



Washington State Auditor's Office

Independence • Respect • Integrity

Accountability Audit Report **Liquor Control Board**

For the period July 1, 2012 through June 30, 2014

Published July 23, 2015

Report No. 1014658





Washington State Auditor's Office

July 23, 2015

Mr. Rick Garza, Agency Director
Liquor Control Board

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Board operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Board's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In the areas we audited, Board operations complied with applicable requirements and provided adequate safeguarding of public resources. The Board also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the Liquor Control Board from July 1, 2012 through June 30, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Board's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Open Public Meetings Act
- Cash receipting
- Safeguarding/Disposal of assets (I-1183)
- Bio Track Traceability System (I-502)
- Payroll (I-1183)
- Enforcement
- Licensing

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2014, can be found at: <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>.

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

INFORMATION ABOUT THE BOARD

The Liquor Control Board was established by the Steele Act to carry out a balanced mission of controlled distribution, regulation and enforcement of alcohol. The Board states its mission is to promote public safety and trust through fair administration and enforcement of liquor, tobacco and marijuana laws. The Board also strives to:

1. Ensure the highest level of public safety by continually improving and enforcing laws, regulations and policies that reflect today's dynamic environment.
2. Educate and engage licensees, the public and other stakeholders in addressing issues related to our mission.
3. Maintain and value a highly-motivated, competent and diverse workforce.
4. Build a culture that inspires and fosters excellence.

The Board is composed of three members, appointed to staggered, six-year terms by the Governor and confirmed by the Senate. An Agency Director, who reports to the Board, oversees and manages the day-to-day operations. The Board employs approximately 270 people throughout the state. The annual operating budget is approximately \$28.7 million for fiscal year 2014. Major sources of revenue include spirit, beer and marijuana taxes. The Board processes approximately 4,400 liquor applications a year and licenses over 21,000 alcohol-related businesses and 700 marijuana businesses.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Liquor Control Board at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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