State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

IDAHO STATE LIQUOR DIVISION

FY 2008, 2009, AND 2010

Report IC18510
Date Issued: April 29, 2011

Serving Idaho's Citizen Legislature

Idaho Legislative Services Office
Legislative Audits Division

Don H. Berg, Manager

IDAHO STATE LIQUOR DIVISION

SUMMARY

PURPOSE OF MANAGEMENT REVIEW
We conducted a management review of the Idaho State Liquor Division covering the fiscal years ended June 30, 2008, 2009, and 2010. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION
We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Division.

FINDINGS AND RECOMMENDATIONS
There are no findings and recommendations in this report.

PRIOR FINDINGS AND RECOMMENDATIONS
The prior report contained two findings and recommendations, which were evaluated as part of the current review and are satisfactorily closed.

AGENCY RESPONSE
The Division has reviewed the report and is in general agreement with its contents.

FINANCIAL INFORMATION
The following financial data is for informational purposes only.

IDAHO STATE LIQUOR DIVISION – FISCAL YEAR 2010

Fund	Fund Name	Beginning Cash	Receipts	Transfers/ Expenditures	Ending Cash
0340	Family Court Services	$0	$2,621,385	$2,621,385	$0
0418	Liquor Control	14,408,231	135,206,265	132,163,031	17,451,465
	TOTAL	$14,408,231	$137,827,650	$134,784,416	$17,451,465

This report is intended solely for the information and use of the State of Idaho and the Idaho State Liquor Division and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Jeff Anderson, and his staff.

ASSIGNED STAFF
Gene Sparks, CPA, CGFM, Managing Auditor
Patrick Aggers, CPA, CFE, In-Charge Auditor
Brinton Croff, CICA, Staff Auditor
Suzie Jones, Staff Auditor

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AGENCY RESPONSE

IDAHO STATE
LIQUOR
DIVISION

C.L. "BUTCH" OTTER
GOVERNOR

Executive Office of the Governor

JEFFREY R. ANDERSON
DIRECTOR

April 15, 2011

Mr. Don Berg
Divisions Manager - Legislative Audits
Legislative Services Office
P.O. Box 83720
Boise, ID 83720-0054

Dear Mr. Berg:

The Idaho State Liquor Division has reviewed the Management Report for fiscal years 2008-2010. We are very pleased with your conclusion that no significant conditions or weaknesses exist in the Liquor Division's administrative and accounting controls.

I would like to extend my compliments to your office and especially to your staff that conducted the audit, Patrick Aggers, Brinton Croff, and Suzie Jones. They conducted themselves in a highly professional manner and were very thoughtful of our staff in their data requests.

Thank you for the service you provide and for the opportunity to respond to the audit.

Sincerely,

Jeffrey R. Anderson
Director

PO Box 179001, Boise, ID 83717-9001 ~ T: 208.947.9400 or 1.877.203.6704 ~ Fax: 208.947.9401

APPENDIX

HISTORY

The Liquor Control Act of 1935 created State liquor stores, and a three-man Commission was given responsibility for the stores' operation. In 1939, a bill was passed which abolished the Liquor Control Commission and established the State Liquor Dispensary governed by a three-member Liquor Board. In 1941, the Idaho Liquor Board was abolished and the Office of the Superintendent was created. Reorganization placed the Liquor Division in the Office of the Governor beginning July 1, 1974.

ORGANIZATION

The director is appointed by the Governor for a three-year term, and is charged with various statutory duties associated with the regulation and the control of packaged liquor products. The director has organized the Division into four functional areas: Retail Operations, Procurement and distribution, information technology, and finance and human resources.

The retail operations area is primarily a service function. It is responsible for all phases of merchandising packaged liquor products to the general public. This requires establishment and operation of retail outlets that are readily accessible to the public and an efficient warehousing program to supply those outlets. The other areas in the organization are supportive functions necessary to the retail operations area.

The Division currently has 163 retail outlets. Of those, 66 are State stores, and 97 are contract stores.

STATUTORY AUTHORITY

In 1934, Article III, Section 26 of the Idaho Constitution was ratified, giving the legislature authority to regulate and control intoxicating liquors for beverage purposes. The authority for the State Liquor Division is found in Idaho Code, Title 23. This is the Idaho Liquor Act originally passed in 1939.

The Idaho Liquor Act, Section 23-102, states, "The public interest requires that traffic in alcoholic liquor be regulated and controlled by the State, through the medium of a state liquor division vested with exclusive authority to import and sell such liquor, with certain exceptions, which are subject to its regulation."

The powers and duties of the Liquor Division are provided in Idaho Code, Section 23-203, stating in part, "The Division shall so exercise its powers as to curtail the intemperate use of alcoholic beverages. It shall not attempt to stimulate the normal demands of temperate consumers thereof, irrespective of the effect on the revenue derived by the state from the resale of intoxicating liquor."

The State Liquor Division is funded by revenues derived from the sale of packaged alcoholic beverages and miscellaneous receipts.

The retail price of packaged alcoholic beverages is controlled by both statutory provisions and the superintendent. Idaho Code, Section 23-207(h) allows the director to fix the sales price of packaged alcoholic beverages. The markup that the director sets is used to offset Division expenses and to benefit counties, cities, and various State agencies. Idaho Code, Section 23-217, provides that a 2% surcharge be added to the price of goods sold. The purpose of the surcharge is

to provide a funding source for the Drug and Family Court Services Fund, as set forth in Idaho Code, Section 1-1625.

STATUTORY DISTRIBUTIONS

Idaho Code requires the Division to distribute cash in excess of operational needs to various State funds and Idaho cities and counties. The statutory distributions required each year are:

$2,080,000	Substance Abuse Treatment Fund
600,000	Community College Fund
1,200,000	Public Schools Income Fund
650,000	Cooperative Welfare Fund
680,000	Drug Court, Mental Health Court, and Family Court Services Fund
440,000	Drug and Mental Health Court Supervision Fund
$5,650,000	

In fiscal years 2006 through 2009, Idaho Code also required the Division to make annual distributions of $1,800,000 to the cities and counties.

After the above distributions are made, 40% of the remainder is distributed to the State General Fund, and 60% is distributed to cities and counties.

In fiscal year 2010, this distribution began to change incrementally. The State General Fund percentage increases by 2% each year until the distribution is divided equally between the State General Fund and the cities and counties.

The portion the cities and counties receive is further split, with 40% going to counties and 60% to cities.

The counties share is divided amongst the 44 counties based upon liquor sales within each county.

The cities share is divided amongst the 200 incorporated cities within the State, with 90% going to those cities with a liquor store or distribution station within its city limits based on liquor sales within each city. The other 10% is distributed to cities without a liquor store or distribution station based upon population.

State Liquor Division Organizational Chart

Governor
C.L. "Butch" Otter

Director
Jeffrey R. Anderson

Deputy Director, Retail Operations Tom Legerski

- (4) District Managers 01579 - N
- (63) State Store Mgrs 01585 = 20 (I) 01581 = 43 (J)
- (94) Store Clerks 01586 - F
- (168) Part-time Stock Clerks* 20148
- Special Distributors**

Deputy Director Procurement & Distribution, Chief Deputy Bill Applegate

- (1) Program Info Coordinator 01106 - J
- (2) Tech Rec Spec. 1 01104 - H
- (1) Maint Craftsman Sr. 06632 - H
- (1) Supply Ops Super. 01540 - K
  - (3) Storekeeper 01546 - H
  - (1) Tech Rec Spec. 1 01104 - H
  - (10) Material Handler 01550 - G

Deputy Director IT Keven Lowe

- (2) Prgrmr Analyst, Sr. 01618 - L
- (1) Info.Syst Tech Sr. 01662 - K
- (1) IT Network Analyst 01636 - L
- (2) IT Support Technician 01665 - I
- (1) Financial Support Tech. 04250 - G

Deputy Director Finance & HR, CFO Tony Faraca

- (1) Financial Specialist 04246 - K
- (3) Financial Support Tech. 04250 - G
- (1) Customer Service Rep 1 01121 – G

* The Liquor Division employs 168 Part-time temp stock clerks.
** District Managers oversee 97 Special distributors