accidents involving alcohol that are related to businesses licensed by the Commission.
- In addition to investigating complaints, the Audit and Investigations Division performs audits of compliance with Commission rules, including financial reviews and inspections.

The Commission tracks business complaints in the Agency Reporting and Tracking System (ARTS) and in AIMS. AIMS will eventually replace ARTS; however, both systems are currently used to document complaints investigations.

Employee Complaints. The Commission investigates complaints made against its employees. Complaints can be made by other employees or by the public and can be submitted via email, mail, fax, phone call, or in person. Most employee complaints are investigated by the Commission's Office of Inspector General.

Types of Business Complaints Investigated by the Commission

The Commission investigates public safety and non-public safety complaints related to businesses in the alcohol industry.

- **Public safety.** These complaints include allegations of selling alcoholic beverages to minors or intoxicated people, conducting illegal activity involving narcotics and human trafficking, and other illegal activity.
- **Non-public safety.** These complaints include allegations such as refilling bottles, subterfuge, purchasing alcohol from an unauthorized source, failing to pay taxes, and a private club selling alcohol to a non-member.

Source: The Commission.

For some minor complaints, the Office of Inspector General will forward the complaint to the division where the employee works, for review and investigation. The Office of Inspector General will review the division's investigation to determine whether sufficient work was done to close the complaint.

Complaints related to employee grievances are investigated by the Human Resources Division¹.

The Commission tracks employee complaints in a spreadsheet and in IA Pro, an internal affairs management system. The spreadsheet is the primary repository of employee complaints data. The Commission uses IA Pro primarily as a backup. Once an investigation is complete, the Commission uploads investigative documents to IA Pro.

¹ Complaints related to employee grievances were not tested.



LOW

Chapter 1 Complaint Management

The Commission generally had processes and related controls to help ensure that it managed complaints and complied with requirements for reviewing, investigating, and resolving complaints against businesses and employees.

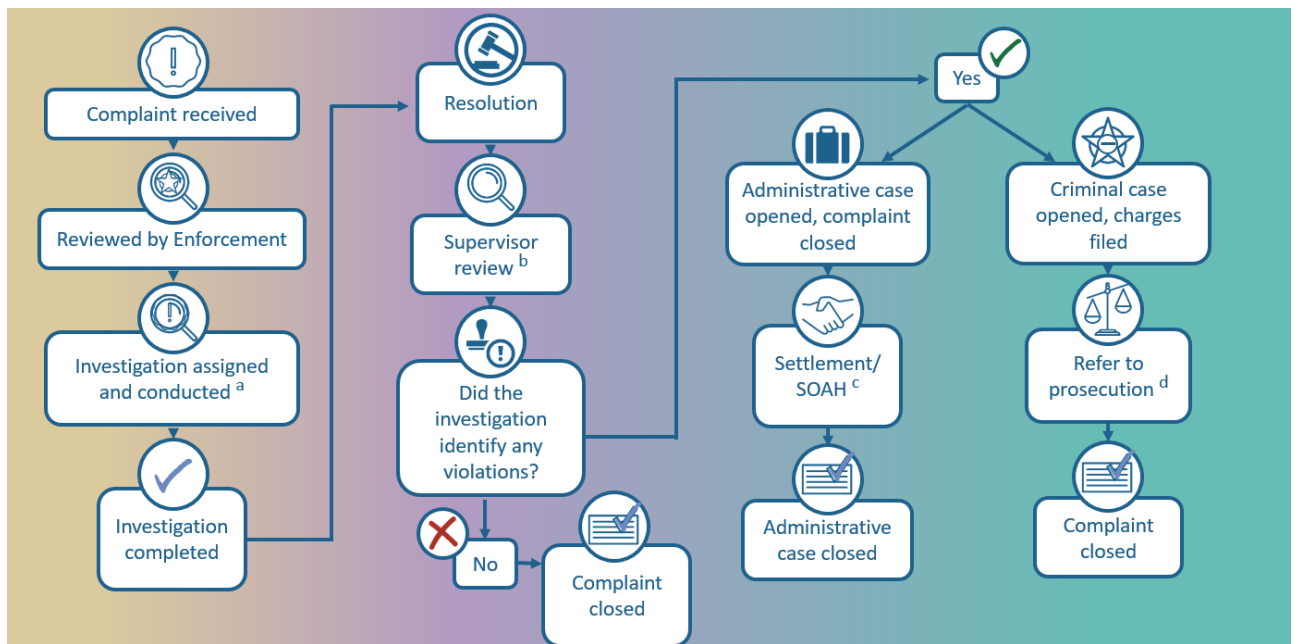
Business Complaint Process

Complaints about businesses licensed by the Commission can be filed by the public, other state agencies, law enforcement agencies, or Commission employees. Complaints can also be filed against businesses that should be licensed by the Commission, but that are not licensed. The Commission's Enforcement Division investigates complaints related to public safety issues, and its Audit and Investigations Division investigates other complaints.

Figure 2 on the next page shows the Commission's process for managing complaints about businesses.

Figure 2

Business Complaint Process



^a Public safety complaints are assigned to the Enforcement Division, and non-public safety complaints are assigned to the Audit and Investigations Division.

^b Enforcement supervisors review and close complaints. For the Audit and Investigations Division, supervisors discuss the complaints with the investigators and may review some complaints, but there is no formal review process.

^c SOAH is the State Office of Administrative Hearings.

^d If a prosecutor accepts the case, the complaint will be closed. If the prosecutor does not accept the case, the Commission may continue to work on the case and resubmit it to the prosecutor, or it may simply close the complaint.

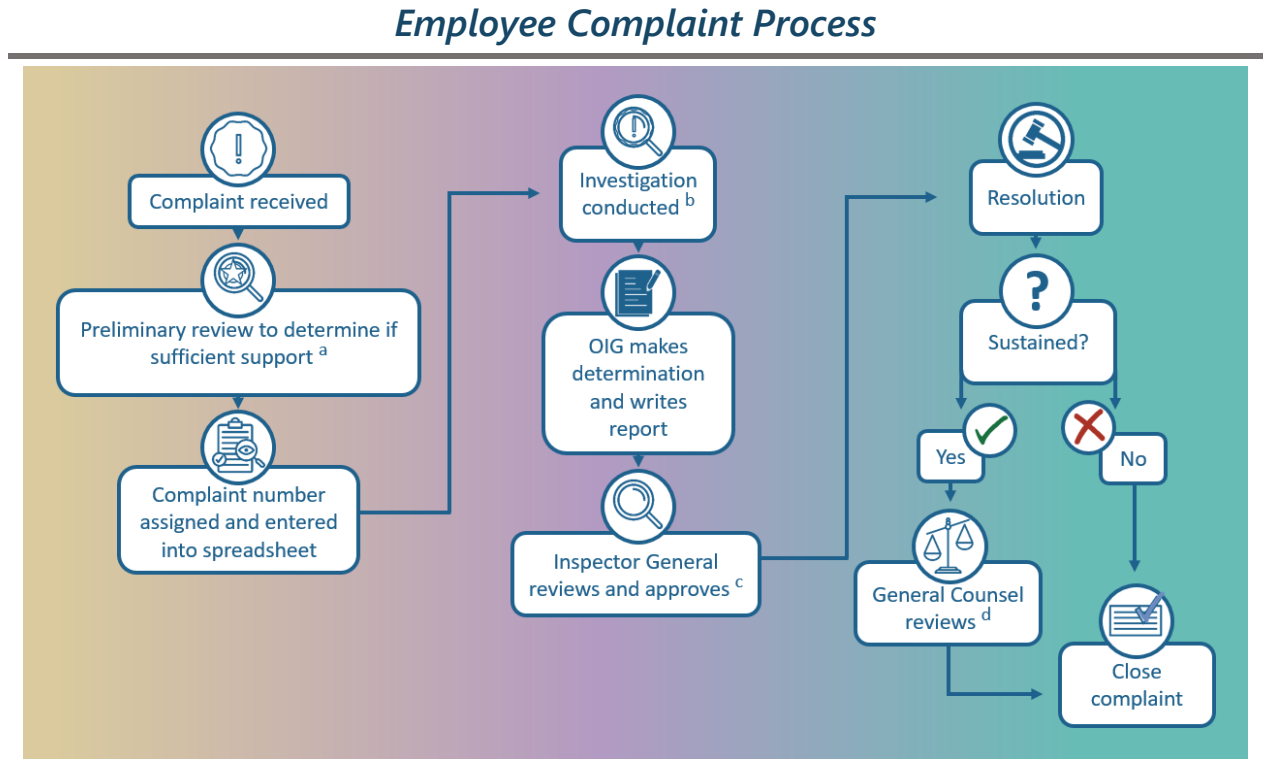
Source: The Commission.

Employee Complaint Process

Complaints against Commission employees can be filed by other employees or the public. The Commission’s Office of Inspector General investigates most complaints against Commission employees.

Figure 3 shows the Commission’s process for managing complaints about employees.

Figure 3



^a If the complaint is not within the Commission’s purview, or if sufficient support is not provided, no complaint is opened.

^b If the complaint involves management issues, the complaint is referred to the division where the employee the complaint is against is assigned. The division submits a written report to the Office of the Inspector General (OIG). OIG will review and determine whether the division performed sufficient work and whether the final determination is supported. Otherwise, OIG will investigate the complaint. If the complaint involves criminal allegations, OIG will work with other law enforcement agencies as needed.

^c The Inspector General reviews all final reports and approves the final determination before the complaint can be closed.

^d If a complaint is sustained, the final report is submitted to the General Counsel for review prior to any action being taken against the employee. Action taken can range from an oral warning to termination.

Source: The Commission.

Compliance with Phases of Complaint Processes

Figure 4 shows results of testing of the review, investigation, and resolution phases of the Commission’s processes for business and employee complaints. The Commission generally complied with its processes for managing these complaints.

Figure 4

Testing of Business and Employee Complaints by Phase of Complaint Process

Phase	Business Complaints	Employee Complaints
Review	All complaints tested complied with requirements for intake and review. Specifically, the Commission complied with requirements related to retaining complaint forms, reports, and tracking logs as appropriate; entering complaints into ARTS or AIMS; and assigning complaints to the appropriate division for investigation.	All 17 complaints tested for the intake and review procedures followed requirements related to complaint documentation, contacting complainants, contacting the accused employee, and properly assigning the investigation.
Investigation	Most complaints tested complied with requirements related to the investigation process. One complaint was closed without investigation ^a , although the Commission acknowledged that an investigation was warranted after auditors brought the complaint to staff’s attention.	All 18 complaints tested followed investigation requirements, such as maintaining support for investigative steps taken.
Resolution	Of the 53 Enforcement complaints tested, 52 (98 percent) were properly reviewed and closed by a supervisor. Fifteen complaints tested included sanctions for violations; all sanctions were within the guidelines set in the Texas Administrative Code.	All 14 complaints that required one had a final report documenting the investigation and the final determination; for all 5 sustained complaints, the Commission followed through on the recommended action.

^a See Chapter 2, Assigning Complaints section, under Business Complaints, for additional information.

MEDIUM

Chapter 2

Complaint Policies and Procedures

The Commission should strengthen its policies and procedures to ensure that all complaint allegations are tracked and reviewed consistently.

Business Complaints

Assigning Complaints. With the implementation of AIMS, a management analyst in Audit and Investigation reviews complaints in AIMS and assigns the complaints to either Enforcement or Audit and Investigation in the applicable region. This practice may have contributed to one complaint being closed without investigation. That complaint, which had both public safety and non-public safety allegations, was assigned to Audit and Investigation. Audit and Investigation reviewed the non-public safety allegations and closed the complaint without ensuring the public safety allegations were addressed.

Commission policy states that Enforcement will review all complaints and assign each one to Enforcement or to Audit and Investigation. The Commission's policies and procedures have not been updated to include new practices related to reviewing and assigning complaints in AIMS.

Reviewing Complaints. Of 53 complaints tested that were investigated by Enforcement, 16 (30 percent) had 1 review documented, 36 (68 percent) had 2 reviews documented, and 1 (2 percent) had no documented supervisor review.

While the Commission's policy states that supervisors review and close all complaints, Enforcement staff indicated that in practice, all complaints are reviewed by two supervisors and then closed by the second reviewer.

Enforcement staff also indicated that reviewers leave comments about the review, even though this is not required by the Commission's policy. Of the 52 complaints with at least 1 documented review, 18 (35 percent) had comments from reviewers. Of the 36 complaints with 2 reviews, the second reviewer left comments for only 2 (6 percent). The Commission should consider the value of reviewer comments and whether it wants to require these comments in the complaint record.

The Commission's policies and procedures did not include the stated practices related to reviewing and closing complaints investigated by Enforcement, which are not consistently applied.

Complaint Notifications. The Commission did not provide notification to complainants for any of the three complaints tested that were investigated by Audit and Investigation and were submitted by individuals who had requested such notification.

Employee Complaints

Tracking Complaints. The Commission's Office of Inspector General investigates most complaints against Commission employees. The Commission should strengthen its policies and procedures to ensure that it maintains support for all complaints received when it determines it will not investigate a complaint, and documents its reasons for that decision.

By not tracking all complaints received, even if the complaint is not against a Commission employee, the Commission cannot determine the total number of complaints received and reviewed, and it might not be able to provide information about any referrals made to other law enforcement agencies if a complainant were to contact the Commission about the status of their complaint.

Documenting Complaints. The Commission also should require documentation that certain controls are in place and operating as intended. For example:

- The Commission asserted that the Inspector General reviews and approves all final reports of investigations; however, the Commission did not document the Inspector General's review and approval of the final report for 7 of the 14 complaints tested.
- The General Counsel is required by its policy to review and approve all final reports of sustained investigations; however, the Commission did not document the General Counsel's review and approval of the final report for two of the four complaints tested that were sustained.

In addition, the Commission should ensure that it lists and defines all possible classifications for final outcomes of employee complaints. (See text box for definitions of existing classifications.) For 13 (72 percent) of 18 complaints tested, the Commission used a classification not currently defined in its policy.

Maintaining Data About Complaints. The Commission tracks employee complaints in a spreadsheet. It uses an internal affairs case management system, IA Pro, as a backup to the spreadsheet. Information about complaints is entered into IA Pro; at the conclusion of the investigation, supporting documents are uploaded into IA Pro. Supporting documents are also maintained on a shared drive that the Commission asserted is accessible only to the four staff members involved in the employee complaints process.

The Commission did not ensure that employee complaint data in the spreadsheet and in IA Pro matched or that the data was supported by the complaint case file records. For all 18 employee complaints tested, at least 1 field did not match either supporting documentation or the data in 1 of the 2 applications.

Employee Complaints Classifications

The Commission included four possible classifications for the outcome of employee complaints investigations in its current policy:

- **Sustained.** Sufficient evidence existed to support the allegations by a preponderance of the evidence.
- **Not Sustained.** Sufficient evidence did not exist to prove or disprove the allegation by a preponderance of the evidence.
- **Unfounded.** Sufficient evidence existed to prove that the alleged incident did not occur.
- **Exonerate.** Evidence existed that the incident did occur, but the actions of the employee were justified, legal, and proper.

Source: The Commission.

Recommendations

The Commission should strengthen its policies and procedures for business complaints to ensure that:

- Complaints are assigned to the appropriate divisions.
- Complaints that include both public safety and non-public safety allegations are fully reviewed and addressed.
- Supervisor reviews are consistent across all regions and units and review practices align with policies and procedures.
- Notification on the status of a complaint is provided, or the reason is documented if notification will not be made.

The Commission should strengthen its policies and procedures for employee complaints to ensure that it:

- Tracks and maintains support for all complaints received.
- Documents its reasons for investigating a complaint, assigning it to another division, referring it to another agency, or not investigating it.
- Requires documentation that certain controls are in place and operating as intended. Specifically, the Commission should:
 - Document the final review and approval of the Inspector General.
 - Document the review by the General Counsel for all sustained complaints.
- Lists and defines all classifications for final outcomes of employee complaint investigations and uses only those classifications.
- Accurately and consistently enters information in all complaint management applications.

Management's Response

TABC agrees to strengthen its policies and procedures for business complaints. Rule 31.10 (16 Texas Administrative Code) will be recommended for publication to the Commission in November 2022. The new rule offers a high-level accounting of the process for complaints against a business. The rule also includes AIMS as one of the ways a person can file a complaint. If the Commission agrees with the staff recommendation, the new rule will be adopted in January 2023 and effective in mid-February.

As noted in *Background Information* section of this report, the Commission currently tracks complaints in both ARTS and AIMS. The Enforcement and Audit and Investigations divisions worked with the Innovation & Technology Division team and the AIMS vendor since September 2021 to define the requirements in AIMS for complaints and investigations. Development and testing are expected to occur November through March. Implementation is scheduled to occur in April 2023.* The Commission will continue to work to ensure all

complaints receive necessary and appropriate review and action leading up to and during the transition from the old system (ARTS) to a more robust system (AIMS).

*** Implementation is contingent on the Commission receiving funding from the Coronavirus Relief Fund through the Department of Information Resources (DIR).**

Once the Commission has transitioned to AIMS for complaints and investigations, policies and procedures will be updated to address the recommendations.*

- Complaints are assigned to Enforcement or Audit and Investigations based on subject matter. If a complaint includes both public safety and non-public safety allegations, the complaint is assigned to Enforcement to address the more critical threat to public safety. Enforcement will then assign the complaint to Audit and Investigations so both divisions are working concurrently. Multiple investigations can be opened from the same complaint.
- In AIMS only supervisors will have the authority to change the status of a complaint. The employee assigned to the complaint makes the recommendation for status change. Other parties may also provide comments about the complaint or recommendation; however, policy will provide that a review by one supervisor is sufficient to change the status of a complaint. Supervisor(s) comments are required by AIMS when finalizing a complaint.
- Enforcement procedures will be updated regarding notification to complainants and for annotating the notification in AIMS. The Audit and Investigations procedure will direct staff to follow the Enforcement procedure.
- AIMS prompts the supervisor to contact the complainant and record the details in AIMS before closing the complaint. The public can request in AIMS to be notified of the outcome of a complaint.

In summer of 2023 the Commission will train Enforcement, Audit and Investigations, and related personnel on the transition to AIMS for complaints and investigations and the updates to related policies and procedures.

Responsible Party: Executive Chief of Enforcement

*Implementation Date: May 2023**

TABC agrees to strengthen current policies and adopt procedures related to employee complaints as the Commission strives to best serve the citizens of Texas by ensuring allegations of employee misconduct are expeditiously and thoroughly investigated.

The revised policy will require recording the receipt and disposition of all complaints received by the OIG, including complaints referred to other law enforcement agencies. The new procedure will outline attributes (e.g., reasons for action(s), date, employee, contact information, notes, etc.) to be logged for each action associated with a complaint, including receipt, referral, investigation, and disposition of the complaint and communication with complainant.

The policy will be updated to reflect two additional disposition categories—Merit and No Merit—to be used when conducting preliminary reviews and management referrals.

TABC will conduct a review and analysis of its current methodology of maintaining two separate systems (an internal secure server and an external database (IAPro)) to ensure data is protected and backed-up across multiple systems. The current systems are duplicative and magnify the potential error rate for data entry. By determining contemporary best practices for capturing and retaining complete investigation files, the Commission may also learn that maintaining separate systems is no longer necessary. Best practices may also reveal a systematic way of designated individuals (e.g., Inspector General, General Counsel) reviewing and approving reports in a timely and efficient manner. By May 2023, the Commission will have made decisions on the systems to be used in FY2024 and will update policies and procedures accordingly.

Responsible Party: Inspector General

Implementation Date: May 2023

HIGH

Chapter 3 Information Technology

The Commission had sufficient controls related to change management and user roles and permissions in its information technology (IT) systems. It also maintained appropriate application controls in ARTS. However, the Commission had significant weaknesses in its controls over other IT areas.

The Commission did not ensure that AIMS met all requirements before its implementation, which resulted in duplication of complaint data.

In May 2018, the Commission outlined a plan to consolidate IT systems for licensing, applications, complaint reporting, and complaint and investigation documentation by creating AIMS. (See text box for details of the AIMS contract.)

The Commission did not have documented policies and procedures for acquiring and developing information systems. In addition, the Commission did not follow the Department of Information Resources' *Security Controls Standards Catalog* in the acquisition and development of AIMS.

The Commission did not ensure that its contractor for AIMS met its requirement to create a module that would allow the Commission to fully document the results of investigations. The Commission stated that it learned of this deficiency before the date it planned to begin using AIMS, but not in time to address the deficiency before implementation.

When the Commission began using AIMS, on September 1, 2021, it had to instruct staff to continue to use ARTS to document investigations of complaints. Because complaints could be entered into AIMS by the public, and because the

AIMS Contract

The Commission executed a \$2,700,000 contract for AIMS in December 2019. The contract has been amended three times:

- Amendment No. 1 – no change to budget.
- Amendment No. 2 - \$775,000 increase.
- Amendment No. 3 - \$2,750,000 increase.

As of August 31, 2022, the Commission had made payments totaling \$4,018,240 to the vendor.

Sources: The Commission and the Uniform Statewide Accounting System.

Commission entered new complaints into AIMS, the Commission had to maintain data for complaints in both AIMS and ARTS. This created duplication.

Duplication of Complaints. When a complaint is entered into AIMS, and the Commission determines it needs to be entered into ARTS to document the investigation, staff notes in AIMS that the complaint was also entered into ARTS, then closes the complaint in AIMS. The Commission cannot run a report in AIMS that identifies these duplicate complaints. It can only identify duplicate complaints by opening each complaint and manually reviewing the complaint records in AIMS. Of 80 closed complaints reviewed to identify complaints documented only in AIMS, 77 (96 percent) were duplicates that had the investigation documented in ARTS due to the current system limitations of AIMS. Because of the duplicate complaints, the Commission cannot accurately compile statistics and perform the analysis required by the Alcoholic Beverage Code, Sections 5.361 and 5.54, without significant manual review and adjustments.

The Commission did not adequately control logical access to its IT systems.

Auditors reviewed logical access controls related to ARTS, AIMS, IA Pro, and the Commission's network. Auditors identified weaknesses related to restricting access to current employees and contractors, and certain password settings. To minimize security risks, auditors communicated details about the audit findings separately to the Commission in writing.

The Commission did not comply with requirements to have documented policies and procedures for IT.

The Commission did not comply with requirements to document policies and procedures for passwords and user account management. In addition, the Commission did not adequately monitor the internal IT controls of the contractor developing AIMS, by not either requiring the contractor to obtain a System and Organization Control 2 review or reviewing the contractor's security controls itself.

Texas Administrative Code, Chapter 202, requires each state agency to develop, document, and implement information security policies and procedures, and requires the Department of Information Resources to define mandatory security controls in a controls standards document. The Department of Information Resources' *Security Controls Standards Catalog*, version 1.3, required state agencies to have certain policies and procedures developed and documented by February 2015 or February 2016.

The Commission indicated that it lacked staffing to document information security policies and procedures as required.

Recommendations

The Commission should develop, document, and disseminate IT policies and procedures as required by the Department of Information Resources' *Security Controls Standards Catalog*. Specifically:

- The Commission's software acquisition and development policy should include methods to monitor control compliance by contractors that will have access to the Commission's data, such as requiring those contractors to provide annual System and Organization Control 2 reports.
- The Commission's password policy should include parameters related to length, expiration dates, and history.
- The Commission's user access management policy should include requirements related to documenting the addition of new users and the removal of users no longer needing access, and performing periodic user access reviews.

Management's Response

TABC agrees to develop, document, and disseminate information technology policies and procedures. During the summer and fall of 2022, the Commission revised 14 existing policies and procedures and drafted 16 new ones. This effort was a result of the Commission's desire to meet the thresholds established in the most current version of the

Security Controls Standards Catalog issued by the Department of Information Resources (DIR). It was also necessary to annotate changes as a result of the rollout of AIMS on September 1, 2021, and the decommissioning of other systems. These policies and procedures will be reviewed by an internal committee in the coming months. By April 2023, they should be distributed to the appropriate Commission employees and contractors for review and acknowledgement.

The contract for AIMS was executed in December 2019 and the system launched on September 1, 2021. The Commission did not require the AIMS vendor to obtain a Service Organization Control (SOC) Type 2 review. It was the Commission's understanding that a SOC 2 Type 2 for service organizations is a best practice for entities receiving federal funding and was not required under State of Texas law. The Commission complied with state law as it related to information technology controls. The Commission is aware that the AIMS vendor must comply with TX-RAMP requirements upon renewal of the contract in September 2023. The Commission is working in good faith with the AIMS vendor now to achieve the appropriate level of certification.

The Commission will ensure new or renewed contracts for cloud computing services comply with TX-RAMP requirements as will be noted in the Commission's policies. Furthermore, for contracts involving access to the Commission's data but not applicable to TX-RAMP, the Commission's policies will reflect ways to monitor control compliance.

The Commission understands the rationale for recommending the Commission's password policy include parameters related to length, expiration dates, and history. However, the Commission's Acceptable Use policy, which was distributed to all employees for review and acknowledgement in August 2021, states that all passwords should comply with the Criminal Justice Information Services (CJIS) Security Policy of the FBI. These standards define length, expiration, character requirements, history, and more. Further, all Commission employees, temporary employees, contractors, and vendors are required to acknowledge the Commission's CJIS Security procedure and participate in CJIS Security Awareness Training.

The Commission will review and implement changes to policies to make it clear how new users are added to systems and how users are removed. The Commission will also establish periodic reviews to ensure only individuals requiring access to systems have access.

Responsible Party: Chief Information Officer

Implementation Date: April 2023



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Alcoholic Beverage Commission (Commission) has processes and related controls to help ensure that it reviews, investigates, and resolves complaints in accordance with applicable requirements.

Scope

The scope of this audit covered business and employee complaints closed from September 2020 through March 2022. The scope also included a review of significant internal control components related to business and employee complaint processes.

Methodology

We conducted this performance audit from January 2022 through September 2022 in accordance with generally accepted government auditing standards.

The following members of the State Auditor's staff performed the audit:



- Krista L. Steele, MBA, CPA, CFE, CECFE, CIA, CGAP (Project Manager)
 - Jessica Prieto, CPA, CISA (Assistant Project Manager)
 - Ro Amonett, MPA
 - Lance Cofield
 - Derek Lopez, MBA, CFE
 - Kevin Mack
 - Lauren Ramsey
 - Grace L. Wicke, CPA
 - Dana Musgrave, MBA, CFE (Quality Control Reviewer)
 - James Timberlake, CIA, CFE (Audit Manager)
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Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Commission management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Determined whether the Commission had processes and related controls to help ensure that it reviewed, investigated, and resolved complaints in accordance with requirements in Title 16, Texas Administrative Code, Chapters 31 and 34; Texas Alcoholic Beverage Code, Section 5.54; and Commission policies and procedures, by:
 - Interviewing Commission management and staff to identify the complaints processes, including internal controls and the information that supports those processes.
 - Reviewing complaint file records supporting the investigative steps taken and any required approvals.
 - Testing the nonstatistical samples of business and employee complaints described in Figure 5.
- Determined whether the Commission had adequate general controls to ensure that its complaint data was accurate, complete, and protected by testing the appropriateness of roles and permissions for the sample described in Figure 5 of users for the Alcohol Industry Management System (AIMS), the Agency Reporting & Tracking System (ARTS), and the Commission's network.

Figure 5 on the next page identifies the sampling methodologies used for complaints and user roles and permissions. All of the samples in Figure 5 are nonstatistical and were not representative of the populations; therefore, it would not be appropriate to project the test results to the populations.

Figure 5

Methodologies, Populations, and Samples Selected

Data Set	Methodology	Population	Sample
Business Complaints	Directed and random ^a	Unknown ^b	75
Employee Complaints	Directed ^c	49 ^d	18
User Roles and Permissions	Directed and random ^e	549 ^f	66

^a The sample design for the business complaints was chosen to ensure that the sample included a cross section of complaint characteristics and items with specific characteristics based on risk.

^b The business complaints population includes data from both ARTS and AIMS. ARTS had 12,058 complaints closed between September 1, 2020, and March 31, 2022. Auditors selected 13 directed and 56 random complaints from ARTS. AIMS had 806 complaints closed between September 1, 2020, and March 31, 2022. Some complaints are documented in both systems, and auditors attempted to identify those complaints to ensure that each was counted only once. Auditors selected one directed and five random complaints in AIMS. Three were documented in both ARTS and AIMS and three were documented only in AIMS.

^c The sample design was chosen to ensure that the sample included items with specific characteristics based on risk.

^d The employee complaints population includes data from a spreadsheet. The Commission uses the spreadsheet to provide summary information to management. The Commission also enters some data and supporting documents into IA Pro.

^e The sample design was chosen to ensure that the sample included users from various divisions and with different levels of access.

^f The user roles and permissions population includes data from the Commission's network active directory.

Sources: ARTS, AIMS, a spreadsheet maintained by the Commission, and the Commission's network.

Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit; however, the completeness of the complaints data could not be determined as there is no other source² for all complaints received by the Commission:

- **ARTS data.** Data from ARTS related to business complaints opened or closed from September 1, 2020, to March 31, 2022. Auditors (1) performed data analysis on all complaints, (2) observed the query parameters and data extract, (3) tested a sample of closed business complaints for compliance with applicable requirements, and (4) tested

² Both business and employee complaints can be received via several methods, such as email, mail, fax, online, in person, and telephone. The Commission has no central intake process and no way to verify that all complaints received are entered into one of the complaint tracking systems.

controls for logical access, change management, and application controls.

- **AIMS data.** Data from AIMS related to business complaints opened or closed from September 1, 2020, to March 31, 2022. Auditors (1) performed data analysis on all complaints, (2) observed the query parameters and data extract, (3) tested a sample of closed business complaints for compliance with applicable requirements, and (4) tested controls for logical access and change management. Auditors determined that the population was sufficiently reliable for the purposes of this audit. However, an unknown number of complaints in AIMS had investigations documented in ARTS; therefore, the number of complaints documented only in AIMS could not be determined.
- **Population of employee complaints.** Complaint data from a spreadsheet was used to identify employee complaints closed from September 1, 2020, to March 31, 2022. Auditors (1) compared the spreadsheet used by the Commission to track employee complaints to data entered into IA Pro³, (2) tested a sample of closed employee complaints for compliance with applicable requirements, and (3) tested IA Pro for controls for logical access.

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- **Network data.** Data from the network related to user access as of April 2022. Auditors (1) reviewed the query parameters used to extract data, (2) performed user access testing on all accounts provided, and (3) performed user role and permissions testing on a sample of user accounts.
- **Zendesk data.** Data from Zendesk related to change management requests. Auditors (1) reviewed the query parameters used to extract data and (2) reviewed the data for substantive change requests. No substantive change requests were identified in the population.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives;

³ While the Commission enters complaint data into IA Pro, it uses the Excel spreadsheet as its primary repository of employee complaint data.

noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



Copies of this report have been distributed to the following:

Legislative Audit Committee

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