

FY 2009 Annual Program Performance Measures

DEPARTMENT: MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

APPROPRIATION UNIT: Sec 105 Liquor Control Commission **PROGRAM:** Michigan Liquor Control Commission

TIMELINE: October 1, 2008 through September 30, 2009

PROGRAM MISSION STATEMENT:

The mission of the Michigan Liquor Control Commission is to provide alcoholic beverages for consumption and generate revenue for the State of Michigan, while protecting the interests of the general public through selective licensing and strict enforcement of the Liquor Control Code and Administrative Rules of the Commission. Failure to provide these services would negatively impact the health, safety and welfare of the citizens of Michigan.

VISION STATEMENT:

The Liquor Control Commission is committed to the distribution of alcoholic liquor products through licensure of all liquor related businesses and the enforcement of all of the liquor laws and rules. The Commission operates in the dual roles of regulator and business partner. The Commission is continuously working to improve the services provided to the liquor industry, the licensees and the general public.

PROGRAM STATEMENT:

The Commission has four program areas, Licensing, Enforcement, Executive Services, and Financial Management; that provide the necessary support for the Commission to reach its goals.

The Licensing Division provides support to the Commission through its licensing of all aspects of the alcoholic beverage business in Michigan. The Retail licensing section processes applications for retail licenses for both on premises consumption (such as restaurants, taverns and bars) and for off premises consumption (such as grocery stores, party stores and drug stores). There are approximately 26,900 licenses issued to 17,300 retail licensees. The Manufacturers and Wholesalers licensing section is responsible for processing applications for all other types of licenses associated with the alcoholic beverage industry. This includes direct shippers, brewers, wineries, wholesalers, salespersons, vendor representatives, etc. amounting to approximately 8,600 licenses.

The Enforcement Division acts as the investigative arm of the Michigan Liquor Control Commission. The Enforcement Division investigates applicants for new licenses, transfer ownership of existing licensed businesses, and a wide variety of other licensing investigations. The Enforcement Division is also responsible for ensuring that all licensees comply with the Liquor Control Code and Administrative Rules. Compliance is monitored through complaint investigations, nighttime enforcement operations and controlled buy activities utilizing contracted under-aged employees as decoys. Enforcement staff also provide information and assistance to state, county and local law enforcement agencies, as well as local governing bodies, industry trade associations, licensees, attorneys and the general public.

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The Executive Services Division provides an orderly and legal separation between the Licensing and Enforcement functions and the quasi-judicial functions of the Commission. This involves all hearings and appeals functions, server training program administration, responsibility for rules promulgation, legislative analysis, recording and maintaining all Commission minutes, and preparation and dissemination of information and materials related to the goals and missions of the Commission.

The Financial Management Division provides financial and accounting services to the Commission. The division is also responsible for overseeing the operation of the liquor distribution system, which is provided by the Authorized Distribution Agents (ADAs). The ADAs take licensee liquor orders, assemble the orders, invoice and collect for the orders, deliver the merchandise, and provide order, sales, adjustment and inventory information to the division. The division receives and processes all price and product quotations for liquor sold in Michigan. The division manages the Liquor Purchase Revolving Fund through collection, accounting, and payment/transfer of all liquor related revenue and expenses. The division performs revenue verification, budgeting, financial analysis, expenditure payment analysis, and financial statement production.

FUND SOURCE:

- Liquor License Revenue
- Liquor Purchase Revolving Fund

LEGAL BASIS:

- The United States Constitution gives each State full authority for the transportation, importation, delivery and use of alcoholic liquor within its borders.
- The Michigan Liquor Control Commission was established by the Legislature by Act 8 of 1933, Extra Session, following the repeal of Prohibition, which has been replaced by the Michigan Liquor Control Code of 1998, PA 58 of 1998.
- The Constitution of Michigan of 1963 (Article IV, 40) specifies that the Commission's role is to "...exercise complete control of the alcoholic beverage traffic within this State, including the retail sales thereof..."
- Much of the Commission's role is defined by Act 58 of 1998, known as the Michigan Liquor Control Code. The Michigan Liquor Control Code is found in Section 436 of the Michigan Compiled Laws. In addition, the commission has promulgated Administrative rules found in the Michigan Administrative Code.

CUSTOMER IDENTIFICATION:

Citizens of the State of Michigan, state and local governmental agencies, and anyone involved in the alcohol beverage industry in Michigan, including retailers, manufacturers, suppliers, wholesalers and other non-retail licensees.

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CRITICAL GOALS/MAJOR OBJECTIVES and RESULTS

Program Goals:

- Issue liquor licenses to qualified applicants whose business and/or establishment meet the Liquor Control Code, Commission rules and local requirements.
- Provide information to the Commission for review and consideration in carrying out its responsibilities for the regulation and distribution of alcoholic beverages in this state.
- Renew liquor licenses on an annual basis.
- Provide materials and assistance to attorneys, brokers, trade associations, local law enforcement agencies and local governmental units relating to the licensing processes.
- Thoroughly investigate applicants for licensure in a timely manner to ensure all individuals and entities are in fact the true beneficiaries of the license; that no hidden ownerships exist who otherwise would not qualify for licensure; that all finances used to finance the licensed business are from legitimate and verifiable sources; and that the licensed individuals and entities are of high moral character increasing the probability that as licensees they will be responsible business partners respecting and abiding by the Liquor Control Code and Administrative Rules.
- Conduct enforcement and violation investigations to ensure compliance by liquor licensees with the Liquor Control Code and Administrative Rules, protecting the health, safety and welfare of the general public.
- Specifically monitor licensee compliance with the Liquor Control Code requirement to sell alcoholic liquor products only to persons 21 years of age or older through controlled-buy operations using under-age contract employees to check retail licensees.
- Ensure that Liquor Control Regulation Agents and law enforcement agencies throughout Michigan are properly trained on the Liquor Control Code and Administrative Rules.
- Schedule 95% of original violation hearings within 90 days of receipt of the violation report in the Unit.
- Schedule 95% of postponed and continued hearings within 180 days of receipt of the violation report in the Unit.
- Issue 100% of final orders from hearings within 45 days of the hearing date.
- Schedule 100% of licensing appeals within 30 days from the hearing request date.
- Meet the legislative mandate of overseeing the operation of the Liquor Purchase Revolving Fund, including production of monthly and annual financial statements.
- Transfer all monies and profits generated by the Liquor Control Commission to the General Fund or other accounts as mandated, in an accurate and timely manner.
- Oversee the accuracy and completeness of the accounting information provided by the Commission's Authorized Distribution Agents (ADAs) through a system of electronic record checking. Process, balance and reconcile all accounting data for liquor sales, adjustments, and purchases received from ADAs.
- Monitor adherence by ADAs to business operating procedures established by the Commission and report possible violations of these to the Enforcement Division for investigation.
- Process and manage all product quotations and pricing for liquor, available for sale in Michigan.
- Measure customer satisfaction, assess the effectiveness of the Commission's wholesaling operation, and provide a vehicle for resolving problems through provision of a toll-free telephone Help Line.

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- Verify that all beer, wine and mixed spirit drink taxes are reported and paid to the State of Michigan.

Processes/Services:

- Authorize applications for investigation within 5 working days after all necessary documents have been received.
- Issue licenses and permits within 5 working days after the applications are administratively complete.
- Process all liquor license application renewals received by April 30th.
- Reduce on premises liquor licenses held in escrow through transfer or reactivation to encourage economic growth and create opportunities for employment in local communities.
- Conduct licensing investigations producing complete, accurate and timely investigative reports for all new license applications, transfer ownership and/or location of existing licensees, new or amended permits for existing licensing, changes in licensed premises and all other matters involving licensed establishments requiring investigations by the Enforcement Division.
- Thoroughly investigate complaint allegations against existing licensees for violations of the Liquor Control Code and/or Administrative Rules and to accurately report findings and violation reports when appropriate.
- Testify in Administrative Hearing proceedings and in Court Hearings involving violations of the Liquor Control Code and Administrative Rules.
- Regularly conduct controlled-buy operations statewide with under-aged decoys to regulate the sale and consumption of alcoholic liquor by minors, thereby reducing the availability of alcohol to minors.
- Thoroughly train and educate local, county and state law enforcement agencies on the provisions of the Liquor Control Code, Administrative Rules and violation report writing.
- Assist other law enforcement agencies in joint operations involving liquor law violations.
- Educate liquor licensees on the Liquor Control Code, Administrative Rules and Commission policies.
- Adhere to statutory time frames and internal mandates by processing violation reports, violation appeals and licensing appeals in a timely manner to provide for speedy and efficient adjudication of cases before the Commission, while affording licensees and applicant's due process.
- Perform accuracy checks and balancing and reconciliation procedures on 100% of ADA source accounting information.
- Make preliminary liquor sales entries into MAIN before the close of the applicable accounting month.
- Resolve or create a plan to resolve 100% of the problems reported on the Customer Help Line within 24 hours.
- Verify that all beer, wine and mixed spirit drink taxes are paid through a system of comparison between supplier tax reports and wholesaler invoices, and audits of beer and wine licensees.

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PROGRAM EFFECTIVENESS AND EFFICIENCY (Current Year)

Program Goals/Metrics:

See attached charts

Performance Measures:

- Calculated and reported on, the number of days taken to authorize an application for investigation, after all necessary documents have been received, for Off Premises and On Premises Investigations.
- Report on the number of days taken to issue licenses and permits after the application is administratively complete.
- Monitor and report on the number of On Premises licenses in escrow, statewide.
- Report on the number of Retail License Renewal Applications Received and Renewal Licenses Printed.
- Measured the number of completed licensing investigations and monitor the timeliness of submission of licensing investigation reports.
- Measured the number of completed complaint investigations and monitor the timeliness of submission of complaint investigation reports.
- Measured the number of violation reports submitted.
- Measured the number of controlled buy stops made; the number of resulting violations; and the percentages of violations that occurred with no identification checked and the number of violations occurring after identification checked.
- Measured the number of violation reports processed.
- Measured the number of acknowledgements processed.
- Measured the number of violation hearings held.
- Calculated the average number of days between receipt of a violation and the hearing.
- Verified 100% of the prices charged by the ADAs, and 100% of the license numbers on sales invoices. Recorded the number of price discrepancies and incorrect license numbers found.
- Ensured licensees are refunded overpayments and charged for underpayments. Recorded shortages of State money and deposit errors that were charged to the ADAs.
- Measured the number of customer problems/complaints reported on the customer service help-line.
- Produced monthly financial statements for the Liquor Purchase Revolving Fund. Recorded the amount of time required to complete and issue the reports.
- Measured the dollar amounts of Beer, Wine and Mixed Spirit Drink taxes found unpaid, during reviews of monthly tax reports and invoices.
- Tracked the number of On-Line liquor orders placed by licensees each month.
- Recorded the volume of liquor sales paid for through Electronic Funds Transfer.

Program Improvements Made:

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- Conversion of Commission paper documents for on premises and off premises multiple business operators. Scanning bar codes have been received and master files have been prepared with scanning bar codes. Partial scans have been loaded to the Licensing and Enforcement data base. We are currently working with DIT Liquor Team to obtain more space to load the remaining scans.
- Manufacturers & Wholesalers surety bond program has been automated to provide us with a report and notices for those licenses not in compliance with the Bond requirements of Section 801.
- Plans were developed to reorganize the Licensing Division staff. They are now being implemented.
- Current web based forms have been restructured and are now writeable, including an email address.
- Various Oracle Licensing and Enforcement screens have been changed to include parameters for email addresses.
- An on-line application tracking system is now available on our web-site. Applicants and other interested parties can electronically view the progress of any application.
- The Enforcement Division has continued to improve accuracy and timeliness of licensing investigative reports through training, rewriting of the procedures manual, standardization of report writing and streamlining of investigation procedures and reports.
- Overall complaint investigations completed increased slightly by 3% in 2009; however, violations submitted by Enforcement Division staff decreased less than 1% from the 2008 levels.
- The controlled-buy operations for fiscal year 2009 increased by 7% over the levels of 2008 fiscal year.
- The overall percentage of controlled-buy sales made to minors for the 2009 fiscal year was 13%, which was a slight improvement over the 2008 fiscal year's 16% violation rate.
- The percentage of sales to minors made after the clerk/server viewed the decoy's vertical driver's license increased to 63%, from 56% for the 2008 fiscal year.
- Licensing investigations completed saw a 6% decrease in the 2009 fiscal year from the 2008 fiscal year completed investigations. This downturn mirrors Michigan's economic climate with tight money markets reducing new and transfer license applications.
- The Enforcement Division increased its training efforts with local law enforcement agencies and industry trade groups to educate all parties on the Liquor Control Code, Administrative Rules and Commission policies.
- The Enforcement Division participated in an increased the number of training activities with law enforcement agencies and completed the upgrade of our PowerPoint law enforcement training program to include illegal smuggling, unlawful gambling and other such updates.
- The violation hearing backlog is being constantly monitored and in the majority of instances, violation hearings are being scheduled within 90 days of receipt in Hearings and Appeals.
- Continued/rescheduled hearings are being closely monitored for extenuating circumstances which would prevent them from being scheduled within 180 days of receipt in Hearings and Appeals.
- Attorney General's office is continuing to draft the majority of complaints within 30 days of receipt of the violation report to enable Hearings and Appeals to schedule violations for hearing within 90 days.
- Successfully implemented training processes for changes and updates to the ORACLE database.
- Held meetings with DIT staff to design programs to ensure the accuracy of reports and to enhance the various reporting capabilities of the Hearings and Appeals Division.
- Step-by-step procedures of various functions of the unit have been maintained on a shared computer drive for access by unit staff.
- We have completed documenting the business requirements (Phase 2, Requirements Definition) for a new Liquor Sales, Inventory and

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Purchasing System that will replace our 30-yr old mainframe computer system. This project has been and continues to be a coordinated effort with the Department of Information Technology.

- We have implemented several improvements to the Liquor Price Reduction Process. These improvements have made the Price Reduction Process more efficient by saving the staff processing time, and thus shortening the response time to the liquor licensees. The process is now much more automated: the Price Reduction notification forms are connected to the Liquor Code Master to easily obtain most of the information necessary to complete them, and the banned liquor code order database is now integrated with the forms and the Code Master to quickly populate the database and transmit it to the Authorized Distribution Agents.
- Expanded use of the number of licensees using On-Line Internet Liquor Ordering program.
- Expanded use of the Electronic Fund Transfer payment program to pay for retailers liquor purchases.

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PROGRAM IMPROVEMENT PLANS FOR FY10:

- Work with DIT Liquor team to provide an E-mail account wherein MLCC Investigators will be able to provide Final Inspection Reports and supplemental information.
- Work with DIT Liquor team to provide an automatic Docket for Temporaries.
- Work with DIT Liquor team to enhance the online product registration to have alcohol Suppliers register their products; attach their wholesalers to the individual products. In addition, the wholesalers would then select their territories.
- The Enforcement Division will be implementing a preliminary investigation report template for use by field investigators. This template has been developed internally. This template will streamline report submission; increase field use of laptop computers; improve efficiency of report reviewing by supervision and licensing staff. The Division will explore opportunities to increase education to retail licensees through internet presentations.
- Continue to explore opportunities and implement changes in licensing investigations to provide for improved timeliness of the turnaround of applications.
- Develop a controlled-buy tracking system to provide for periodic controlled-buy checks at all licensed establishments while continuing to more closely check licensed establishments, on which citizen complaints have been received.
- Undertake review of agency rules to determine rescission of outdated rules and additions to rules related to Commission objectives.
- Expand community outreach with the use of technology and engagement of key staff with community groups and agencies.
- Expand implementation of server training program for off-premises licensees.
- Updating all agency publications, forms and website.
- Review/re-write/update all of our Bulletins and Business Operating Procedures that direct and control the Authorized Distribution Agents liquor distribution operations. Many of these Bulletins and Business Operating Procedures are ten or more years old.
- Complete the Functional Design and System Design stages (Phases 3 and 4 of the S.E.M.) of our new Liquor Sales, Inventory and Purchasing computer system. This project continues to be a coordinated effort with the Department of Information Technology.
- Expand use of the Internet Ordering program through marketing and outreach efforts.
- Expand use of payment for liquor by the Electronic Fund Transfer payment program through marketing and outreach efforts.

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CHALLENGES FOR FY10 and BEYOND:

- The Michigan Liquor Control Commission will be challenged in FY10 and beyond by Michigan's economic climate and the need to do more with less. We will continue to explore ways to better utilize technology to improve customer service and continue regulating the sale of alcoholic liquor to best protect Michigan citizens.
- The Commission will continue to be challenged to meet the demands of its customers due to the steady increase in new license and transfer ownership applications. This challenge is exacerbated by the new license types that are available, the 90-day timeframe to process an application and the shortage of trained licensing staff.
- Constant need for additional training due to new license availability and rule and policy changes.
- The challenge to satisfy the ever changing needs of the general public for accessibility to Commission information.
- The potential retirement of key employees will result in the loss of large amounts of knowledge and skills that will difficult to replace.
- The development of new computer systems/programs for the liquor sales, inventory, and purchasing will continue to be a very time consuming and lengthy project due to the importance and complexity of these Commission activities.

CHARTS:

See attached charts



New Licenses Issued

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Outputs:

	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
On Premises Licenses	*22	*30	*23	*27	*33	*30	*32	*30	*110	*117
Off Premises Licenses	**72	**89	**55	**84	**50	**82	**116	**84	**293	**339
Manufacturers and Wholesale Licenses	271	448	204	488	385	778	235	330	1,095	2,044
Total	365	567	282	599	468	890	383	444	1,498	2,500

* Excluding resort on premises licenses, development district authority licenses and other special acts licenses

** Excluding resort off premises licenses



TRANSACTIONS PROCESSED

OUTPUTS:

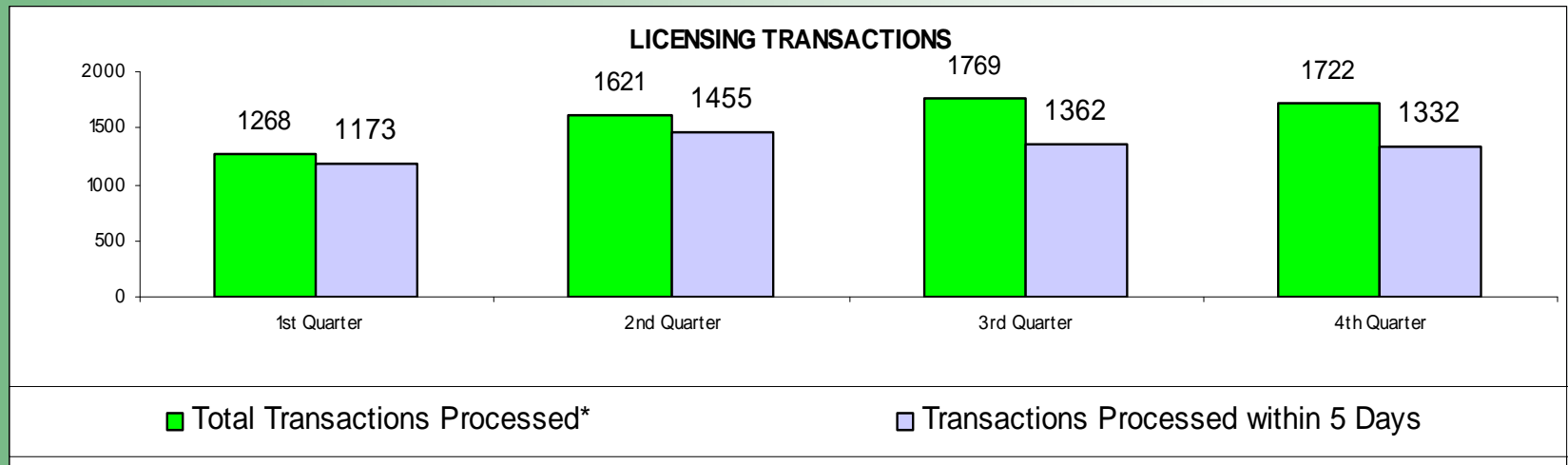
	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Retail Transfers of Ownership	234	235	457	200	275	241	166	285	1,132	961
New Retail Permits	289	315	203	298	482	483	519	492	1,493	1,588
Other Retail *	682	703	809	615	1,031	1,083	669	698	3,191	3,099
Manufacturers and Wholesale	50	548	176	1,343	283	521	167	101	676	2,513
Total	1,255	1,801	1,645	2,456	2,071	2,328	1,521	1,576	6,492	8,161

* Including transfers of stock, appointment and discharge of fiduciary, add/drop space, change name/corrections, cancellations, revocations, delayed renewals, release from escrow, duplicate licenses and duplicate permits. Excluding processing of renewal applications and issuance of new licenses.



Transactions Processed (w/in 5 days)

Outputs/Effectiveness:



Objective: To process 95% of transactions within 5 working days after the application is administratively complete.

Outcome: 77% of transactions were processed within 5 working days after the application was administratively complete.

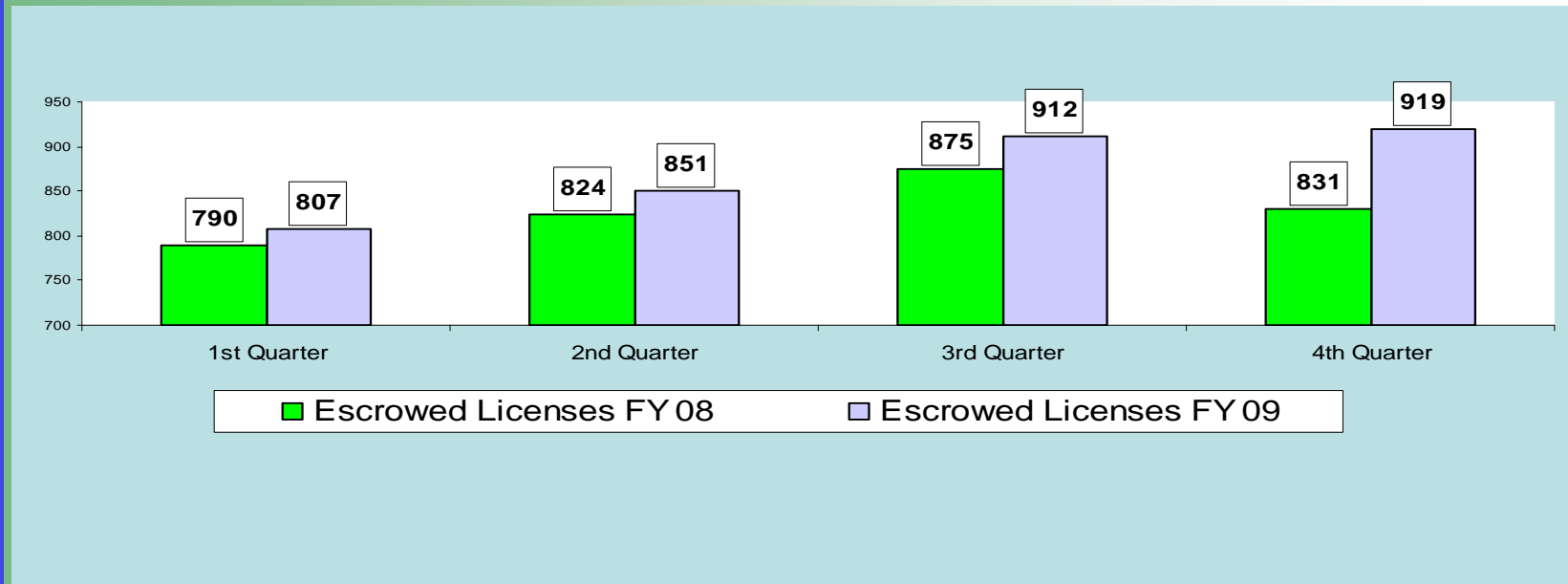
Note: Due to the volume of applications received and the influx of work for the annual license renewal it was not possible to meet this goal.



On Premises Licenses In Escrow

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Outputs/Effectiveness:



Objective: To reduce the number of on premises escrowed licenses by 5%.

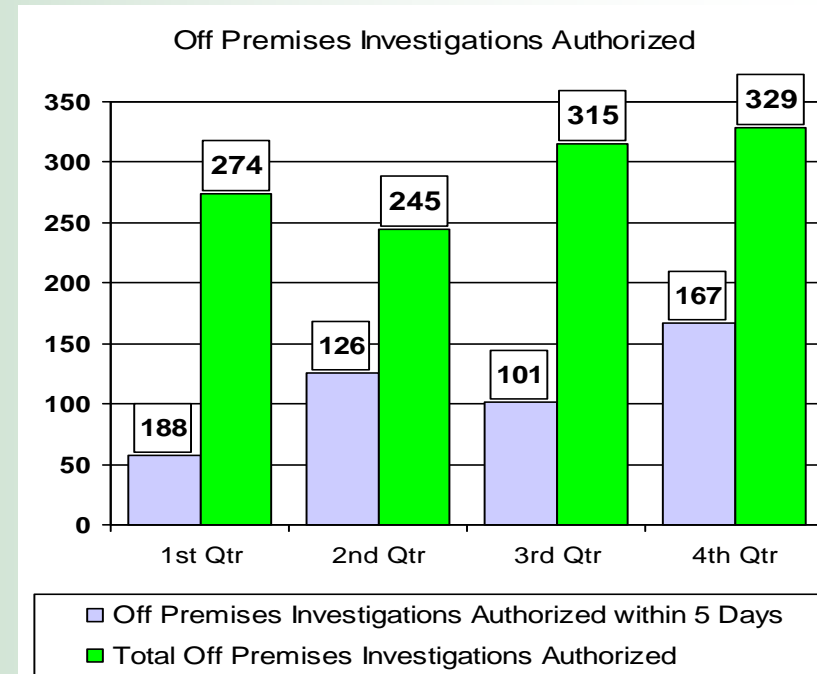
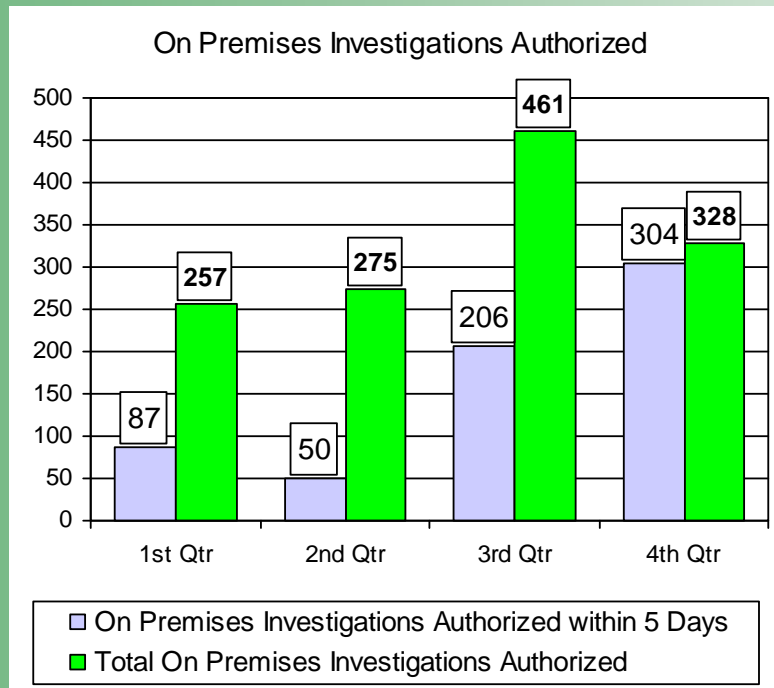
Outcome: On Premises licenses in escrow increased by Approximately 1% from FY 08.

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Transactions Authorized (w/in 5 days)

Outputs/Effectiveness:



Objective: To authorize 90% of applications for investigations within 5 working days after all necessary documents have been received.

Outcome: 38.8% of Off Premises applications AND 49.2% of On Premises applications were authorized for investigation within 5 working days after all necessary documents were received.

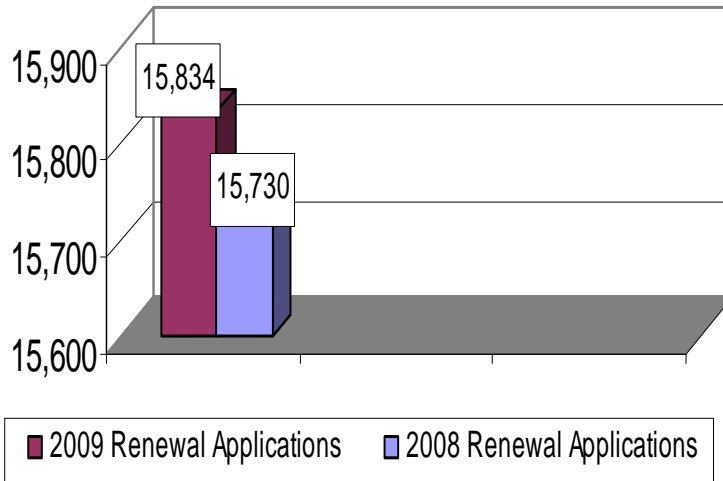
***Note:** Due to the volume of applications received in the Fiscal year 2009 it was not possible to meet this goal.



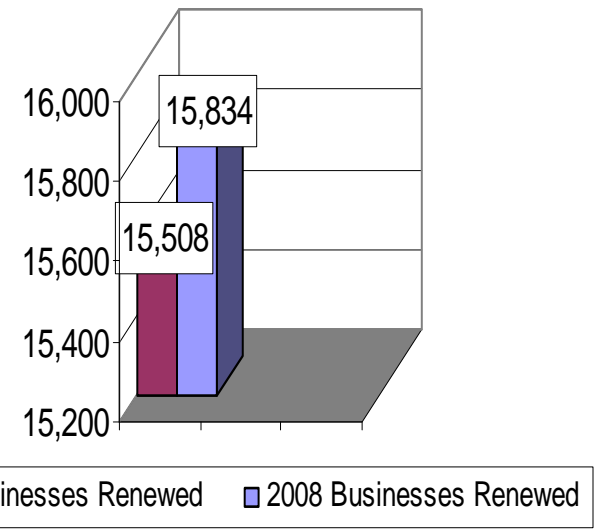
Retail Renewal

Outputs/Effectiveness:

Retail Renewal Applications Received



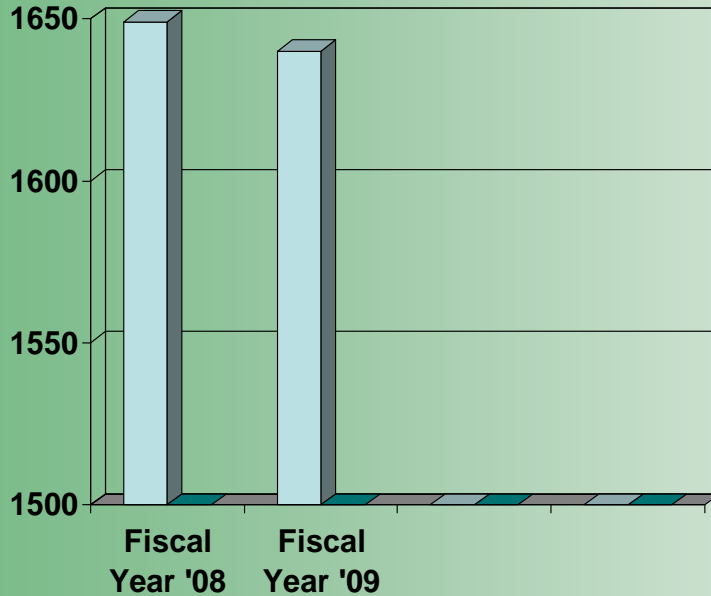
Retail Businesses Renewed



In March 2009 a total of 15,730 retail Renewal Applications were released. As of June 8, 2009 a total of 15,508 businesses were renewed.



Violations Submitted

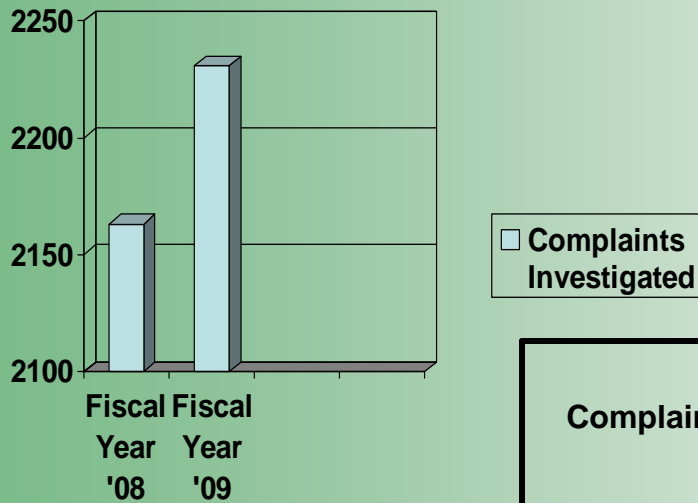


Violations Submitted	Fiscal Year '08	Fiscal Year '09
	1649	1640



Complaint Investigation Activity

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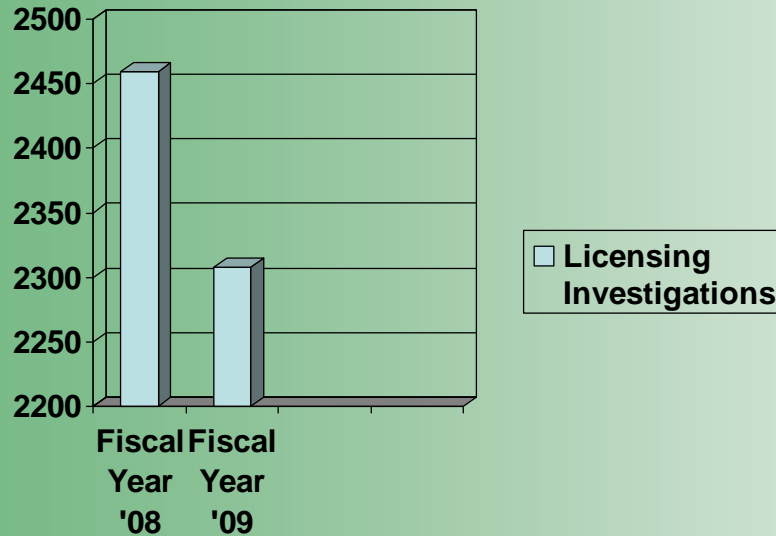
Complaints Investigated	Fiscal Year '08	Fiscal Year '09
	2163	2231

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Licensing Investigation Activity



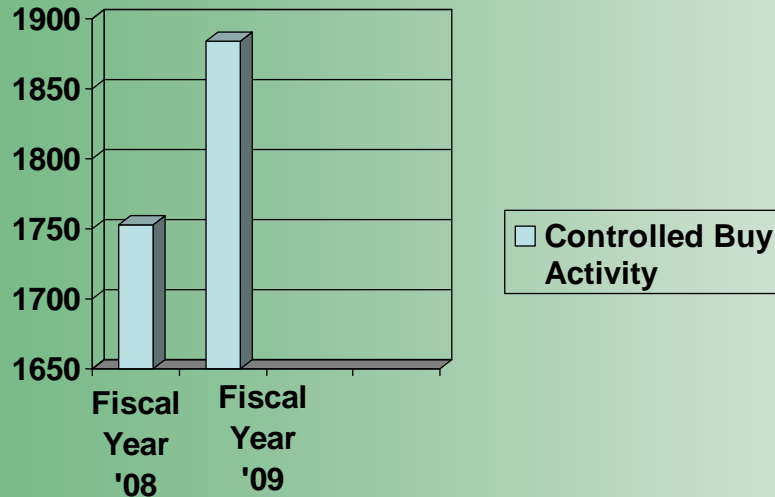
Licensing Investigations	Fiscal Year '08	Fiscal Year '09
	2459	2308

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Controlled Buy Activity

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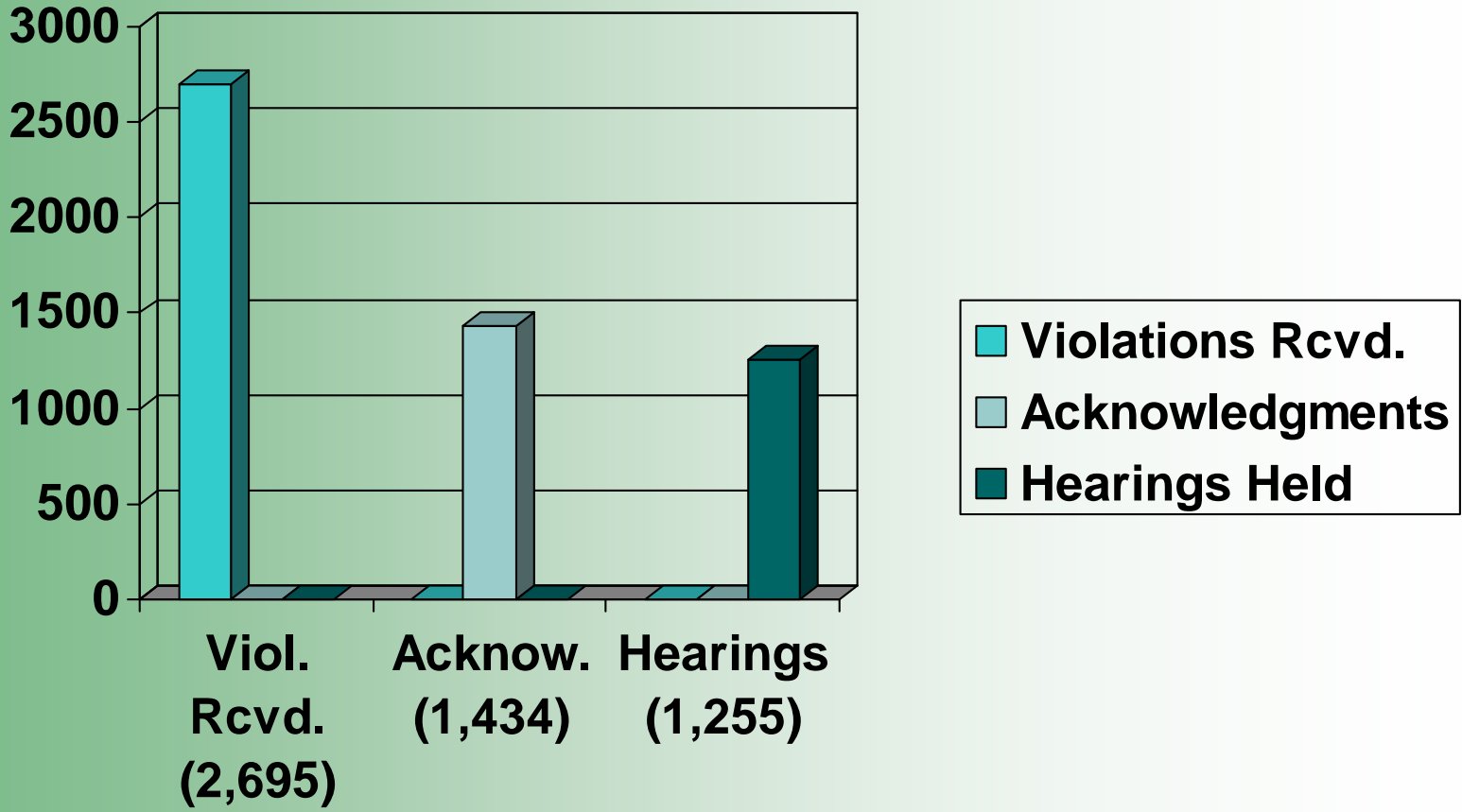
	FY '08	FY '09
Number of Controlled Buy Stops	1753	1884
Number of Resulting Violations	286	249
% of Violations	16%	13%
% of Violations After ID Checked	56%	63%
% of Violations No ID checked	44%	37%

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Violations Processed

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Objective 1:

Schedule Hearings within 90 Days of Receipt

- To Schedule violation hearings within 90 days of receipt.
- OUTCOME: The total average days from violations received to scheduling of hearing and/or acknowledgment is 63.8 days.

<u>HEARING CITY</u>	<u>AVERAGE DAYS TO SCHEDULE HRG.</u>
Ann Arbor	70
Cadillac	57.5
Escanaba	66.5
Farmington	65.7
Flint	59.2
Gaylord	53.8
Grand Rapids	63.6
Jackson	65.3
Kalamazoo	68.4
Lansing	67.3
Marquette	76.3
Port Huron	54.4
Saginaw	54.9
St. Ignace	68.6
Sterling Heights	58.7
STATEWIDE AVERAGE	63.8 DAYS

Objective 2:

- To Schedule Violation & Licensing Appeal Hearings within 30 days of the request.
- OUTCOME: Violation and Licensing appeal hearings during the period October 1, 2008 thru September 30, 2009 were scheduled within 30 days 100% of the time.

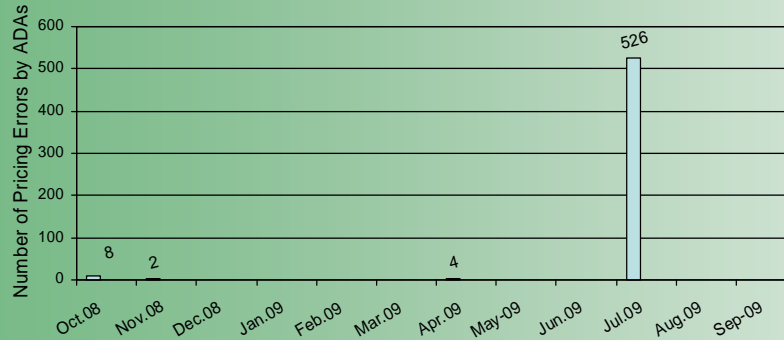
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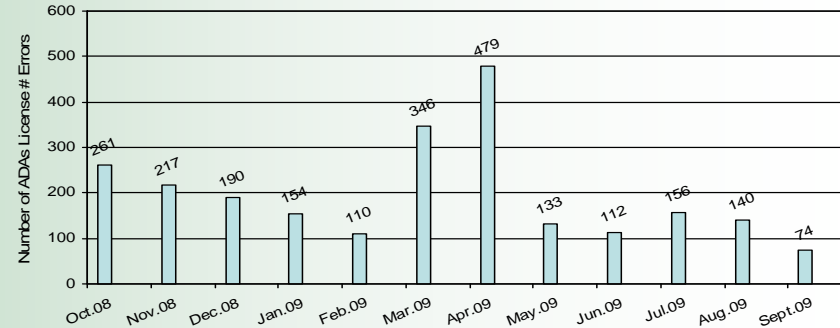
ADA Pricing and Deposits

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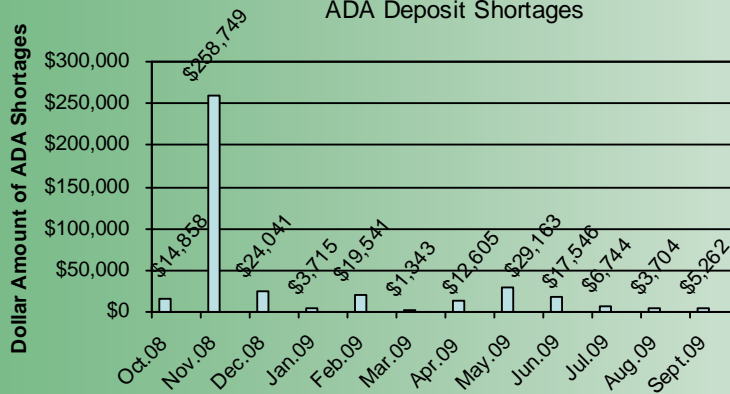
ADA PRICING ERRORS



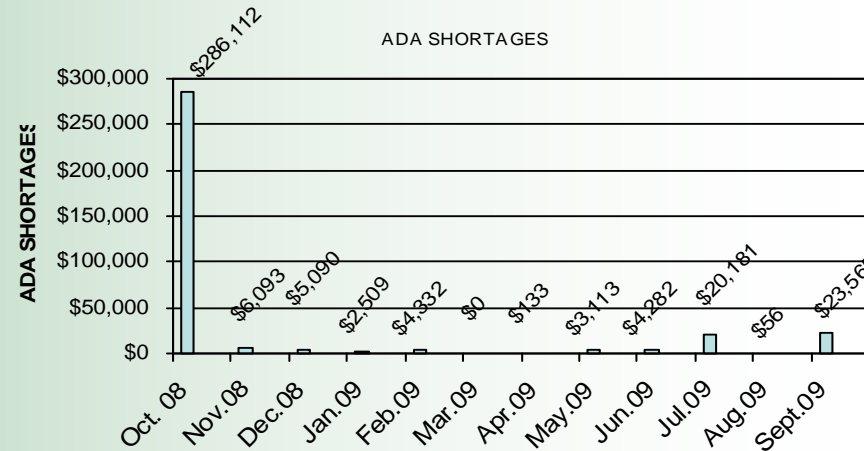
ADAs LICENSE # ERRORS



ADA Deposit Shortages



ADA SHORTAGES

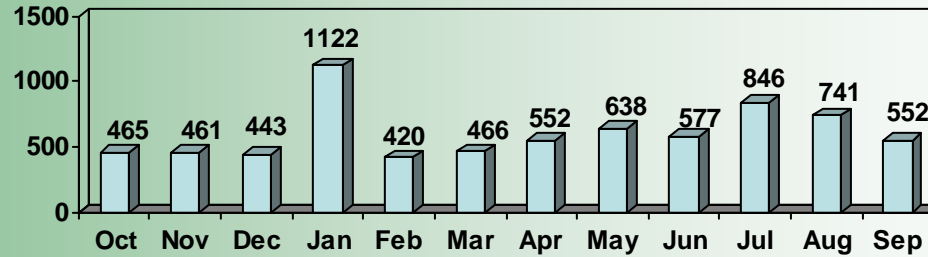


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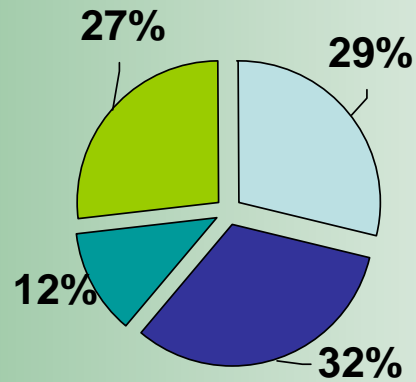
Customer Satisfaction

ADA Helpline Calls



□ Total Calls

Types of Calls

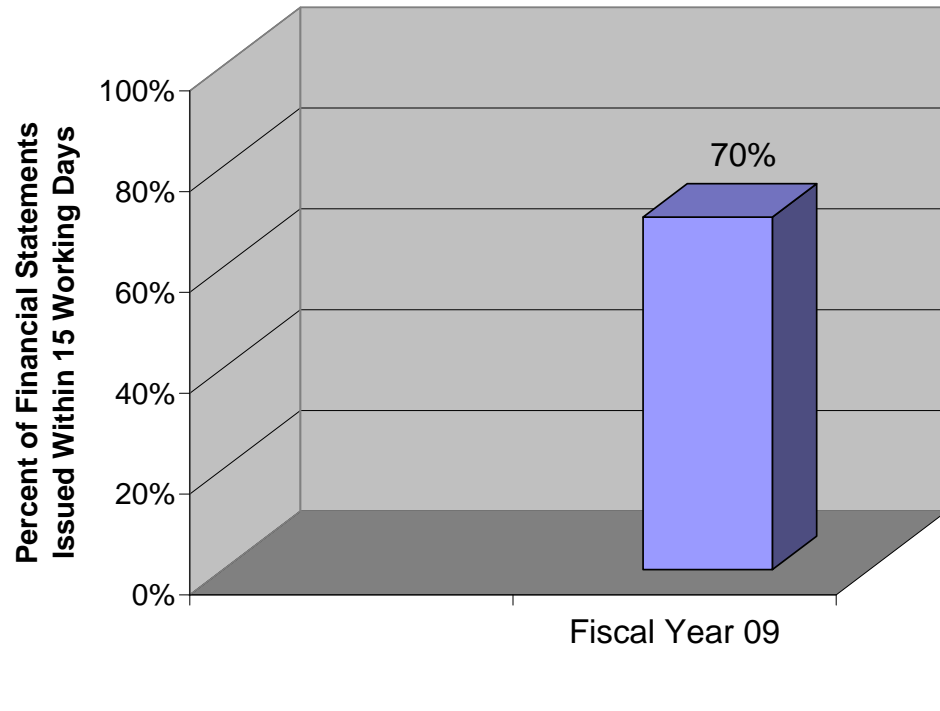


- Delivery - 29%
- Orders - 32%
- Customer Service - 12%
- Info-OLO Passwords - 27%



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FINANCIAL STATEMENT TIMELINESS



Objective: Financial Statement Timeliness - To produce monthly financial statements within 15 work days of having all necessary data.

Outcome: 7 of 10 financial statements issued in FY2009 were produced within 15 work days.

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Taxes Found Through Review

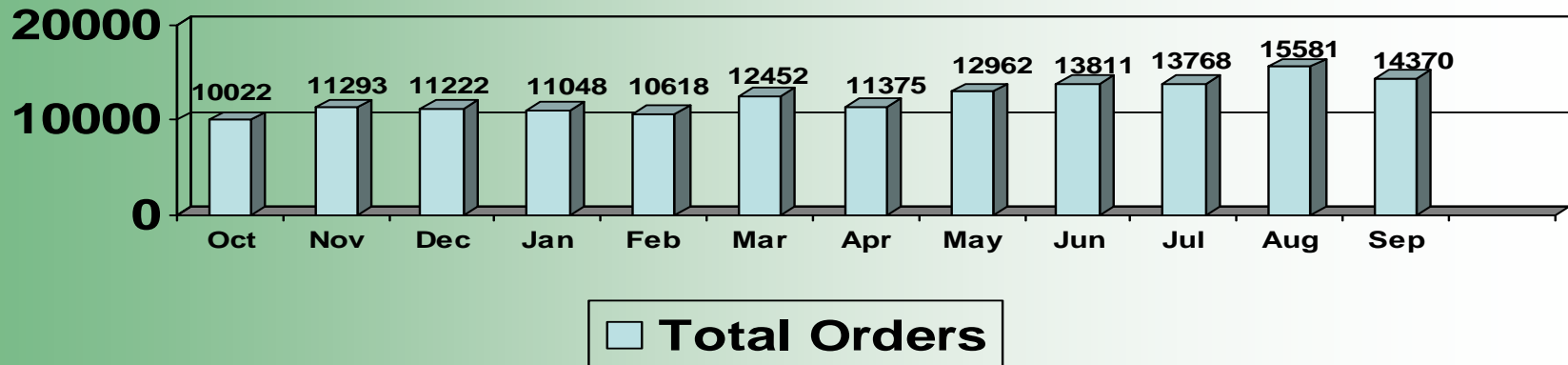


Objective: To verify all Beer, Wine and Mixed Spirit Drink Reports, and notify licensees of unpaid taxes due. To collect these taxes.

Outcome: Various beer, wine and mixed spirit drink licensees have been billed the total amounts of taxes shown above, which otherwise would not have been collected for the State of Michigan. The total amount for FY2009 is \$208,438.



Online Liquor Orders

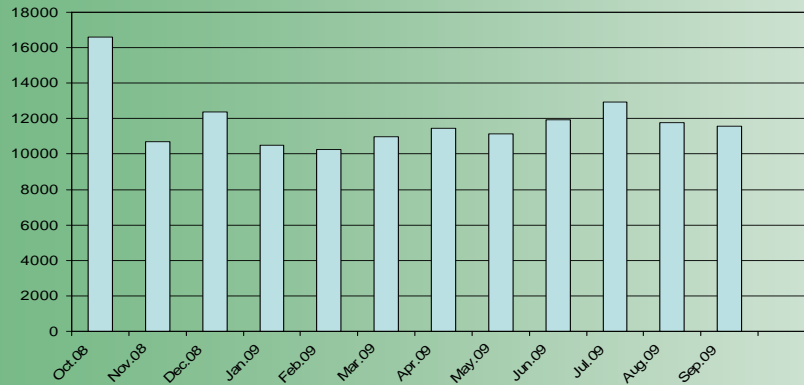




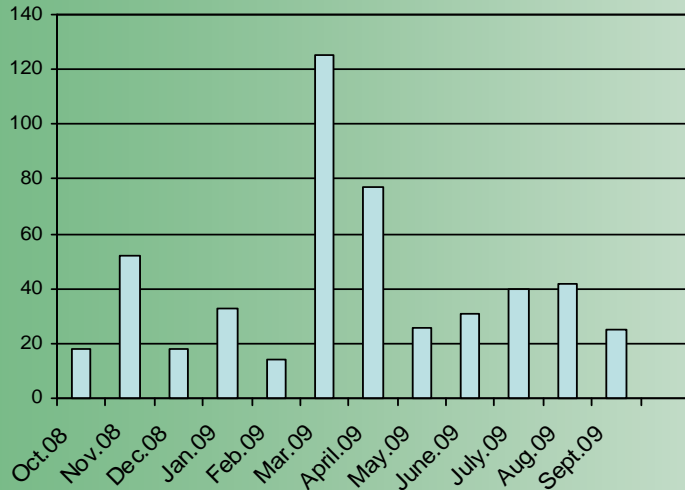
Electronic Funds Transfer

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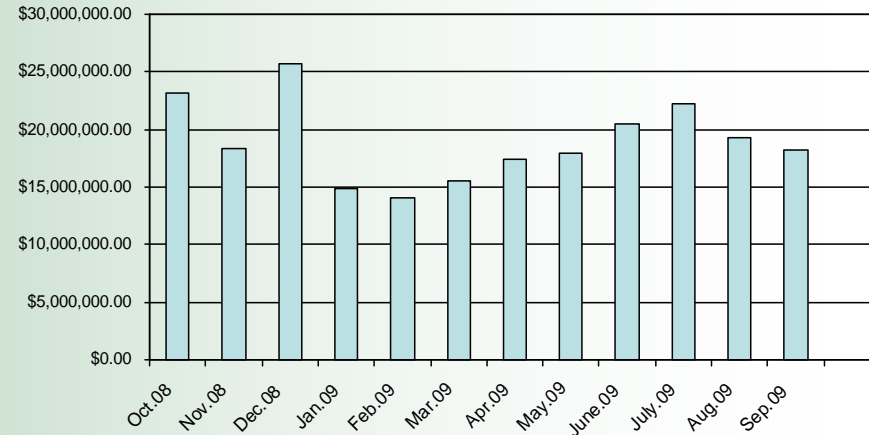
EFT Transactions by Month



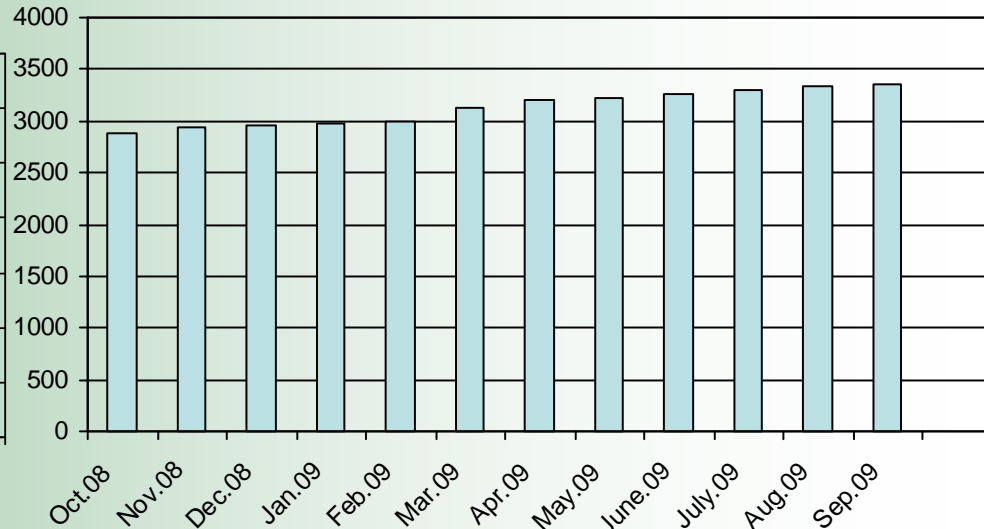
New EFT Participants By Month



EFT Dollars Transferred



Total New Cumulative EFT Participants



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