



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Douglas A. Ducey
GOVERNOR

Tracy Uffelman
DIRECTOR

July 21, 2022

Lindsey Perry
Auditor General
2910 N 44th St, Ste. 410
Phoenix, AZ 85018

Dear Auditor General Perry:

On behalf of the Arizona Department of Liquor Licenses & Control (DLLC), we would like to thank you for providing us with a detailed and meticulous audit of our agency. We appreciate you identifying gaps, vulnerabilities and opportunities for the agency to become stronger and more efficient to serve the citizens of Arizona. Many of your findings have already been fixed and implemented, with others in the process. Ten (10) months ago I assumed an agency in distress with no leadership, guidance or vision for the future. Employee morale was dismal and collaboration with the liquor industry was non-existent. This has all quickly changed, and I'm proud to report the positive steps my Deputy Director and I have taken in regard to professional direction, needed funding and growth, and increased training which has led to high morale at DLLC in less than a year.

We are focused on four (4) key Public Safety Tenets: Wrong Way Drivers, Overservice, Underage Drinkers & Violent Acts. This has set the priority for our detectives and our agency as a whole to focus on.

We have collaborated and closely aligned with the Governor's Office of Highway Safety to receive grant funding, and have purchased a new DLLC Mobile Command Vehicle to be used at Major Events. This provides a professional image for the agency when representing the Governor's Office at Large Scale Events, and replaces an old platform that was not operationally sound or professional in appearance. We have streamlined our Licensing Unit to be more efficient and responsive to our citizens and stakeholders when processing applications of various liquor licenses. At the same time, we have

800 WEST WASHINGTON, 5th FLOOR PHOENIX, ARIZONA 85007-2934 PHONE (602) 542-5141 FAX (602) 542-5707

WWW.AZLIQUOR.GOV

Individuals requiring special accommodations please call (602)542-5141

enrolled our two (2) Licensing Supervisors in an intense DPS led Leadership Training Course to develop and enhance their skills for the future.

We have increased staffing in the Licensing Section, Audit Unit and Investigation Squad, with more detective hiring planned in FY23 and FY24 to align with the national average of liquor licenses/detective ratio.

We have also filled key leadership roles with an Assistant Director, and a much needed Public Information Officer/Legislative Liaison, while at the same time being flexible by creating a hybrid remote work schedule that is laser focused on customer support for questions and guidance.

Within the last (30) days we have secured a one-time line item in our budget of 3.5 million dollars for a complete remodel of our 5th floor office space, which has not been updated since the 1970's. This floor to ceiling remodel will tremendously help with employee morale, recruitment, retention and overall cleanliness. At the same time, we have secured and moved into our own much needed space in Tucson, and are actively pursuing DLLC space in Flagstaff for our detectives.

We have been closely engaged and very responsive with ADOA, OSPB and the Arizona House & Senate to meet their needs, and appropriately reclassify roles, provide bonuses and execute meaningful pay raises to our employees which had been ignored in years past. We have held quarterly one-on-one meetings with companies, executives and representatives of the liquor industry to create a positive working environment and change to the philosophy of "Pro Business and Open Commerce" instead of an adversarial "us vs them" mentality. For the first time in decades, I have placed Reverted and Revoked licenses back into the economy through the Liquor Lottery to be held in late July, 2022, which will stimulate growth, create jobs and generate funding for the State of Arizona.

We have much work ahead of us, but all of these things, and many more; have led to a positive change and promising future at the DLLC.



Tracy Uffelman
Director, DLLC



STATE OF ARIZONA
DEPARTMENT OF LIQUOR LICENSES AND CONTROL

Douglas A. Ducey
GOVERNOR

Tracy Uffelmann
DIRECTOR

July 21, 2022

Lindsey Perry
Auditor General
2910 N 44th St, Ste. 410
Phoenix, AZ 85018

Dear Auditor General Perry:

My leadership team and I have reviewed the preliminary audit report draft for the Department of Liquor. After reviewing the report, no accuracy concerns were identified with the findings. Below are the responses for each of the twenty-three (23) recommendations and a brief explanation. The Department agrees with all of the findings of the Auditor General and the audit recommendations will be implemented.

The members of the Liquor Board also responded to any recommendations that concerned them and their responses were added in part to the explanation response section. One of the board members, Mr. David, replied, "Comments regarding personalities, politics and management styles were avoided. The findings and recommendations were fair and focused on major issues while avoiding trivial matters. In my opinion, the auditor's comments regarding financial and accounting deficiencies were helpful without being overly harsh. I appreciated that punitive recommendations were absent."

Rec #	Department Agrees with finding, will implement recommendation	Explanation Response
1	Yes	The Department has had the computer system changed so that we can now record all monies as they are received.
2	Yes	The Department has developed and implemented a new mail

800 WEST WASHINGTON, 5th FLOOR PHOENIX, ARIZONA 85007-2934 PHONE (602) 542-5141 FAX (602) 542-5707

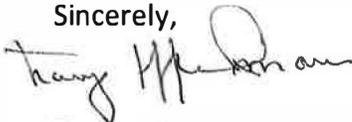
WWW.AZLIQUOR.GOV

Individuals requiring special accommodations please call (602)542-5141

		log that captures the required information.
3	Yes	The Department will reconcile the mail log to amounts recorded and deposited and maintain documentation of the reconciliations.
4	Yes	The Department will develop and implement written policies and procedures to help ensure staff comply with SAAM requirements.
5	Yes	The Department's HR employee will keep an updated conflict of interest disclosure form to meet statutory requirements. Each employee and board member signed the updated form.
6	Yes	The Department's HR employee will develop and implement conflict of interest policies and procedures.
6a	Yes	New and current employees have completed a conflict of interest disclosure form and will be reminded annually to update them. Board members will receive theirs at the January hearings.
6b	Yes	The Department's HR employee will ensure to use the updated conflict of interest disclosure form as recommended.
6c	Yes	The Department's HR employee will store all substantial interest disclosures and forms, and meeting minutes in a special file available for public inspection.
6d	Yes	The Department's HR employee will establish a process to review and remediate disclosed conflicts.
7	Yes	The Department's HR employee will develop and provide training on conflict of interest requirements, process and the form. Employees and board members received training in April.
8	Yes	The Department will establish alcohol delivery contractor registration requirements (drivers), and develop, and implement rules, policies and procedures.
9	Yes	The Department will conduct a workload/cost analysis to evaluate whether current funding and staffing level is appropriate for administering cocktails to go and work with the Legislature to revise the appropriations if needed.
10	Yes	The Department will develop and implement a policy for reviewing licensing fees and associated costs to determine if we need to adjust fees.
11	Yes	The Department's IT staff will develop a written action plan for developing and implementing ASET-required IT and data security procedures.
12	Yes	The Department will develop and implement procedures for identifying records eligible for destruction as required.
13	Yes	The Department will follow the Arizona State Library, Archives, and Public Records document retention schedules.
14	Yes	The Department will develop and implement policies and procedures for offering quota licenses to the public.
15	Yes	The Department will ensure that out of state applicants meet all license requirements by verifying they have undergone a fingerprint –based criminal history records check in their home state.

16	Yes	The Department is in the process of amending and adding new rules.
17	Yes	The Department now has the exemption to write new rules for Alcohol to Go.
18	Yes	The Department will develop and implement open meeting law policies and procedures.
19	Yes	The Department's investigation division will attempt to investigate and close priority one complaints within 35 days.
20	Yes	The Department will revise and implement its policies and procedures to require its staff to identify and monitor complaint investigations that may need to exceed the 35-day time frame to investigate.
21	Yes	The Department will develop and implement policies and procedures for the compliance department to establish some timeframes to resolve cases. Some high profile or severe cases may take longer to resolve.
22	Yes	The Department will investigate all allegations of a complaint or forward parts to the appropriate agency and revise the policies to reflect this.
23	Yes	The compliance department will document explanations for all deviations from its established penalty guidelines per policy.

Sincerely,



Tracy Uffelman
Director