

**ALCOHOLIC BEVERAGE
LAWS ENFORCEMENT COMMISSION**

PERFORMANCE AUDIT

JUNE 1, 2004 THROUGH MAY 31, 2005

**OFFICE OF THE STATE AUDITOR AND INSPECTOR
JEFF A. McMAHAN**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

December 9, 2005

**TO THE DIRECTOR OF THE ALCOHOLIC BEVERAGE LAWS ENFORCEMENT
COMMISSION**

Transmitted herewith is the performance audit of the Alcoholic Beverage Laws Enforcement Commission. The procedures we performed were at the request of the Executive Director in accordance with 74 O.S. § 213.2.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and issuing reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

TABLE OF CONTENTS

	Page
Audit Summary.....	3
Background, Scope, and Objectives	5
Observations and Recommendations	
Objective I - To determine if the Commission processes license applications in compliance with the Oklahoma Alcoholic Beverage Control Act	7
Objective II - To determine if the Commission takes appropriate action against violations of the Oklahoma Alcoholic Beverage Control Act.....	12
Other Comments.....	14
Appendix A – Major and Minor Violations Schedule.....	15

This Page Intentionally Left Blank



ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION

PERFORMANCE AUDIT SUMMARY

JEFF A. McMAHAN, CFE

OFFICE OF THE STATE
AUDITOR & INSPECTOR



Why the audit was performed

This performance audit was conducted at the request of the agency's executive director in accordance with 74 O.S. 2001, § 213.2.

The objectives of the audit were:

I) To determine if the Commission processes license applications in compliance with the Oklahoma Alcoholic Beverage Control Act

II) To determine if the Commission takes appropriate action against violations of the Oklahoma Alcoholic Beverage Control Act

- ABLE may wish to request additional funding from the legislature to perform the necessary upgrades to their receipting system – page 9
- Management should develop a centralized database with inspection and violation data-page 12
- Policies and procedures should be developed related to the inspection process-page 12
- Administrative violation penalties appear inconsistent. Policies and procedures should be developed and implemented requiring documentation of the factors that lead to the penalty assessment – page 14
- Criminal violations penalties appear to be in compliance with state law- page 14
- Policies and procedures should be developed and implemented requiring adequate documentation to be maintained supporting the penalty assessed on criminal violations – page 14

This Page Intentionally Left Blank

BACKGROUND

The Alcoholic Beverage Laws Enforcement (ABLE) Commission was created by the 28th Amendment to the Oklahoma Constitution. The Commission has the following powers and duties as provided by 37 O.S. § 514:

- To supervise, inspect, and regulate every phase of the business of manufacturing, importing, exporting, transporting, storing, selling, distributing, and possessing for the purpose of sale, all alcoholic beverages which shall be necessary and proper to carry out the purposes of the Oklahoma Alcoholic Beverage Control Act (Act);
- To promulgate rules and regulations to carry out the purposes of the Act;
- To have the sole authority to issue any license provided for in the Act;
- To refuse to issue any license provided for in the Act for cause provided for in said act;
- To revoke or suspend, for cause after hearing, any license issued under the authority of the Act;
- To prescribe the forms of applications for licenses and the information to be shown thereon, and of all reports which it deems necessary in administering the Act;
- To fix standards, not in conflict with those prescribed by any law of this state or of the United States, to secure the use of proper ingredients and methods of manufacture and dispensing of alcoholic beverages;
- To make seizures of alcoholic beverages manufactured, sold, possessed, imported, or transported in violation of the Act, and apply for the confiscation thereof whenever required by said Act, and cooperate in the prosecution of offenders before any court of competent jurisdiction;
- To submit to the Governor and members of the Legislature annual or semiannual reports upon request of the Governor;
- To inspect or cause to be inspected any premises where alcoholic beverages are manufactured, stored, distributed, sold, dispensed or served;
- In the conduct of any hearing authorized to be held by the ABLE Commission, to examine or cause to be examined, under oath, any person, and to examine or cause to be examined books and records of any licensee; to hear testimony and take proof material for the ABLE Commission's information and the discharge of its duties ; to administer or cause to be administered oaths; and for any such purposes to issue subpoenas for the attendance of witnesses and the production of books or records which shall be effective in any part of the state; and any district court or any judge thereof, either in term or vacation, may by order duly entered require the attendance of witnesses and the production of relevant books or records subpoenaed by the ABLE Commission, and the court or judge may compel obedience to its or his order by proceedings for contempt;
- To prescribe the kind and size of retail containers of alcoholic beverages other than beer which may be purchased, possessed and sold by a licensee;
- To prescribe by regulations, in addition to those herein required, the kinds of records to be kept and reports to be rendered by licensees, and the information to be shown therein; provided, that the period for which all such records and reports be retained shall not be less than five (5) years;



ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
PERFORMANCE AUDIT

- To gather, compile and print such statistical data as may in the opinion of the ABLE Commission be needed or useful, and prescribe charges or fees to be collected from any person or company to whom such data shall be provided. No reports shall contain sales information of either wholesalers, retailers, mixed beverage licensees, caterers or special event licensees by name or license number;
- To educate persons employed by licensees to serve alcoholic beverages as to the provisions of Article XXVIII of the Oklahoma Constitution and the Act, with emphasis on recognizing and preventing intoxication and particular emphasis on those provisions prohibiting the serving of alcoholic beverages to minors. The ABLE Commission may contract with one or more persons to perform the duties specified in this paragraph.

SCOPE

This audit was conducted pursuant to 74 O.S. § 213.2 and was performed in accordance with *Government Auditing Standards*. The audit period is June 1, 2004 through May 31, 2005.

OBJECTIVES

We identified the following as our objectives:

- I. To determine if the Commission processes license applications in compliance with the Oklahoma Alcoholic Beverage Control Act
- II. To determine if the Commission takes appropriate action against violations of the Oklahoma Alcoholic Beverage Control Act

OBSERVATIONS AND RECOMMENDATIONS

I. To determine if the Commission processes license applications in compliance with the Oklahoma Alcoholic Beverage Control Act

METHODOLOGY

Internal controls in place were considered through interviewing application personnel. In addition, the following procedures were performed:

- We reviewed 37 O.S. § 501 through 599, the Oklahoma Alcoholic Beverage Control Act for statutory licensing requirements.
- We gained an understanding of the different types of licenses offered.
- We documented the process for obtaining a liquor license.
- We selected a sample of new liquor license applications to ensure applicable requirements were met.

OBSERVATIONS

What are the types of liquor licenses offered by ABLE and how much do they cost?

There are currently 27 licenses issued by ABLE which fall under the Alcoholic Beverage Control Act. They are:

- **Employee** - \$30 – Allows holder to work in a brewery, distillery, winery, package store, or mixed beverage establishment.
- **Agent** - \$55 – Allows holder to represent a license holder authorized to sell alcoholic beverages to retail dealers and take orders for the purchase of alcoholic beverages from retailers.
- **Manufacturer's Agent** - \$55 – Allows holder to represent a holder of a non-resident seller license (See description of a non-resident seller license on the next page).
- **Mixed Beverage** - \$1,005 – Allows holder to purchase alcoholic beverages in retail containers from a wholesaler and sell.
- **Caterer/Mixed Beverage Combo** - \$1,250 - Allows holder to purchase or sell mixed beverages for the holder of a mixed beverage or caterer license.
- **Caterer** - \$1,005 - Allows holder to sell mixed beverages for on-premises consumption incidental to the sale or distribution of food at particular functions, occasions, or events which are temporary in nature.
- **Beer and Wine** - \$500 - Allows the holder to purchase beer and wine from a wholesaler to sell and to possess beer and wine for on-premises consumption.
- **Bottle Club** - \$1,000 - Allows holder to store and mix alcoholic beverages belonging to members of the club for on-premises consumption.
- **Winemaker** - \$625 - Allows holder to manufacture and sell wine to wholesaler.
- **Oklahoma winemaker** - \$75 – Allows holder to manufacture and sell wine to a wholesaler and/or ship directly to retail stores and restaurants.
- **Brewer** - \$1,250 – Allows holder to manufacture and sell beer to a wholesaler.
- **Distiller** - \$3,125 – Allows holder to manufacture and sell spirits.
- **Rectifier** - \$3,125 – Allows holder to rectify spirits/wines and sell to wholesalers.



ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
PERFORMANCE AUDIT

- **Retail Package** - \$305 if population is equal to or less than 2,500, \$605 if population is 2,501 to 5,000, and \$905 if population is 5,001 or greater – Allows holder to purchase alcoholic beverages from a brewer or wholesaler to sell.
- **Class B Wholesaler** - \$625 – Allows holder to buy and import beer into the state from a person holding a non-resident seller license as well as purchase beer from a brewer and sell to retailers, mixed beverage holders, caterers, etc.
- **Wholesaler** - \$3,500 – Allows holder to import, purchase and sell spirits and wines.
- **Bonded Warehouse** - \$23 – Allows holder to store alcoholic beverages for storage license holders.
- **Industrial** - \$23 – Allows holder to use alcohol for medical, pharmaceutical, food products, antiseptic purposes, etc.
- **Carrier** - \$23 – Allows holder to transport alcoholic beverages.
- **Storage** - \$23 – Allows holder to store alcoholic beverages in a warehouse.
- **Non-resident seller** - \$750 – Allows an out-of-state distiller, winemaker, brewer, importer, and others who sell alcoholic beverages to sell to wholesalers and Class B wholesalers in Oklahoma.
- **Hotel Beverage** - \$1,005 – Allows a hotel to sell or serve alcoholic beverages.
- **Charity Wine Auction** - \$1 – Allows a charitable organization to auction wine for charitable purposes.
- **Airline/Railroad** - \$1,005 – Allows holder to sell or serve alcoholic beverages.
- **Special Event** - \$55 – Allows holder to serve alcoholic beverages for a political, fraternal, charitable, or religious event.
- **Special** - \$10 – Allows holder to add extra hours to a special event license.
- **Sacramental Wine Supplier** - \$100 – Allows holder to sell, ship, or deliver sacramental wine to any religious corporation or society of this state.

How are the licenses issued?

An applicant can apply for a license in person, by fax, by certified mail, or through the internet. 87% of all applications received at ABLE during the audit period were for employee licenses. This type of license along with agent and manufacturer's agent licenses are processed differently than the other 24 types. Both processes are described below:

Employee, Agent, and Manufacturer's Agent Licenses

A cashier enters the information from the application into ABLE's receipts system. This system is used to record and report on incoming payments for licenses. All applications are delivered to the licensing area daily. An employee in this section compares the information on the application to the information that was entered by the cashier and makes changes if necessary. The applicant data is manually re-entered into a license database maintained on the Office of State Finance's (OSF) system. ABLE has a contract with OSF to process and maintain data related to the licenses as well as print and deliver them to ABLE. The licenses are mailed out by ABLE after the Director's signature is applied.

Management recognizes the inefficiencies associated with entering data into their "in-house" receipting system and again into the OSF licensing system. In an attempt to correct this, they contracted with a vendor approximately four years ago to evaluate the current system and its relationship with the OSF system. The evaluation indicates a new receipting system would allow the data entered to be directly up-loaded into the OSF licensing database thereby eliminating the potential errors introduced through duplicate entry and the associated personnel time.

Management also considered discontinuing the use of the OSF database and developing an "in-house" system to perform the current functions of the OSF system. However, they feel the current staff does not have the capabilities to develop and manage such a system and current funding does not allow for the addition of a permanent IT staff.



RECOMMENDATION

Based on the evaluation performed in 2002, ABLE may wish to request additional funding from the legislature to perform the necessary upgrades to their receipting system.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

We concur.

OBSERVATIONS

Other License Types

A cashier enters the information from the application into ABLE's receipts system. The application is reviewed for completeness by two employees. Certain requirements in state statute require extensive documentation to be provided with these applications. 37 O.S. § 523 B states:

Every applicant for an original license, except applicants for an employee, special event or airline/railroad beverage license shall also furnish the following:

1. A tax receipt proving payment of ad valorem taxes, including real and personal taxes, or furnish to the ABLE Commission satisfactory evidence that no taxes are due or delinquent;
2. A certificate of zoning issued by the municipality in which the applicant proposes to locate the applicant's principal place of business under the license, or by the county if said principal place of business is located outside the incorporated limits of a municipality, certifying that the applicant's proposed location and use thereof comply with all municipal zoning ordinances or county zoning regulations if applicable;
3. A certificate issued by the municipality in which the applicant proposes to locate the applicant's principal place of business under the license, or by the county if said principal place of business is located outside the incorporated limits of a municipality, certifying that the applicant's existing or proposed operations under the

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
PERFORMANCE AUDIT

license comply with all municipal or county fire codes, safety codes, or health codes, if applicable;

4. Authorization, on forms furnished by the ABLE Commission, for complete investigation of the applicant's current financial status as it relates to the application for a license, including but not limited to access to bank accounts, loan agreements, and financial statements; and

5. A deed, management agreement, purchasing agreement, or lease.

In addition to the requirements on the previous page, corporations and limited liability companies (LLC) must also provide additional documentation which includes a certificate of good standing from the Secretary of State as well as a listing of all corporate officers (corporations) and articles of organization (LLC).

If these requirements are met, the application is sent to one of ABLE's four district offices that covers the location of the proposed license. An agent in this district office is responsible for validating the information provided on and with the application such as work history and past residences. If everything is valid, the application is sent back to Oklahoma City and the license is processed through the OSF licensing database.

If the requirements above are not met, ABLE has revised their "new application worksheet" (effective 12-1-05) to include a step to follow up with an applicant nearing the 30 day (all licenses unless otherwise noted) or 60 day (mixed beverage, beer & wine, bottle club or caterer) limit on the approval/ denial of the application. The applicant is given the option of withdrawing the application for a full refund, requesting the application to remain on file for a specific period of time, or requesting a hearing on the contemplated denial. The action must be requested in writing. The written notification is then forwarded to the appropriate enforcement district.

OBSERVATIONS

How many licenses were issued during the audit period?

We requested the number of licenses issued during the audit period from ABLE management. The following table is their representation:

Table 1 – Licenses Issued from June 2004 through May 2005	
Month	Number of Licenses
June	2,457
July	2,086
August	2,316
September	2,235
October	1,871
November	1,708
December	1,720
January	1,907
February	1,860
March	2,143
April	2,026
May	1,989
TOTAL	24,318

SOURCE: ABLE management and auditor analysis

ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
PERFORMANCE AUDIT

To ensure the number of licenses issued was valid, we judgmentally selected three months (June, November, and March) and requested the detailed support for those licenses. The detailed file immaterially varied (2.57% -June, 2.84%-November, and 3.25%-March) from the main file in the number of licenses issued.

Applications appear to have adequate documentation

From the detailed support mentioned above, we selected 25 applications from each month to ensure they included all applicable documentation. The seven types of licenses below were judgmentally selected:

- Employee-EMP
- Caterer/Mixed Beverage-CMB
- Mixed Beverage-MXB
- Non-Resident Seller-NRS
- Retail Package-RET
- Storage-STO
- Wholesaler-WHO

The number of employee licenses selected for testing was determined based on their percentage to the total and multiplied by 25. The remaining number of licenses was judgmentally selected. The number of licenses selected is shown in the table below:

Table 2 – Application Sample Breakdown								
<i>Month</i>	EMP	CMB	MXB	NRS	RET	STO	WHO	Total
June	20	1	1	1	1		1	25
November	21	1	1		1	1		25
March	21	1	1		1	1		25

SOURCE: Auditor analysis

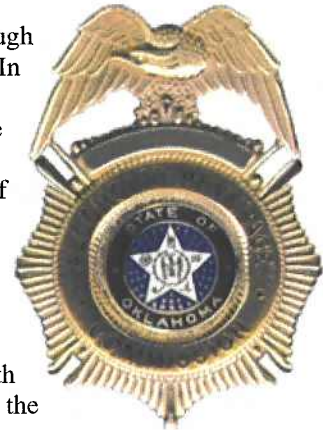
For the samples selected, all applications tested appeared to have the required documentation. However, 37 O.S. § 517 requires ABLE to send a notice of application for a license to sell alcohol, alcoholic beverage, wine, or beer to the district attorney of the county wherein the premises is located within 15 days prior to the approval or disapproval of the application. A notice is also required to be sent to the city (county commissioners if outside city limits) as well as the sheriff of the county. ABLE does not maintain copies of these notices because they feel it increases the volume of paper in their files; therefore, we were unable to determine if this requirement was met. During the audit period, ABLE used a “new application worksheet” which had a step related to notifying the local officials. However, the worksheet did not require the step to be initialed or dated by the person completing it. It was revised 12-1-05 and now requires the step to be initialed and dated as well as stating that the worksheet should be placed in the permanent licensing file.

II. To determine if the Commission takes appropriate action against violations of the Oklahoma Alcoholic Beverage Control Act

METHODOLOGY

Internal controls in place were considered through interviewing enforcement division personnel. In addition, the following procedures were performed:

- We reviewed 37 O.S. § 501 through 599, the Oklahoma Alcoholic Beverage Control Act, for statutory requirements over violations of the Act.
- We gained an understanding of the process used in conducting inspections.
- We selected a sample of inspections to ensure they were adequately documented.
- We selected a sample of violations, both administrative and criminal, to ensure the penalty did not exceed the maximum set by law.



OBSERVATIONS

Inspection and violation information not readily available

We requested a list of inspections conducted and violations noted during the audit period. ABLE does not have a centralized database with this information; therefore, the data was manually entered into a spreadsheet from a multitude of sources. There were 1,902 inspections during the audit period performed under the authority of 37 O.S. § 509 A (5). This statute does not provide guidance on the scope or frequency of the inspections nor does ABLE have formal policies and procedures for the inspection process.

RECOMMENDATION

ABLE does not have a centralized database with inspection and violation data readily available. ABLE should develop a process for maintaining common information such as this in a manner that is easily accessible and useable.

ABLE has no policies and procedures related to the inspection process. Policy should be developed and should include at a minimum:

- Scope (what to look for)
- Frequency
- Retention of records

**VIEWS OF
RESPONSIBLE
OFFICIALS**

A memorandum was sent to all Enforcement Districts on September 8, 2005. This memo directed each district to forward all complaint inspection forms to the OKC Office of the Commission. This change was effective October 1, 2005. After October 1, 2005, no inspection forms will be kept in the district offices and a statewide inspection database will be maintained in the OKC Office of the Commission.

All agents have been issued laptop computers. Our goal is to have all report forms online. The weekly report will more accurately reflect the production level of the agents. All data will be sent to and maintained by the OKC Office of the Commission. Our agency will be able to query and sort this data by day, week, month, etc.

SCOPE: Currently all agents generally look for violations of Title 37 and ABLE Rules and Regulations. We are in the process of updating our Enforcement Operations manual, in which this process will be explained fully.

FREQUENCY: On August 10, 2005, a memo titled "Monthly Minimum Standards" was issued to all enforcement personnel. The following compliance issues were addressed:

1. Complete 20 routine liquor inspections each calendar month. This would ensure that each establishment in the agent's jurisdiction is inspected at least two times each year. Complaints will be worked as they are received.
2. Complete all Charity Games compliance inspections once every six months.
3. Complete all new tobacco licensing inspections and 10 routine tobacco inspections each calendar month.

Enforcement Issues:

1. Complete one liquor walk-thru inspection and enforcement operation each month. This will be conducted by two agents wearing Class A uniforms.

Inspection Evidence Documentation

OBSERVATIONS

We judgmentally selected 75 inspection files to ensure they contained evidence of the inspection. 18 (24%) of the 75 files did not contain a copy of the inspection report. In addition to these 18, management informed us that several of the agents went back to the establishment they had inspected and retrieved a duplicate copy of the inspection report when they learned a particular inspection had been selected for this test. This apparently was done because the agent did not keep a copy of the report for the file. Management was unable to tell us how many of the reports were provided in this manner since many were sent from the other ABLE districts around the state.

Administrative violation penalties appear inconsistent

There were 385 administrative violations noted by the enforcement division during the audit period. We tested 25 of these violations to ensure the final penalty did not exceed the maximum penalty allowed by state law. We found that all penalties were within the guidelines



established. However, we did note several instances where the same violation received different penalties. Management states that the ABLE general counsel has a great deal of discretion in deciding the best means to dispose of a case. A minor violation may be dropped to ensure a plea to a major violation. Negotiating the charges offers the general counsel a number of options to obtain a settlement. However, without adequate documentation on the factors that influence the general counsel's decisions, it appears ABLE arbitrarily assesses fines and penalties. This documentation should include previous violations and any other mitigating circumstances that may influence the decision.

**ALCOHOLIC BEVERAGE LAWS ENFORCEMENT COMMISSION
PERFORMANCE AUDIT**

RECOMMENDATION

Policies and procedures should be developed and implemented requiring documentation of the factors that lead to the penalty assessment. The documentation should include but not be limited to previous violations and any other mitigating circumstances that may influence the decision.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

Administrative violation penalties are subject to counsel and administrative law judge discretion. Maximum penalties are reserved for businesses that show a history of non-compliance. The Commission's general counsel reviews cases and often finds that the facts submitted do not support the charge noted on the citation but do support a different charge. Counsel has the authority to modify the charge and settle or prosecute for that charge. Often licensees err with no malicious intent. If this is determined to be the case, a charge may be modified to a lesser charge. If the case is dismissed by the general counsel, the rationale will be routinely noted in the file. This will be made policy immediately. See case files on those charges that are heard by the administrative law judge for detailed information on basis of decision and penalty applied, etc.

OBSERVATIONS

Criminal violation penalties appear to be in compliance with state law

**We tested 23
violations...all of the
penalties were within
the prescribed limits.**

There were 139 criminal violations noted by the enforcement division during the audit period. The penalties associated with these violations are determined through the judicial system rather than through ABLE.

We tested 23 of these violations to ensure the final penalty did not exceed the maximum penalty allowed by state law. All of the penalties were within the prescribed limits. However, the documentation related to the penalty was only maintained in the district offices. When viewing the files in the Oklahoma City office, it would appear that ABLE is not aware of the final penalty assessed. Additionally, ABLE has no policies and procedures related to this documentation.

RECOMMENDATION

Policy and procedures should be developed and implemented requiring adequate documentation to be maintained supporting the penalty assessed on criminal violations. In addition, a copy of the documentation should be forwarded to the Oklahoma City office.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

In the past we have reported judgment and sentencing on criminal cases once each year. Assistant Director will issue a policy requiring that on all criminal cases, agents obtain judgment and sentencing each quarter and forward that information to the OKC Office of the Commission for records maintenance.

Other Comments

We accompanied two enforcement division employees on a series of inspections in the Oklahoma City area. We would like to acknowledge that both employees were very thorough in their work as well as courteous and professional.

Appendix A
Major and Minor Violations Schedule
Oklahoma Administrative Code 45:10

Statute	Violation	1st Offense	2 nd Offense	3 rd Offense	4 th Offense
MAJOR VIOLATIONS					
37-505	Manufacture, rectify, sell, process, store, import into or export from this state, transport or deliver any alcoholic beverage except as specifically provided in this Act	30 days \$3,000	Revocation		
37-518.1	Purchase by Mixed Beverage, Caterer, Special Events Licensees and their employees from other than Licensed Wholesaler.	30 days \$3,000	Revocation		
37-528A(2)	Procured a license through fraud, misrepresentation or concealment.	Revocation			
(3)	Made any false representation or statement to the Commission.	15 days \$1,500	30 days \$3,000	Revocation	
(4)	Maintained an unsanitary establishment or supplied impure or otherwise deleterious beverages or food.	3 days \$300	10 days \$1,000	30 days \$3,000	Revocation
(5)	Store or possess on a Bottle Club premises any alcoholic beverage upon which the tax levied under §553 has not been paid (more than 10 bottles).	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
(7)	Had any permit or license suspended or revoked by the Commission.	Revocation			
37-5288 (2)	Is a Manufacturer or Wholesaler of alcoholic beverages.	10 days \$1,000	20 days \$2,000	3 days \$3,000	Revocation
(2)	Has borrowed money or property or accepted gratuities or rebate from a manufacturer or Wholesaler of alcoholic beverages.	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
	Has obtained the use of equipment from any Manufacturer or Wholesaler of alcoholic beverages or any other Agent thereof.	10 days \$500	20 days \$1,000	30 days \$1,500	Revocation
37-528C(1) SEE ALSO 528D 537A(1) and (2)	Knowingly sold or allowed alcoholic beverages to be sold, delivered or furnished to any person under twenty-one (21) or to a person visibly intoxicated, adjudged insane or mentally deficient.	Revocation			
37-537A(2)	Licensee, any partner, officer or director convicted of a felony.	Revocation			
37-537A(3)	Wholesaler, Class "B" Wholesaler, Retail Package Store Licensee or any partner therein, convicted of a Prohibitory Law relating to the sale, manufacture or transportation of alcoholic beverage.	Revocation			
37-528D	See 37-528C(1) above				
37-528G	Failure of any licensee to pay a fine or serve a suspension imposed by the Commission.	Revocation			
37-533	Sale to Wholesaler without discrimination or inducement.	10 days \$1,000	30 days \$3,000	Revocation	
37-534B	Sale by Package Store in anything other than retail container, sale not at room temperature, and sale or delivery off premises.	5 days \$500	10days \$1,000	20 days \$2,000	Revocation
37-535(1)	Financial or business interest with or in and retail premises with regard to the sale of alcoholic beverages or light beer.	Revocation			
(2)	Any financial interest, gift or gratuity to Package Store, Mixed Beverage or Bottle Club Licensee or Caterer.	10 days \$1,000	30 days \$3,000	Revocation	
(3)	Guarantee financial obligation of Retailer, Mixed Beverage, Bottle Club Licensee or Caterer.	10 days \$1,000	30 days \$3,000	Revocation	

Appendix A
Major and Minor Violations Schedule
Oklahoma Administrative Code 45:10

Statute	Violation	1st Offense	2 nd Offense	3 rd Offense	4 th Offense
(4)	Require Wholesaler, Class "B" Wholesaler, Retailer, Mixed Beverage Licensee or Caterer to reduce quota as condition of purchase.	10 Days \$1,000	30 days \$3,000	Revocation	
(5)	Sale to Retailer, Mixed Beverage Licensee or Caterer on consignment, etc.	10 days \$1,000	30 days \$3,000	Revocation	
37-535(6)	Extend credit to any Retailer, Mixed Beverage or Caterer Licensee.	10 days \$1,000	30 days \$3,000	Revocation	
37-536(1)	Discriminate in price between Wholesalers or retailers for alcoholic beverages bearing same brands, etc.	10 days \$1,000	30 days \$3,000	Revocation	
(2)	Grant any discount, rebate, free goods, allowance or other inducement.	10 days \$1,000	30 days \$3,000	Revocation	
37-536.1	Distiller selling to Wholesaler at higher rates than posted with other states.	10 days \$1,000	30 days \$3,000	Revocation	
37-537A (1) and (2)	See 37-528C(1) above				
37-537A (4)	Import, for personal use, more than one liter on which Oklahoma Excise Tax is delinquent.	Revocation			
(5)	Receive, possess or use any alcoholic beverage in violation of Oklahoma ABC Act.	30 days \$3,000	Revocation		
(6)	Transport more than one liter without valid documentation showing name and address of consignor and consignee.	Revocation			
37-537A (7)	Transporting an open container, accessible to the driver, while vehicle is in motion.	Revocation			
(8)	Drinking intoxicating liquor off the licensed premises or intoxicated public place.	10 days \$1,000	30 days \$3,000	Revocation	
(9)	Forcefully resist lawful arrest or interfere with an investigation	Revocation			
(10)	Manufacture, duplicate or counterfeit Bottle Club membership cards without permission.	Revocation			
(12)	Knowingly possess a fraudulent Bottle Club membership card without permission.	Revocation			
37-537B (1)	Receive, possess or sell alcoholic beverages except by the license or permit held.	10 days \$1,000	30 days \$3,000	Revocation	
(2)	Employees of any license under twenty-one (21) handling alcoholic beverages.	10 days \$1,000	30 days \$3,000	Revocation	
(6)	Serve or sell alcoholic beverages with an expired license.	30 days \$3,000	Revocation		
37-537C (1)	Purchase or receive alcoholic beverage other than a Brewer, Wholesaler or Class "B" Wholesaler Licensee.	30 days \$3,000	Revocation		
37-537C (3)	Open Store or sale by Package Store other than hours and days set forth.	30 days \$3,000 or Revocation with criminal conviction.	Revocation		
(5)	Sell alcoholic beverage on credit.	10days \$500	20 days \$1,000	30 days \$1,500	Revocation
(6)	Offer gift to consumer as inducement for sale.	10 days \$500	20 days \$1,000	30 days \$1,500	Revocation
37-537D (1)	Sell or deliver to Package Store Licensee on Saturday or Sunday.	5 days \$500	10 days \$1,000	30 days \$3,000	Revocation
(2)	Sell or deliver to Package Store Licensee on designated "closed" days.	5 days \$500	10 days \$1,000	30 days \$3,000	Revocation
37-537E (1)	Purchase or receive alcoholic beverage from other than Wholesaler, Class "B" Wholesaler Licensee.	10 days \$1,000	30 days \$3,000	Revocation	

Appendix A
Major and Minor Violations Schedule
Oklahoma Administrative Code 45:10

Statute	Violation	1st Offense	2 nd Offense	3 rd Offense	4 th Offense
(3)	Labeling of bottle to conceal quantity or content of such beverage which is kept for sale by Mixed Beverage Licensee.	10 day \$1,000	30 days \$3,000	Revocation	
(4)	Keep or knowingly permit alcoholic beverages to be kept, brought or consumed which are not allowed to be sold or served on licensed premises.	10 days \$1,000	30 days \$3,000	Revocation	
37-537E (5) SEE ALSO: 598	Allow person under age twenty-one (21) within the designated bar area of a Mixed Beverage Club.	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
20-5-1	Failure to have sign prohibiting persons under twenty-one (21) from entry into a Mixed Beverage Club.	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
37-537F (1)	Labeling of bottle to conceal quantity or content of such beverage by Bottle Club.	10 days \$1,000	30 days \$3,000	Revocation	
(2)	Act as agent and purchase alcoholic beverage for Bottle Club member.	10 days \$1,000	30 days \$3,000	Revocation	
(3)	Use or allow pool system for storage or purchase of alcoholic beverages.	10 days \$1,000	30 days \$3,000	Revocation	
(5)	Sell any alcoholic beverage.	10 days \$1,000	30 days \$3,000	Revocation	
(6)	Deliver or furnish out of another members bottle.	5days \$500	30 days \$3,000	Revocation	
(8)	Issue a membership card to a person under twenty-one (21).	30 days \$3,000	Revocation		
37-537F (9) SEE ALSO 598	Allow person under age of twenty-one (21) within the designated bar area of a Bottle Club.	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
20-7-1	Failure to have signs prohibiting persons under age twenty-one (21) from entry into a Bottle Club.	10 days \$1,000	20 days \$2000	30 days \$3,000	Revocation
37-537G (1)	Purchase or receive alcoholic beverage other than Wholesaler or Class "B" Wholesaler.	Revocation			
37-537.1 (4)	Permit any illegal gambling, violation of drug laws or prostitution, etc.	30 days \$3,000	Revocation		
(5)	Refuse or fail to promptly open a door to the licensed premises upon request of ABLE agent, inspector or other peace officer.	15 days \$1,500	30 days \$3,000	Revocation	
(7)	Destroy, damage, alter, remove, conceal or refuse to surrender police evidence.	15 days \$1,500	30 days \$3,000	Revocation	
37-537.2 (1)	Performing sexual acts or simulated sexual acts.	3 Days \$300	6 days \$300	Revocation	
(2)	Fondling specified parts of the human anatomy.	3 days \$300	6 days \$600	Revocation	
37-537.2 (3)	Exposing to view specified portions of the human anatomy.	3 days \$300	6 days \$600	Revocation	
(4)	Using artificial devices or inanimate objects to depict prohibited acts, including visual reproductions.	3 days \$300	6 days \$600	Revocation	
37-538C	Acting without a license for which one is required under the Oklahoma ABC Act.	30 days \$3000	Revocation		
37-582A	Possesses alcoholic beverages on the licensed premises of a Mixed Beverage, Caterer or Special Events Licensee not bearing the tax identification stamp (more than 10 bottles).	10 days \$1000	30 days 3,000	Revocation	
37-583	Fail to immediately invalidate, after emptying a bottle of alcoholic beverage or case of beer on which the tax under §553 has been paid, the identification stamp.	10 days \$1000	30 days \$3000	Revocation	
37-584	Refill with any substance a container which contained any alcoholic beverages on which the tax under §553 has been paid.	30 days \$3,000	Revocation		

Appendix A
Major and Minor Violations Schedule
Oklahoma Administrative Code 45:10

Statute	Violation	1st Offense	2 nd Offense	3 rd Offense	4 th Offense
37-593D	Sale of alcoholic beverage to member of bottle club.	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
37-598 SEE ALSO: 537E (5) 537F (9)	Allow persons under age twenty-one (21) in bar area which has, as its main purpose, the sale of alcoholic beverages.	10 days \$1,000	20 days \$2,000	30 days \$3,000	Revocation
MINOR VIOLATIONS					
37-521A-V	Employ an unlicensed person to work on licensed premises in the sale or distribution of alcoholic beverages.	3 days \$150	10 days \$500	20 days \$500	20 days + \$1,000
37-523 H	Failure to timely renew license.	None \$5/Day	None \$10/Day	None \$25/Day	None \$50/Day
37-523.1B	Failure to notify Commission of change in corporate officers, directors or principal managers of premises or failure to pay required fee for change.	3 days \$150	10 days \$500	20 days \$1,000	20 days + \$1,000
37-523.1C	Failure to notify Commission of acquisition of 15% or more corporate stock within 30 days of acquisition.	3 days \$150	6 days \$500	10 days \$1000	10 days + \$1000
37-528A(1)	General Civil Penalty Provision Violate any rule adopted by the Commission.	3 days \$150	6 days \$300	10 days \$500	10 days + \$500
10-3-30	Transfer of stock of terminated licensee, Applications for Permission to Director, by seller and purchaser, Inventory and Report.	Letter of Caution			
10-3-15	Returning merchandise delivered in error.	Letter of Caution			
10-3-20	Holding of check prohibited.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
10-3-21	Post dated check prohibited.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
30-3-13	Records for Wholesaler; requirements for keeping.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
40-3-6	Signs to be used on vehicles owned by wholesalers.	Letter of Caution	3 days \$150	6 days \$300	15 days + \$1,500
40-7-5	Alteration of licensed premises.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
20-7-2	Improper label.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-528A(5)	Store or possess on the premises of a Bottle Club any alcoholic beverage upon which the tax levied under §553 has not been paid (10 bottles and under).	5 days \$250	10 days \$500	20 days \$1,000	20 days + \$1,000
(6)	Misrepresented to a customer or the public any alcoholic beverage sold by the licensee.	3 days \$150	10 days \$500	20 days \$1,000	30 days + \$1,500
37-5288 (1)	Has acted as an Agent of a Manufacturer or Wholesaler of alcoholic beverage.	3 days \$150	10 days \$500	20 days \$1,000	30 days or Revocation
(5)	Has violated any of the provisions of the ABC Act for which mandatory revocation or suspension is not required.	5 days \$250	10 days \$500	20 days \$1,000	30 days + \$1,500
37-532.1	Failure to display licenses in conspicuous place.	3 days \$150	20 days \$500	20 days \$1,000	20 days + \$1,000
37-534A	Sell other merchandise or services on the licensed premises or take alcoholic beverages through passageway for sale elsewhere.	10 days \$500	20 days \$1,000	30 days, \$1,500	30 days + \$1,500

Appendix A
Major and Minor Violations Schedule
Oklahoma Administrative Code 45:10

Statute	Violation	1st Offense	2 nd Offense	3 rd Offense	4 th Offense
37-537A (3)	Open a retail container or consume alcoholic beverages on the premises of a Retail Package Store.	Letter of Caution	5 days \$250	10 days \$500	30 days + \$1,500
(11)	Consume or possess alcoholic beverages on the licensed premises of a bottle club unless such person possesses a valid membership card for that club issued by the club.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-537B (3)	Give any alcoholic beverage as a prize for any type of competition.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-537B (4)	Advertise or offer "Happy Hour" or inducement to stimulate consumption of alcoholic beverages including:	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
	a. Deliver more than two drinks to one person at one time.				
	b. Sell or offer discounted drinks for less than normal charge in the same calendar week except at function not open to the public.				
	c. Sell or offer unlimited drinks during set period of time for a fixed price, except at function not open to public.				
	d. Sell or offer drinks for less than charged general public on any day, except at function nor open to public.				
	e. Increase volume of alcohol in a drink without increasing the price regularly charged during the same calendar week.				
	f. Promote contests which involve drinking or award drinks as prizes.				
(5)	Permit any person to exit licensed premises with an open container of alcoholic beverage.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-537C (2)	Permit any retail container to be opened or consumed on licensed premises.	10 days \$500	20 days \$1,000	30 days \$1,500	30 days + \$1,500
(7)	Permit any person under twenty-one (21) to enter, remain or loiter about the licensed premises.	3 days \$150	6 days \$300	15 days + \$300	30 days + \$1,500
37-537E (2)	Transport alcoholic beverage without a Private Carrier License.	5 days \$250	10 days \$500	20 days \$1,000	30 days + \$1,500
37-537F (4)	Allow any person to enter or remain in a designated bar area without a valid membership card.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
(7)	Serve alcoholic beverage to any person without a valid membership card.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-537G (2)	Transport alcoholic beverage without a Private Carrier License	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-537H	Drunk or intoxicated persons allowed to remain in a café, restaurant, club or place of recreation.	3 days \$150	6 days \$300	15 days \$750	30 days + \$ 1,500
37-537.I (1)	Consume or be under the influence of alcoholic beverages while on duty.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-537.I (2)	Permit offensive or threatening language or conduct.	Letter of Caution	3 days \$150	6 days \$300	15 days + \$300

Appendix A
Major and Minor Violations Schedule
Oklahoma Administrative Code 45:10

Statute	Violation	1st Offense	2 nd Offense	3 rd Offense	4 th Offense
(3)	Permit empty or discarded alcoholic beverage containers outside the licensed premises.	Letter of Caution	3 days \$150	6 days \$300	15 days + \$300
(6)	Permit a sealed or unsealed container of alcoholic beverage to be taken from the licensed premises.	10 days \$500	20 days \$1,000	30 days \$1,500	30 days + \$1,500
37-552	Keeping of books and records by licensees.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500
37-582A	Possess alcoholic beverage on the premises of a Mixed Beverage, Caterer or Special Events licensee not bearing the tax identification stamp (10 bottles and under).	5 days \$250	10 days \$500	15 days + \$750	20 days + \$1,000
37-582B	Sale by Wholesaler of alcoholic beverage not bearing the tax identification stamp.	5 days \$250	10 days \$500	15 days + \$750	20 days + \$1,000
37-582C	Possess alcoholic beverage container on the licensed premises not listed on an invoice from the Wholesaler from who purchased.	5 days \$250	10 days \$500	15 days + \$750	20 days + \$1,000
37-591A	Sale or consumption on the premises of a Mixed Beverage Club between 2:00 a.m. and 10:00 a.m.	5 days \$250	10 days \$500	15 days + \$750	20 days + \$1,000
37-592	Dispense or consume alcoholic beverages on premises of Bottle Club between 2:00 a.m. and 10:00 a.m.	5 days \$250	10 days \$500	15 days \$750	20 days + \$750
37-593B (2)	Serve to person, other than member, from member's individually owned bottle in Bottle Club.	3 days \$150	6 days \$300	15 days \$750	30 days + \$1,500