
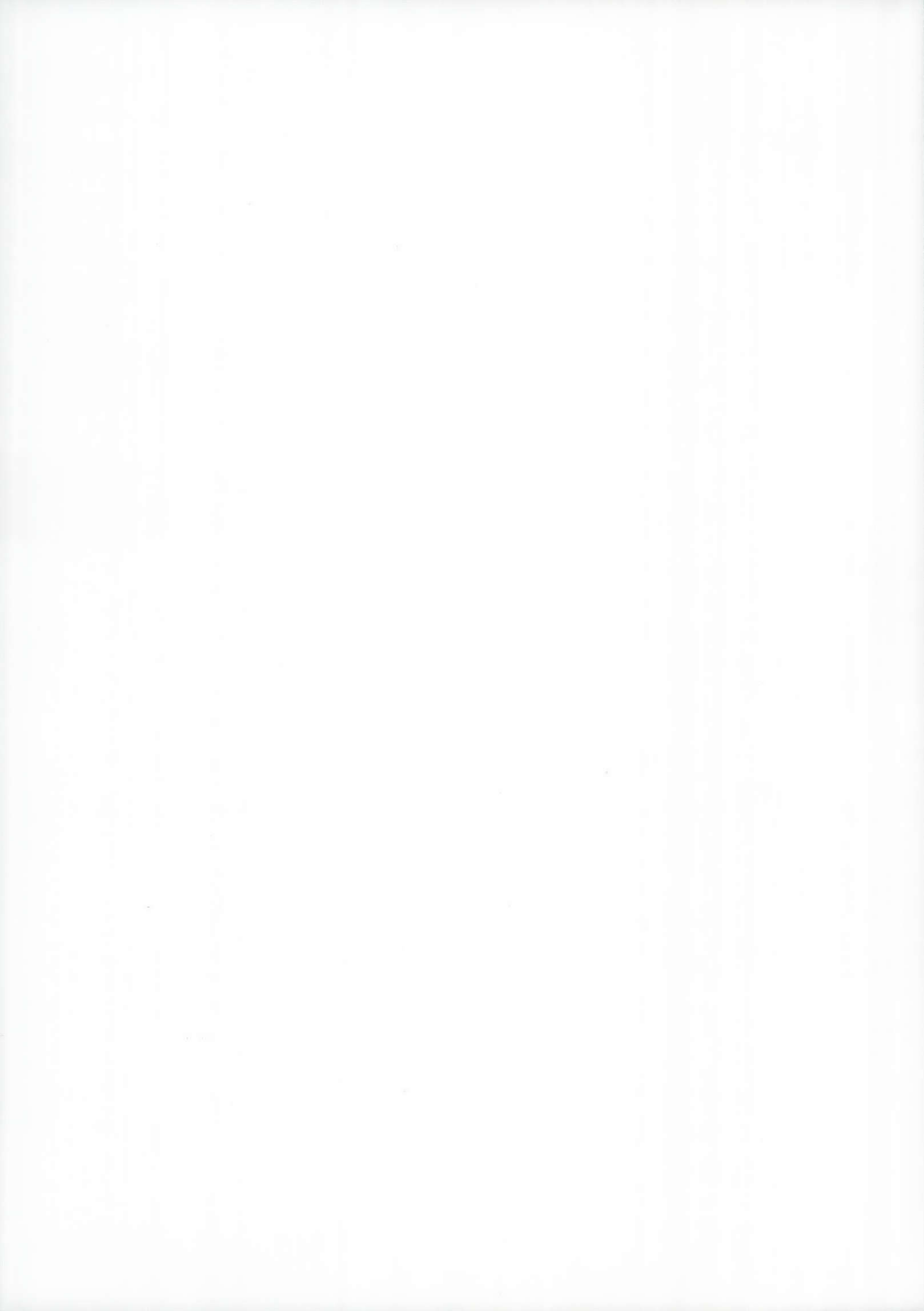


INTERNAL AUDIT OF BUSINESS CONTINUITY
AS OF AUGUST 31, 2015

AT THE
TEXAS ALCOHOLIC BEVERAGE COMMISSION

(REPORT NO: TABC 015-005)

 **MONDAY N. RUFUS, P.C.**
Certified Public Accountants and Consultants



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Audit Committee
and Commissioners
Texas Alcoholic Beverage Commission
Austin, Texas

We have conducted the internal audit of the Texas Alcoholic Beverage Commission regarding the Business Continuity as of August 31, 2015. The results of our internal audit disclosed that the Commission has implemented good controls over Business Continuity. However, we noted some opportunities for strengthening the controls in place. The report that accompanies this letter summarizes our comments and recommendations.

We appreciate the courtesy and cooperation the management of the Commission showed during the course of the engagement.

Monday N. Rufus, P.C.

August 31, 2015
Austin, Texas

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Executive Summary

The 80th Texas State Legislature, Senate Bill 908 Committee report, requires all state agencies and universities to have a business continuity plan (or continuity of operations plan).¹ Since the mandate, Texas Alcoholic Beverage Commission (TABC) has documented their continuity of operations and the disaster recovery plans, which as a whole are considered the business continuity plan for the TABC.

As documented in the TABC continuity of operation plan, the objectives of this plan are:

1. Ensuring that the TABC can perform its essential functions under all conditions.
2. Reducing the loss of life and minimizing property damage and loss
3. Executing a successful order of succession with accompanying authorities in the event of disruption renders the agency's leadership unable, unavailable, or incapable of assuming and performing their authorities and responsibilities of office.
4. Reducing and or mitigating disruptions to operations
5. Ensuring there are facilities from where the agency can perform essential functions
6. Protecting personnel, facilities, equipment, records, and other assets critical to the performance of essential functions in the event of a disruption.
7. Achieving the organization's timely and orderly recovery and reconstitution from an emergency.
8. Ensuring and validating continuity readiness through a dynamic and integrated continuity Test, Training, and Exercise (TT&E) program and operational capability.²

Continuity of Operation Plan (COOP) is an overall approach to providing alternative paths in support of critical business processes in the event of an emergency, disaster, or other disruption. This is an enterprise-wide view of what needs to be done to continue in business despite a risk coming to fruition. In essence, the job of the COOP is to ensure business functions can operate during and after a disaster or other contingency, and then to minimize recovery time to reach normal operations. The focus is on total business survival, not just information resources. However, the overall plan must include consideration of information systems and telecommunications network requirements. This aspect of COOP is usually handled separately and referred to as a disaster recovery plan (DRP). As a result, our internal audit covers the COOP and DRP

A good disaster recovery plan must take into account all types of events impacting both critical information systems processing facilities and end user normal business operation functions. Examples of disasters are: External (such as terrorism and sabotage); Internal (such as employee misdeed, fraud, and accident); Inherent (fire, flood, tornado); and Environmental (power outage or no telephone service).

Not all critical disruptions in service are classified as a disaster but still are of a high-risk nature. For example, disruption in service is sometimes caused by systems malfunctions, accidental file deletions, network denial of service instructions and viruses. These events may require action to be taken in order to recover operational status. Such actions may necessitate restoration of hardware, software, or data files.

¹ Senate Committee Report,
<http://www.capitol.state.tx.us/billlookup/Text.aspx?LegSess=80R&Bill=SB908>

² Texas Alcoholic Beverage Commission, Continuity of Operations Plan, p.3

Therefore, a well-defined risk-based classification system needs to be in effect to make a determination to initiate business continuity planning efforts.

A designated person should have the responsibility and authority to direct the development, coordination, maintenance, testing, training, and exercises relating to the COOP. The Information Resource Department should play a significant role in the development, implementation, and maintenance of the Commission's COOP.

According to the Texas State Agency Continuity Planning Policy Guidance Letter dated October 23, 2013 signed by the Executive Directors of the Texas Department of Public Safety, Texas Department of Information Resources, and State Office of Risk Management; and sent by the Texas Department of Public Safety to all the agency heads:

By November 30, 2013, designate a Continuity Coordinator for the agency and provide contact information to SORM. A qualified Continuity Coordinator should be trained in continuity planning and certified by a recognized organization such as FEMA's Emergency Management Institute (Continuity Practitioner Level I or Level II), or Disaster Recovery Institute International (Certified Professional, such as ABCP, CFCP, CBCP or MBCP). In some cases, smaller agencies may wish to share a continuity coordinator and develop continuity plans jointly.³

At a minimum, the following situations will require the activation of the COOP when:

- The resumption of mission critical automation activities is the primary issue.
- Any event prevents access to the building and where personal safety is the primary issue and mission critical automation activities is the secondary issue.

To ensure that the COOP is complete and workable, agency personnel must be trained, and the plan must be tested. Staff assigned to business continuity teams need training which focuses on their particular roles. The plan needs to be tested to ensure successful recovery in the event of a disaster.

Internal Audit Results

The Commission has partially implemented a COOP. Its COOP contains an updated Disaster Recovery Plan (DRP) and back-up and storage procedures for critical data, but other Texas State Agency Continuity Planning Policy Guidance Letter have not been fully completed. To fully comply with the requirements, the Commission should ensure that an agency-level training is developed and maintained and the plan fully tested.

³ [https://www.sorm.state.tx.us/sorm-cms/uploads/2013/11/Texas%20State%20Agency%20Continuity%20Planning%20Policy%20Guidance%20Letter%20\(10-24-2013\).pdf](https://www.sorm.state.tx.us/sorm-cms/uploads/2013/11/Texas%20State%20Agency%20Continuity%20Planning%20Policy%20Guidance%20Letter%20(10-24-2013).pdf)

Summary of Management's Responses

TABC concurs with the audit findings. Training and Testing are key components of a functional Business Continuity Program, but it is premature to develop an adequate training program before the Continuity of Operations Plan (COOP) is approved by the State Office of Risk Management (SORM). Similarly it is premature to execute Business Continuity Testing until after TABC employees have been trained. Training and Testing will be conducted after SORM approval, within 90 days and 120 days respectively.

Historically, TABC has prepared biennial Business Resumption Plans (BRP). These plans, predecessors to the Continuity of Operations Plan (COOP), were updated routinely through 2010 and periodically tested. The COOP institutes additional controls and rigor into planning and testing, rendering BRP tests inadequate to accommodate new guidelines. In a 2013 initiative to modernize and strengthen the BRP TABC contracted with an industry expert to develop a comprehensive Emergency Operations Plan (EOP). The EOP was completed shortly before TABC received new guidance from the Texas Department of Public Safety, requiring yet another overhaul of the recovery program and the accompanying plan. Since receiving formal guidance TABC has designated a Continuity Coordinator, obtained necessary training and certifications, developed the Continuity of Operations Plan (COOP), and submitted the COOP to SORM for approval. At this time TABC awaits SORM approval of the COOP.

TABC believes there is reasonable assurance that the computer functions would be recovered should there be a disaster or disruption as demonstrated fully through the Disaster Recovery Plan. The Disaster Recovery Program, a function of the Information Resources Division, includes updating the Disaster Recovery Plan and performing tests on an annual basis. The Data Center Services program, centralizing server support for 28 state agencies, has standardized the Disaster Recovery procedures for participating agencies. TABC follows these procedures and standards and remains current with planning and testing.

Observations, Findings, Recommendations, and Management's Response

During our review, we noted the following strengths:

- The Commission has developed COOP and DRP plans dated 2015.
- Copies of the DRP are kept offsite.
- The Commission computer resources are kept and managed at the Data Center Service.
- There is uninterruptible power supply (UPS) in case of loss of electricity.
- The DRP contains a list of critical computer application programs and operating systems.
- The responsibility for maintaining the DRP has been assigned to someone in the agency.
- The DRP is tested periodically. There is a list of information resources (including current phone numbers of vendors' contact persons) needed to recover the critical business processes.
- The DRP includes a list of critical business functions, and resumption priorities.
- The DRP includes Table top disaster scenario and enhanced process and procedures workshop.

- **Business Impact Analysis** to systematically assess the potential impacts of a loss of business functionality due to an interruption of computing and/or infrastructure support services resulting from various elements or incidents. According to the COOP document, the Commission conducted a Risk Analysis study in 2015, which included an Impact Analysis and Risk Mitigation plan.

- **A Security Risk Assessment** to weigh the cost of implementing preventive measures against the risk of loss from not taking action. The Commission conducted a risk assessment to assure protection against most threats. According to COOP document, it is the process of identifying probable consequences or risks associated with vulnerabilities and provide the basis for establishing a cost effective security program that eliminates or minimizes the effects of risks.

- **Recovery Strategy** to appraise recovery alternatives and alternative cost-estimates, which shall be presented to management. The Commission has identified an alternate site for restoring data processing operations if a disaster occurs. The Commission's computer resources are maintained at the state contracted services center. No exceptions were noted in this area.

- **Disaster Recovery Plan** which should contain measures that address the impact and magnitude of loss or harm that will result from an interruption; identify recovery resources and a source of each; be maintained to ensure accuracy; and be tested annually. The implementing, testing, and maintenance management program addresses the initial and ongoing testing and maintenance activities of the COOP. The Commission has developed a disaster recovery plan, which addresses significant activities of the agency such as telecommunications services, and data services. Copies of the plan are kept in relevant off-site locations. We noted evidence of testing and maintenance of the disaster recovery plan. No exceptions were noted in the area of disaster recovery. However, we noted no evidence of testing of the Continuity of Operation Plan.

- **Mission critical data shall be backed up** on a scheduled basis and stored off site in a secure, environmentally safe, locked facility accessible only to authorized agency representatives. Critical information resources are backed up on a scheduled basis and stored off site in a secure, environmentally safe, and locked facility. No exceptions were noted in this area.

However, the following conditions could affect the overall effectiveness of the Continuity of Operation Plan:

Finding #1. Develop and maintain an agency-level training program for mission critical personnel of the agency.

Criteria:

By October 31, 2014, develop an agency-level continuity training program to ensure mission critical personnel are prepared to perform required continuity functions during an emergency in accordance with the Texas State Agency Continuity Planning Policy Guidance Letter dated October 23, 2013 signed by the Executive Directors of the Texas Department of Public Safety, Texas Department of Information Resources, and State Office of Risk Management; and sent by the Texas Department of Public Safety to all the agency heads.

Condition:

The Commission developed some training courses predicated toward the recovery of information technology. Agency-level training should include the business functions as well as the information technology function. This training program is required to ensure that mission critical personnel are prepared to perform required continuity functions during an emergency.

Cause:

The Commission has not required the Business Continuity Coordinator to develop an agency-level training program that would be used to train critical staff in the area of business continuity.

Effect:

Because the TABC has not developed an agency-level training program to include the business critical personnel, there is no reasonable assurance that the agency would be able to recover both the business and the computer functions should there be a disaster.

Recommendation:

We recommend that:

1. The TABC ensure that a continuity training program is developed and implemented.
2. The TABC ensure key agency personnel are trained in their roles and responsibilities to ensure that mission-critical personnel are prepared to perform required continuity functions during an emergency.

Management Response:

TABC concurs and will develop a formal training program and conduct formal agency-level training to mission critical personnel. However, it is premature to develop an adequate training program before the Continuity of Operations Plan (COOP) is approved by the State Office of Risk Management (SORM). The COOP was submitted to SORM on July 1, 2015 and awaits approval. Regarding the timing of the submission to SORM, the

Continuity Coordinator had to be adequately trained prior to creation and submission of plan. With limited courses available and multiple pre-requisites, it took one year for the Continuity Coordinator to be adequately trained and certified.

Meanwhile, TABC has determined the training approach (subject to change):

<i>Course</i>	<i>Audience</i>	<i>Method</i>	<i>Frequency</i>	<i>Instructional Topics</i>
<i>Continuity of Operations Module 1 The Employee's Role in COOP</i>	<i>All TABC Employees</i>	<i>Computer-Based Training (similar to the Security Awareness Training Program)</i>	<i>Biennially</i>	<i>Purpose of the COOP Terminology Roles and Responsibilities Emergency Preparedness</i>
<i>Continuity of Operations Module 2 Executing the COOP</i>	<i>Mission Critical Personnel (Executives and Directors)</i>	<i>Computer-Based Training And/Or In-Person Group Training</i>	<i>Annually</i>	<i>Roles and Responsibilities Mission Essential Functions Incident Command Leadership During Emergencies Virtual Tabletop Exercises Testing Requirements</i>

Responsible Individual: Lieutenant Marvin Montero

Status: Planned Completion within 90 days after receipt of State Office of Risk Management (SORM) approval of the Continuity of Operations Plan (COOP)

Finding #2: Ensure Periodic Testing of the full Continuity of Operation Plan.

Criteria:

To ensure that the Continuity of Operation Plan is complete and workable, the plan must be fully tested.

Condition:

The Commission's Continuity of Operation Plan addresses proper planning and alternate procedures in the event of business interruption. Key personnel have been assigned specific tasks and responsibilities in order to properly deal with disaster or any disruption. The Agency's goal includes ensuring the safety of staff, the security of data, and the ability to provide quality services to their clients. The Commission has a process in place for testing the disaster recovery plan aspect of the COOP, and we noted evidence of periodic testing of the critical automation activities. However, there is no documented evidence of testing of the full COOP which includes the total business of the Commission, not just information resources.

Cause:

The Commission has not instituted a process for testing the full COOP.

Effect:

Because the COOP has not been fully tested, there is no reasonable assurance the plan is workable and that the agency would be able to recover both the business and the computer functions should there be a disaster or disruption.

Recommendation:

We recommend that the Commission fully test the COOP to ensure the plan is workable and can provide reasonable assurance of recovery of the total business should there be a disaster or disruption.

Management Response:

TABC Concur and will develop a formal testing program and conduct a formal test of the Continuity of Operations Plan. However, it is premature to conduct an adequate test before the Continuity of Operations Plan is approved by the State Office of Risk Management (SORM) and before TABC employees have been trained (see Finding #2, above.) Therefore, TABC expects to conduct the first test within 30 days after the training program has been instituted. The COOP was submitted to SORM on July 1, 2015 and awaits approval. Regarding the timing of the submission to SORM, the Continuity Coordinator had to be adequately trained prior to creation and submission of plan. With limited courses available and multiple pre-requisites, it took one year for the Continuity Coordinator to be adequately trained and certified.

TABC has tested the Business Resumption Plan (BRP), the predecessor to the Continuity of Operations Plan (COOP). We realize the COOP institutes additional controls and rigor into the planning and testing, rendering BRP tests inadequate to accommodate new guidelines.

TABC believes there is reasonable assurance that the computer functions would be recovered should there be a disaster or disruption as demonstrated fully through the Disaster Recovery Plan.

Responsible Individual: Lieutenant Marvin Montero

Status: Planned Completion within 120 days after receipt of State Office of Risk Management (SORM) approval of the Continuity of Operations Plan (COOP)

Appendix 1

TEXAS DEPARTMENT OF PUBLIC SAFETY

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512/424-2000

www.dps.texas.gov



STEVEN C. McCRAW
DIRECTOR
DAVID G. BAKER
CHERYL McBRIDE
DEPUTY DIRECTORS



COMMISSION
A. CYNTHIA LEON, CHAIR
CARIN MARCY BARTH
RANDY WATSON

October 24, 2013

Agency Head

Dear Directors:

The State of Texas must be prepared to ensure the continuing performance of critical government functions under all conditions, including emergencies that disrupt normal operations. As cited in the Texas Homeland Security Strategic Plan for 2010-2015, continuity planning is a critical aspect of overall homeland security planning. Elements of a continuity plan include identification of essential functions, delegating of authority, orders of succession, communications, vital records and data, and alternate operating locations; continuity planning ensures those resources will be available when needed through coordination with partners and stakeholders. Requirements for state agency continuity planning are established in the Texas Labor Code (Section 412.054), with additional information on information security rules related to information security standards in Rule §202.24 of the Texas Administrative Code. State agencies are required to maintain continuity plans and ensure that they are regularly updated and validated.

The purpose of this letter is to provide additional guidance on continuity planning to state agencies, consistent with existing legislation and rules. It applies to state agencies that are members of the Governor's Emergency Management Council, members of the State Data Center Program, and/or State Office of Risk Management (SORM) client agencies. The letter recommends minimum standards for state agency continuity planning, but it is not intended to be restrictive; as appropriate, some agencies may find that they need to go well beyond the minimum standard based on their mission and their planning challenges.

To support agency continuity planning, this letter also establishes Texas Essential Functions (Attachment). These functions, modeled on the National Essential Functions established in National Security Presidential Directive 51/Homeland Security Presidential Directive 20, represent the broad responsibilities of state government during an emergency. While priorities will vary based on the specifics of an incident and there are many important agency activities not reflected in the list, maintaining these Texas Essential Functions should be the primary focus of state government during a crisis.

The State Office of Risk Management (SORM), in coordination with the Department of Information Resources (DIR), the Texas Division of Emergency Management (TDEM), and the Texas Office of

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Homeland Security (OHS), will develop, maintain, and disseminate a Continuity Planning Crosswalk that combines Texas legislative requirements, FEMA guidance, best practices, and other applicable standards. This Continuity Planning Crosswalk will serve as the single recommended standard for minimum content in Texas state agency continuity plans. It will incorporate the issue areas described in the Federal Emergency Management Agency's (FEMA's) Continuity Guidance Circular 1 (CGC 1), *Continuity Guidance for Non-Federal Governments* and Continuity Guidance Circular 2, *Continuity Guidance for Non-Federal Entities: Mission Essential Functions Identification Process*. Specifically, it will include the "Continuity Plan Considerations" in Annex A of CGC 1. It will also recommend that Agency continuity plans include an annex covering the continuity response to pandemics and, as necessary, include plans for telecommuting and copies of memorandums of agreement related to security, alternate facilities, and other support needed in a continuity situation.

Continuity plans should be based on a comprehensive process for identifying Mission Essential Functions at the agency level, conducting a Business Process Analysis to explore the processes required to perform these functions, and conducting a Business Impact Analysis to evaluate the effect threats and hazards may have on the ability to perform these functions. Note that an agency's Mission Essential Functions may or may not directly support performance of Texas Essential Functions. CGC 1 and CGC 2 provide several tools and formats for capturing the results of these analyses and developing a continuity plan, but these formats should not be seen as restrictive and should be adjusted to fit the needs of the agency. Other plan formats may be more useful in some cases, as long as they address the minimum content requirements in the Continuity Planning Crosswalk.

Executive management of Texas state agencies should:

- By November 30, 2013, designate a Continuity Coordinator for the agency and provide contact information to SORM. A qualified Continuity Coordinator should be trained in continuity planning and certified by a recognized organization such as FEMA's Emergency Management Institute (Continuity Practitioner Level I or Level II), or Disaster Recovery Institute International (Certified Professional, such as ABCP, CFCP, CBCP or MBCP). In some cases, smaller agencies may wish to share a continuity coordinator and develop continuity plans jointly
- By October 31, 2014, review current continuity plans and develop or revise them as needed to achieve the minimum standards described above
- By October 31, 2014, provide electronic copies of continuity plans, along with a completed Continuity Planning Crosswalk, to SORM. In addition, provide an electronic copy of any Memorandum of Agreement relating to the planned use of state facilities as alternate sites to the Texas Facilities Commission (TFC)
- By August 31 of each year thereafter, review and update plans to ensure contact lists, responsibilities, Memorandums of Agreement/Memorandums of Understanding, and procedures remain current and valid
- Beginning as soon as practicable, but no later than Fiscal Year 2015, conduct an annual exercise of agency continuity plans and report completion to SORM. Schedule and post exercise information on preparingtexas.org. Exercises should be compliant with the Homeland Security Exercise and Evaluation Program (HSEEP) and should be sequential and progressive in terms of participants and objectives
- By October 31, 2014, develop an agency-level continuity training program to ensure mission-critical personnel are prepared to perform required continuity functions during an emergency.

As directed in Section 412 of the Texas Labor Code, SORM will review continuity plans and provide guidelines and models (which will include the Continuity Planning Crosswalk described above) to state agencies. SORM will use the Continuity Planning Crosswalk as its evaluation tool for state agency continuity plans. Written feedback should normally be provided by SORM to state agencies within 90 days of plan submission. As necessary, SORM may request subject matter expert assistance in reviews. SORM will publish additional rules in the Texas Administrative Code as required to implement its continuity responsibilities. Where possible, SORM will also develop incentives for agencies to meet and exceed the minimum continuity planning standards described in this letter.

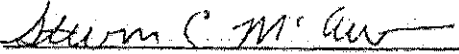
Delivery of some critical functions and services during an emergency will rely on coordination of continuity plans and operations among multiple agencies. As a group, we must identify interdependencies, cross-functional issues, and coordination requirements among agency continuity plans and develop recommendations to address any challenges. The Texas Homeland Security Council and the informal Continuity Roundtable will be the primary forums for interagency discussion of continuity planning issues.


Due to their sensitive nature, state agency continuity plans and supporting documents should be labeled "For Official Use Only." Section 552.101 of the Texas Government Code exempts information from public disclosure if considered to be confidential by law, either constitutional, statutory, or by judicial decision. Chapter 418 of the Texas Government Code provides that certain information, including information relating to risk or vulnerability assessments, critical infrastructure, and security systems, is confidential in specific circumstances.

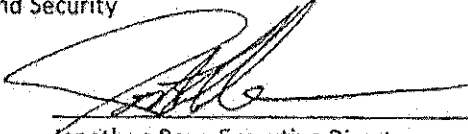
For the state as a whole, effective continuity planning must consider the delivery of services by local government agencies as well as state agencies. County and municipal agencies throughout Texas are encouraged to adopt standards and processes for continuity planning similar to those described in this letter and to coordinate their efforts regionally. As with state agencies, effective planning and risk reduction will depend on a careful analysis of critical functions, business processes, and business impacts.

Ensuring that the most critical government services continue to be available to the people of Texas under any conditions is a challenging task demanding a concerted planning effort. Thank you for your support of this important initiative.

Respectfully,


Steven C. McCraw, Director
Texas Department of Public Safety
Texas Office of Homeland Security


Karen Robinson, Executive Director
Texas Department of Information Resources


Jonathan Bow, Executive Director
State Office of Risk Management

Attachment: Texas Essential Functions

TEXAS ESSENTIAL FUNCTIONS

TEF 1: *Maintain Continuity of Government.* Focus: Ensure the continued functioning of state government and critical government leadership elements, including: succession to key offices; organizational communications (with a priority on emergency communications); leadership and management operations; situational awareness; personnel accountability; and functional and judicial organizations (as necessary).

TEF 2: *Provide Visible Leadership.* Focus: Provide leadership visible to the State of Texas and the Nation and maintain the trust and confidence of our State's citizens and partners.

TEF 3: *Defend the Constitution of Texas.* Focus: Defend the Constitution of the State of Texas and prevent or interdict attacks against the State or its people, property, or interests.

TEF 4: *Maintain Effective Relationships with Neighbors and Partners.* Focus: Maintain relationships and cooperative agreements with federal, state, local, and tribal governments, and private sector and non-profit partners.

TEF 5: *Maintain Law and Order.* Focus: Maintain civil order and public safety (protect people and property and the rule of law), by ensuring basic civil rights, preventing crime, and protecting critical infrastructure.

TEF 6: *Ensure Availability of Emergency Services.* Focus: Provide and/or assist local and tribal governments in providing critical emergency services, including emergency management, police, fire, ambulance, medical, search and rescue, hazmat, shelters, emergency food services, recovery operations, etc.

TEF 7: *Maintain Economic Stability.* Focus: Manage the overall economy of the State of Texas by managing the State's finances and ensuring solvency.

TEF 8: *Ensure the Availability of Basic Essential Services.* Focus: Provide and/or assist in the provision of basic services, including water, power, health care, communications, transportation services, sanitation services, environmental protection, commerce, etc. These are services that must continue or be restored quickly to provide for basic needs.

Appendix 2

Objective and Scope

Objective

The primary objectives of the internal audit were to determine the following:

Compliance with Policies, Procedures, Laws, and Regulations

- *Safeguarding of Assets*
- *Efficiency and Effectiveness of Operating Procedures*

Scope

Our scope included reviewing The 80th Texas Legislature, Senate Bill 908 Committee report, which requires all state agencies and universities to have a business continuity plan or continuity of operations plan. We interviewed the appropriate staff of the Commission, reviewed the TABC's policies and procedures, tested for compliance with these operating policies and procedures, and reviewed other pertinent reports and documentation.

Methodology

Our procedures included collecting information and documentation; reviewing operating procedures, laws, and regulations, conducting interviews with the appropriate staff of the Commission, testing for compliance with policies, procedures and laws, and review of other pertinent reports and documentation.

Information collected and reviewed included the following:

- Interviewed the IRD Division staff to obtain an understanding of the activities, processes, and controls in place related to information technology/project development.
- Obtained a copy of IT Service Continuity Management Disaster Recovery Plan.
- Obtained and reviewed the TABC Continuity of Operations Plan
- Obtained and reviewed State Office of Risk Management Continuity Plan Crosswalk for Texas State Agencies
- Guidance letter dated October 23, 2013 signed by the Executive Directors of the Texas Department of Public Safety, State Office Risk Management, and Texas Department of Information Resources and sent by the Texas Department of Public Safety to all Agency Heads
- Texas Data Center Services Disaster Recovery Exercise Plan for Information Technology Service.
- Section 412 of the Texas Labor Code
- Chapter 418 of the Texas Government Code
- Section 552.101 of the Texas Government Code
- Tested for compliance with laws and regulations
- Reviewed other pertinent reports and documents

Criteria Used included the following:

- 80th Texas Legislature, Senate Bill 908
- Guidance letter dated October 23, 2013 signed by the Executive Directors of the Texas Department of Public Safety, State Office Risk Management, and Texas Department of Information Resources and sent by the Texas Department of Public Safety to all Agency Heads
- Continuity Plan Crosswalk for Texas State Agencies
- Review of other pertinent reports and documents

Other Information

Our internal audit was conducted 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 internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our internal audit objectives. Our internal audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.

Appendix 3

Background Information

In 1935, the Legislature created the Texas Alcoholic Beverage Commission (formerly the Texas Liquor Control Board).

The Texas Alcoholic Beverage Commission (TABC) is the state agency that regulates all phases of the alcoholic beverage industry in Texas. The duties of the Commission include regulating sales, taxation, importation, manufacturing, transporting, and advertising of alcoholic beverages.

The TABC collects in excess of \$200 million annually in taxes and fees, which aids in the financing of the state's public schools, local governments, research, human services, and other areas in which state government provides services to all Texans.

The Alcoholic Beverage Code, which was enacted to protect against involvement of the criminal element in alcoholic beverage trafficking authorizes the Texas Alcoholic Beverage Commission to:

- Grant, refuse, suspend, or cancel permits and licenses in all phases of the alcoholic beverage industry;
- Supervise, inspect, and regulate the manufacturing, importation, exportation, transportation, sale, storage, distribution, and possession of alcoholic beverages;
- Assess and collect fees and taxes;
- Investigate for violations of the Alcoholic Beverage Code and assist in the prosecution of violators;
- Seize illicit beverages;
- Adopt standards of quality and approve labels and size of containers for all alcoholic beverages sold in Texas;
- Pass rules to assist the agency in all of the above.

The Governor, with the advice and consent of the Senate, appoints three public members of the Commission for staggered six-year terms.

The Commissioners appoint an Executive Director who supervises the Commission's activities. The Commission's operating budget is prepared and approved by the Commission on an annual basis, whereas

the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The Commission is divided into thirteen divisions: Executive; Field Operations – Enforcement, Audit & Investigations, Ports of Entry; Business Services; Education and Prevention; Human Resources; Information Resources; Legal Services/General Counsel; Licensing; Office of Professional Responsibility; Tax and Marketing; and Training. The Executive Division, which is headed by the Executive Director, provides oversight of the Deputy Executive Director, Director of the Office of Professional Responsibility, and the Director of Communications and Government Relations. The other divisions report directly to the Deputy Executive Director while the General Counsel reports directly to the Commissioners.

The Commission generates revenue from alcoholic beverage license and permit fees, alcohol beverages taxes, cigarette taxes, airline beverage tax, and revenue collected on audits. This revenue is deposited into the General Revenue Fund.

Appendix 4

Report Distribution

As required by Gov't Code 2102.0091, copies of these reports should be filed with the following:

Governor's Office of Budget and Planning

Attn: Kate McGrath

Phone: (512) 463-1778

Internalaudits@governor.state.tx.us

Legislative Budget Board

Attn: Ed Osner

Phone: (512) 463-1200

Ed.Osner@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

iacoordinator@sao.state.tx.us

Sunset Advisory Commission

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sunset@sunset.state.tx.us

Texas Alcoholic Beverage Commission

Jose Cuevas, Jr., Presiding Officer

Steven M. Weinberg, MD, JD

Ida Louise "Weisie" Steen

Texas Alcoholic Beverage Commission Management

Sherry Cook, Executive Director