

Performance Audit  
Coordination of Liquor Licensing  
Compliance Programs  
Department of Revenue  
Department of Justice

JUNE 2017

16P-02

REPORT SUMMARY

The Montana Department of Revenue and Department of Justice share responsibility for licensing and regulation of the state's many classes of alcohol licenses. The agencies work closely to ensure the licensing process is as smooth as possible for applicants. However, the agencies could take steps to improve licensee compliance with state laws and rules, in the areas of on-site inspections of licensed premises; communication with local law enforcement agencies; and ensuring certain categories of licensed businesses are operated in accordance with law.

## Context

Montana is one of 17 states that operates under a "control" model of alcoholic beverage regulation, a system that has been in place since shortly after the end of Prohibition. Control states attempt to promote moderation of consumption through strict control of the manufacture, distribution, and retail sale of alcoholic beverages. The Montana Department of Revenue and Department of Justice share oversight of the licensing and compliance processes for alcoholic beverage sales. Agreements between the agencies delegate tasks and responsibilities in the areas of license application review and approval; receipt and action on complaints about licensees; compliance with existing laws and rules; and review and approval of license renewals.

Our review looked at the timelines and processes for review of initial license applications and license renewals. We also reviewed complaints received by both agencies, as well as a log of violations cited by the Department of Revenue. We interviewed holders of several types of licenses and other interested parties. We examined processes for on-site compliance visits to licensed businesses

and other compliance work done by the Department of Revenue. We interviewed officials at each agency regarding several aspects of the licensing and compliance work done by the state as well as by local law enforcement agencies.

## Results

Our audit found that initial alcohol license applications are generally processed and approved or denied within the time frame specified by law. However, we found no formally required mechanism for the reporting of violations between local law enforcement agencies and the Department of Revenue, leading to the possibility that alcohol citations may be unreported to the state. We found that the Department of Revenue can improve its compliance work in the area of confirming information asserted by licensees on their annual renewal forms. And we determined that on-site compliance efforts can be improved by the Department of Justice with the addition of alcohol-related items to a checklist used by inspectors in the field.

*(continued on back)*

Recommendation Concurrence	
Concur	4
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (16P-02) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE  
Call toll-free 1-800-222-4446, or e-mail [lad@mt.gov](mailto:lad@mt.gov).