



# OKLAHOMA ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION

Operational Audit

For the period July 1, 2018 through June 30, 2023

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma Alcoholic Beverage Laws Enforcement Commission  
For the Period  
July 1, 2018 through June 30, 2023**



February 14, 2024

**TO THE OKLAHOMA ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION**

We present the audit report of the Oklahoma Alcoholic Beverage Laws Enforcement Commission (ABLE) for the period July 1, 2018 through June 30, 2023. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**Background**

The Oklahoma Alcoholic Beverage Laws Enforcement Commission (ABLE or the Agency) was established for the protection, welfare, health, peace, temperance, and safety of the people of the state through the enforcement of the laws pertaining to alcoholic beverages, charity games, and youth access to tobacco.

Oversight is provided by a seven-member Commission appointed by the governor and subject to the advice and consent of the Oklahoma Senate. Five of the members are at-large members representing the lay citizenry. The remaining two members are persons with law enforcement experience in the State. Members of the Commission are appointed for a term of five years.

Commission members as of February 2024 are:

- Jonathan Brooks ..... Chairman
- Dr. Andrew Revelis ..... Vice-Chairman
- Robert Usry ..... Commissioner
- Matthew Crook ..... Commissioner
- Keith Mitchell ..... Commissioner
- Ainslie Stanford ..... Commissioner
- Austin Benton ..... Commissioner

**Oklahoma ABLÉ Commission**  
**Operational Audit**

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2022 and 2023 (July 1, 2021 through June 30, 2023).

**Sources and Uses of Funds for FY 2022 and FY 2023**

	<b>2022</b>	<b>2023</b>
<b>Sources:</b>		
Net Appropriations	\$ 2,753,494	\$ 2,753,659
Licenses, Permits, Fees	2,388,781	2,722,340
Grants, Refunds & Reimbursements	194,333	224,827
Non-Revenue Receipts	163,141	280,543
<b>Total Sources</b>	<b>\$ 5,499,749</b>	<b>\$ 5,981,369</b>
<b>Uses:</b>		
Personnel Services	\$ 4,105,814	\$ 4,292,528
Professional Services	1,623,976	777,699
Administrative Expenses	428,257	731,719
Property, Furniture, Equipment & Related Debt	87,961	142,192
Travel Expenses	15,275	17,277
Other	13,933	393
<b>Total Uses</b>	<b>\$ 6,275,216</b>	<b>\$ 5,961,808</b>

*Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)*

**Scope and  
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2018 through July 30, 2023. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to the Agency's personnel, and performed data analysis and prior audit follow up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the state accounting system and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Discussing the expenditure processes with staff and reviewing evidence of detailed expenditure review by management.
- Reviewing records of the Agency's HR actions from the state accounting systems to assess personnel changes with a financial impact during the audit period and reviewing a selection of approval documentation for such changes.
- Reviewing inventory listings and discussing the inventory count process with staff.
- Reviewing pertinent statutes and regulations and assessing related risks.

One objective related to revenues was developed as a result of these procedures and is discussed in the body of the report. No other significant risks or findings were identified.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

### Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

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<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the "Green Book," sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

**OBJECTIVE** Determine whether the agency’s internal control system is operating effectively in line with Government Accountability Office *Standards for Internal Control* to ensure revenues collected as cash and check are deposited.

**Conclusion** The Agency’s internal control system is not operating effectively in line with GAO *Standards for Internal Control* to ensure revenues collected as cash and check are deposited.

**Scope and Methodology** To accomplish our objective, we performed the following:

- Documented our understanding of the revenue processes through discussion with management and staff and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

**FINDINGS AND RECOMMENDATIONS**

**Background** The Agency implemented a new licensing system, Accela, in March 2022. After this implementation, the Agency required customers to pay their licensing fees electronically. Prior to March 2022, the Agency allowed licensing fees to be paid through mail and walk-in payments.

Throughout the audit period, the Agency accepted payments for fines by check and through mail and walk-in payments.

While previously over half of the Agency’s revenues were received as cash or check, by FY 23 physical receipts were only about 4% or \$726,800.

**Formal Reconciliation of Fines to Bank Deposits Needed** The Legal Secretary and Legal Assistant open the mail and receipt mail-in payments. The Cashier is responsible for receipting walk-in payments, entering physical payments in the Agency’s licensing database, preparing the deposit, and posting the deposit in the state accounting system. The Cashier is also responsible for preparing the daily close out report, which details the daily deposit total.

**Repeat Finding** The Administrative Programs Officer (or, through June 2022, the Director of Budget and Management) compares the deposit to the close out report and the licensing activity report, then enters the information into a deposit spreadsheet that is reconciled monthly to the Treasurer’s activity statement.

Because the Agency was unable to locate records of the deposit reconciliations performed by the Director of Budget and Management, we



were unable to ensure that controls over physical revenues were consistently implemented. In addition, while Legal staff stated that they follow up on fines that have been issued, there is no documentation of this follow-up process. There are also no formal written policies and procedures for fine collections. These weaknesses create the opportunity for someone in the Cashier position to misappropriate a payment for a fine without detection, and could also result in a loss of revenue if the Agency is not collecting all the fines owed to them.

According to GAO *Standards for Internal Control*:

- Management should use quality information to achieve the entity's objectives.
- Management should remediate identified internal control deficiencies on a timely basis.

### **Recommendations**

We recommend management implement controls to ensure all revenues received are deposited at the bank. For example:

- Legal staff could review deposit documentation to ensure fines were received and deposited when reviewing each case.
- Management could consider requiring fines be paid electronically, which would reduce the risks inherent in accepting physical payments.
- Alternatively, or in the interim, someone independent of other receipting and depositing duties could accept mail and walk-in payments and record them in a log. As recommended in our previous audit, an independent party would then reconcile the revenue log along with the bank deposit documentation and activity reports from the Accela System and/or Treasurer's Office. Documentation of this review should be retained for audit purposes.

In any case, the Legal Department should ensure that they are following up on and collecting all fines that are owed to the Agency. Management should ensure this process is formally documented and codified in written policies and procedures.

Documentation should also be retained for all key reconciliations and reviews.

### **Views of Responsible Officials**

See the following pages.



STATE OF OKLAHOMA  
ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION

TO: Office of the State Auditor and Inspector Cindy Byrd, CPA  
2300 North Lincoln Boulevard, Room 123  
Oklahoma City, Oklahoma 73105

FROM: Executive Director Brandon Clabes, Oklahoma ABLE Commission  
50 Northeast 23<sup>rd</sup> Street  
Oklahoma City, Oklahoma 73105

DATE: February 1, 2024

RE: ABLE RESPONSE TO AUDIT FINDINGS

Dear Auditor Byrd,

Please accept the following as the formal response to the audit that your office recently conducted:

Oklahoma State Auditor Cindy Byrd has completed an audit of the Oklahoma Alcoholic Beverage Laws Enforcement Commission (hereinafter "ABLE") pursuant to 74 O.S., § 212. Auditor Byrd made one finding regarding the collection of administrative penalties which are made by mail or in-person. While ABLE has processes in place regarding the collection, deposit, and tracking of these monies<sup>1</sup>, Auditor Byrd has recommended further controls be implemented to ensure all revenues received are deposited at the bank and that accurate protocol is being followed to ensure that administrative fines and penalties are adequately collected.

In order to address the finding, the Director of ABLE has decided that we will no longer accept payment for administrative fines in person or by mail. Instead, ABLE is currently pursuing changes to the ACCELA licensing software to accomplish this goal and has drafted policies and procedures to document the process. Currently, ACCELA allows for a one-time payment of administrative penalties online but does not allow for a payment plan. ACCELA software engineers have advised that fairly simple programming changes would allow the software to accept multiple payments on a payment plan.

The new policies and procedures are as follows:

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<sup>1</sup>Currently, ABLE accepts administrative fine payments by mail and from customers who walk into the agency headquarters in Oklahoma City. For payments received by mail, legal staff opens the mail, records the transaction on a mail log spreadsheet, and then scans and saves a copy of the check and the entire log. Legal staff then sends this log to the finance division's email at [invoices@able.ok.gov](mailto:invoices@able.ok.gov) and then sends the physical check to the finance division for processing. For payments received in person, legal staff follows the same procedure.

## **Policy Regarding Collection of Administrative Penalties**

### **A. Online Payments**

Only online payments will be accepted for the collection of administrative penalties by the ABLE Commission. No cash or checks will be accepted in payment of administrative penalties.

### **B. Administrative Penalties for Alcoholic Beverage Law and Rule Violations**

In cases where a licensee is determined to be liable for the payment of an administrative fine, the following procedures shall be followed:

1. The legal department will enter relevant information into the licensee's Accela account, including the case number, the amount of the fine, and the payment plan (if applicable).
2. Accela will generate an invoice for the licensee in the licensee's Accela account and the licensee will log into Accela to make an online payment. The invoice shall include a payment schedule and information regarding the date and amount of the next payment that is due, the total of all payments received to date, and the total outstanding balance.
3. On a monthly basis, the legal department will generate and review a report from Accela regarding any delinquent payments and enter notes in the licensee's Accela account regarding the delinquent payments. Accela will generate invoices for delinquent payments which will be reviewed by the finance division. Automated notices of delinquency will be delivered to the licensee and to the legal department through e-mail transmission and the notice of delinquency will be entered into the licensee's Accela account. The legal department and the finance division will pursue collection efforts based upon these reports and add notes to the licensee's Accela account regarding any additional collection efforts.
4. The Finance Department will run monthly reports and verify that all revenue has been received and directed to the State General Revenue Fund.

A virtually identical policy will be in place for administrative penalties for tobacco violations. These penalties will require the defendant to go online, register for an Accela account (which is free), and then pay the administrative penalties online.

We believe these extra checks and balances will adequately address the findings and are in harmony with the auditor's recommendations.

Respectfully,



Brandon Clabes

Executive Director

Oklahoma Alcoholic Beverage Laws Enforcement Commission

cc: Lori Carter, Assistant Director/General Counsel - ABLE Commission  
Jennifer Treadwell, Chief Financial Officer/Comptroller - ABLE Commission/Oklahoma State Bureau of Investigation

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S·A·I  
STATE AUDITOR & INSPECTOR



**Cindy Byrd, CPA | State Auditor & Inspector**

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