

December 26, 2025

Tomiquia Moss, Secretary
California Business, Consumer Services and Housing Agency
500 Capitol Mall, Suite 1850
Sacramento, CA 95814

Dear Secretary Tomiquia Moss,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Alcoholic Beverage Control Appeals Board submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Taryn Kinney, Executive Officer, at (916) 445-4005, Taryn.Kinney@abcappeals.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Alcoholic Beverage Control Appeals Board (the Board) is an entity within the California Business, Consumer Services and Housing Agency (BCSH). The Board's mission is to provide quasi-judicial review of decisions of the Department of Alcoholic Beverage Control (Department) issuing, denying, suspending, or revoking alcoholic beverage licenses. The Board's authority is derived from the California Constitution, and its powers are delineated in the Business and Professions Code sections 23075 through 23089.

The Board is comprised of three members appointed by the Governor. The staff consists at the present time of an Executive Officer, two attorneys, an Associate Governmental Program Analyst, and a Legal Secretary.

The Board holds monthly board hearings via video conference and in-person in Sacramento. The Board members are provided case materials (hearing transcripts, exhibits, as well as controlling legal principles) and analysis by staff attorneys prior to hearing arguments in individual cases. After the Board deliberates, staff attorneys and Board members work together to craft the Board's decisions. Judicial review of the Board's order may be obtained by filing a petition for writ of review with the California Supreme Court or the Court of Appeal.

The Board and its staff implement their work with the knowledge that the Board's decisions can impact the economic lives of the licensees whose appeals are heard, and the efficacy of the Department's regulatory function that its decisions implement. To that end, the Board and its staff's objective is to provide members of the public who appeal to the Board a fair,

transparent, and timely evaluation of Department decisions soundly based on the law and decisions explanatory in their reasoning. The Board works to ensure appellants fully understand their rights and the appeals process and strives to offer an easily accessible venue in which to seek review. The Board is focused on modernizing and streamlining Board processes to become more transparent and more accessible to laypersons and individuals with limited English proficiency.

The Board is a special-funded agency. Its operations are funded by a surcharge on alcoholic beverage license fees. The Board's administrative functions are provided via an Interagency Agreement by the Department of General Services (DGS). These functions include human resources, budgeting, and accounting services. Technology services are provided via Interagency Agreement by the Department of Consumer Affairs (DCA).

The Board is a small, independent state agency and does not have separate entities under its reporting responsibility.

Control Environment

Management establishes and demonstrates integrity and ethical values by informing employees of established core values in a professional workplace, policies and procedures, and clearly communicating consequences of any code of conduct violation. The tone at the top establishes a culture of risk intelligence, integrity, and diligence, viewing all matters through the lens of fairness and due process. Most Board employees and all Board members file a Form 700 with the Fair Political Practices Commission annually and as such, are required to receive biannual ethics training.

Management has an open-door policy for employees, encouraging whistleblower actions, transparency, and open communication to report all ethical concerns. Management demonstrates ethical values by projecting a value system and mindset of integrity and diligently reviewing all office spending to ensure the most efficient use of public funds. Creating a work environment of professionalism and respect for all is integral to the Board achieving its mission and is detailed in the Board's Discrimination, Harassment, and Retaliation Prevention policy and Ethics policy. All Board employees receive annual notifications of their rights and protections under the California Whistleblower Protection Act on how to report improper activity to the California State Auditor and/or a retaliatory action to the State Personnel Board.

Oversight is provided by the Executive Officer. The Executive Officer reports directly to the Board and elevates administrative matters to the Board as appropriate. Board management meets with BCSH's Secretary and executive team monthly. The Executive Officer also provides a Week Ahead Report on high-level updates for BCSH (and Governor's Office) consideration.

The Board ensures appropriate levels of responsibility and authority by adhering to the documented organizational chart structure, employee duty statements, State Administrative Manual (SAM), CalHR job classifications, and documenting that proper training is performed for specific duties such as procurement and utilization of FI\$Cal. The Board ensures and maintains documentation of internal control systems by posting detailed step-by-step instructions on filing an appeal on the Board's public website and through correspondence with appellants. The Board's digital case management system is used to ensure documentation of all case files and a timeline of key dates for each appeal. Internal procedures are documented for staff responsibilities including intake of new cases, preparing board materials, calendars, and decisions, procurement procedures, payment of invoices, new hire procedures, and creating supply orders and purchase orders. The Board has further documented policies and procedures including duty charts detailing which staff member is responsible for specific office tasks and the designated back-up staff person for each task. Staff training logs, annual performance appraisal/probation report calendars, appeal timelines, and documented website processes are updated regularly.

Management recruits, develops, and maintains a competent workforce by encouraging cooperative employee relationships and communication by holding regular meetings with staff, utilizing coaching, career development, and motivational strategies, seeking training opportunities and skills growth, using a digitized case management system, supporting a healthy work-life balance, employing a hybrid work environment when possible, and pursuing promotional and stretch project opportunities when appropriate.

The Executive Officer evaluates employee performance and enforces accountability with documentation and one-on-one meetings, along with annual performance appraisals and related coaching. Management's regular check-ins with staff on ongoing projects and deadlines also reinforces accountability and provides an opportunity to consider any excessive pressures. The Board's civil service employees are governed by civil service laws and regulations and collective bargaining agreements. Board members serve at the pleasure of the Governor and can be removed at any time. The Executive Officer is an at-will employee and serves at the pleasure of the Board.

Information and Communication

Management communicates relevant and reliable information internally by working closely with all employees including one-on-one meetings and staff meetings. Communication takes place efficiently throughout the day by regularly updating each other on operational, programmatic, and financial matters. The attorneys collect quality legal informational materials via research of case law, legal publications, and statutes. These citations are communicated in their legal analysis to interested parties via the Board's written decisions.

Robust internal communication of quality information amongst staff members is expected and required by management in order to facilitate Board operations, mission, and objectives. This includes issuing department-wide emails and memos and sharing updated policies and procedures with all staff and during new employee onboarding. Board member communication is handled largely by the Executive Officer, updating them via phone or email as necessary.

Management communicates quality information externally via the public website (posting Board meeting calendars, decisions, regulation updates, and informational materials) and via mail and email with appellants and the Department regarding appeals process requirements. The public may subscribe via the Board's Listserv to receive updates on meetings, regulations, and other news. The Board's monthly meetings are available to be accessed publicly via teleconference, phone, or in-person. Since the Board and the Department must work closely together on appeals processing, Board staff meet as needed with Department staff to discuss process efficiencies and legislative and regulatory updates. The Board's Legal Secretary and Department legal staff communicate via phone and email on procedural matters to set hearing dates and coordinate appeals payments.

The Board has documented systems related to internal and external communication via staff duty charts and duty statements and written procedures related to regular website updates and efficient communication with internal and external parties. The process to report inefficiencies is documented in the Whistleblower notification and Board's Discrimination, Harassment, and Retaliation Prevention policy.

The Executive Officer provides a Week Ahead Report to BCSH, as needed. The Month Ahead Report is written documentation for BCSH prepared by the Executive Officer which updates BCSH on significant or sensitive issues the Board is currently facing and flags anything that may need to be elevated to the Governor's Office. The Executive Officer elevates issues to the Board members as needed. In consultation with Board attorneys, the Executive Officer communicates with Board members in individual meetings regarding pending matters before the Board. Staff communicates regularly via phone, email, and teleconference meetings with DGS regarding HR, budget, and accounting matters and DCA regarding information technology matters. Employees may report inefficiencies or inappropriate actions to the Executive Officer via in-person meeting or written report. They also have the option to report actions to the Board, BCSH, or the California State Auditor.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes

facilitating and verifying that the Alcoholic Beverage Control Appeals Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Taryn Kinney, Executive Officer.

Monitoring activities are performed, documented, and measured against a baseline through ongoing monitoring processes and routine tracking of the statistical data captured throughout the appeals process. All key dates of an appeal (initial filing, receipt of fee, receipt of transcript, and decision date) are tracked and recorded. This data serves as a baseline of the average timeframe from notice of appeal to issuance of decision, confirms effectiveness of internal controls, and guides management's decision-making. This data log clearly demonstrates if there were a backlog at any juncture and would inform management if an internal control system is not working as intended.

Given the small size of the Appeals Board staff and the very narrow nature of the duties involved, monitoring activities are performed on a near-weekly basis. The Executive Officer is able to routinely evaluate if staff members are performing their day-to-day responsibilities, if the Board is completing its work in a timely fashion, if there are delays happening on any pending appeal, and if external communications with other state agencies and the public are conducted as necessary. Regular check-ins provide an opportunity for discussion with the Board, Executive Officer, and staff regarding any risks identified in the previous month. If significant risks are identified and discussed, the Executive Officer will summarize the discussion in writing and provide a proposed risk-reduction strategy and estimated timeframe to the Board and staff. Updates on how the risk mitigation is progressing and timeframe updates will be given to the Board at subsequent meetings and in writing.

With DGS performing the Board's HR services, budgeting, and accounting, they are not directly involved in day-to-day actions but are able to identify potential internal control vulnerabilities in those areas and bring them to the Executive Officer's attention urgently or during quarterly check-in meetings. The Executive Officer and Associate Governmental Program Analyst communicate regularly with DGS to ensure the Board's HR needs are being met and to address any delay in processing HR actions. The Board's HR practices and hiring policies were reviewed by the State Personnel Board in 2019 highlighting risks and vulnerabilities. This allowed the Board and DGS to implement updated policies and procedures to remedy these findings.

DCA staff perform the Board's IT services and are not directly involved to day-to-day actions of the Board but are able to identify potential technology-related or information security internal control problems and work closely with the Executive Officer to help monitor and mitigate. DCA remains alert about potential information security risks or hardware/software failures in order to take preventative measures and identify an appropriate course of action to protect the Board's data and technological infrastructure. Every other year, the Board receives an

independent security assessment by the California Military Department which informs the Board/DCA on potential IT vulnerabilities and recommendations going forward.

DGS also performs reviews of the Board's procurement practices and processes in order to maintain purchasing authority. This review identifies any error or oversight in procurement documentation, training, and in the Board's policy and procedure manual and provides for a corrective action plan. This review allows the Executive Officer and procurement staff to rectify any findings and ensure all procurement policies and procedures are followed going forward.

Monthly meetings between the Executive Officer and BCSH also provide an opportunity for external parties not involved with day-to-day operations to help identify potential problems and review and provide feedback on control systems in place.

As the Executive Officer of the Board, Taryn Kinney is responsible for the overall establishment and maintenance of the internal control system. She compares results of the above activities to expectations to inform her decisions and determine quickly if change and process improvements are needed. She will assign ownership of addressing any identified vulnerabilities and segregation of duties by job classification, organizational structure, and task assignment and ensure corrective action is taken by maintaining accountability with progress reports and mutually agreed upon deadlines.

The Board's documented procedures detail the tracking of appeals and which employees are responsible for updating the case management system and corresponding tracking documents. The Board's case management system documents key dates and timeframes. The Board's contracts with external parties (DGS, DCA, etc.) clearly document ownership of any identified vulnerability and responsibilities to flag and elevate any risks. Progress is monitored by regular meetings, updates, communication, and quantified results. The Executive Officer ensures prompt cooperation, efficient resolution, and documentation, and evaluates results.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Alcoholic Beverage Control Appeals Board risk assessment process: executive management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

With a total of five staff, an organization-wide risk assessment is an on-going process that includes 100 percent of employees. Potential risks can be raised at regular meetings. Management establishes and communicates clearly defined objectives to enable identification of risks and definition of risks tolerances. Management identifies, analyzes, and responds to risks by consistently brainstorming with staff and external stakeholders on any potential issue, stakeholder questionnaires, ongoing internal monitoring of information systems, evaluating performance metrics such as tracking average appeal timelines, reviewing audit results and prior risk assessments, and considering the potential for fraud. When a potential risk is identified management determines whether the risk could adversely affect due process and/or achieving the board's mission. If so, action plans, policies, procedures, contingency plans, and/or significant changes are developed to address potential deficiencies without delay.

RISKS AND CONTROLS

Risk: Staff/Board member turnover potential and key staff dependence

Given the small size of the Board's total staff, one separation/retirement or extended leave could equal 100 percent turnover of a classification and 20 percent of total staff. Due to the small number of staff, the board is at risk of not having sufficient institutional knowledge and experience in key program areas when employees leave. A vacancy could significantly reduce the capacity to process appeals. Limited positions create challenges in cross-training backups as each staff member has a specific role to play, skills, and expertise without significant task overlap with other staff members. For example, the Associate Governmental Program Analyst is the primary liaison for HR, website, procurement, and accounting matters. The Legal Secretary is skilled in executing the appeals process and Board hearings. If a key staff member separated, knowledge transfer gaps could cause a temporary delay in access to due process or a backlog in internal HR, procurement, or accounting issues.

The Board is comprised of three members appointed by the Governor. These Board members direct the Executive officer and in turn, the staff. Their expertise and direction are required in order for the Board to render their decisions. The Board has a workforce plan for its civil service employees/positions but these plans do not include appointees. Governor appointees serve at the pleasure of the Governor. An appointed incumbent can be replaced immediately without advanced notice.

Control: Cross training and update written manuals

Staff will continue to implement cross training and update written task manuals and documented policies and procedures to ensure proper knowledge transfer of essential duties and tasks without impairing the Board's functions. Ensuring appeal procedures are properly documented and regularly updated to facilitate smooth onboarding of new hires also helps reduce the risk.

Control: Expedited Board member training

Because a new Board member can be appointed at any time without notice, staff must always be prepared to onboard and train a new member. This incumbent may have limited knowledge of the Board or legal expertise. This requires the Board to have all necessary materials updated and ready to train and onboard new members effectively without delay.

Risk: Staff development

Fortunately, Board staff turnover has historically been very low. However, with such a small department and a limited budget and opportunity for promotion/advancement, it is a risk that some staff may venture to larger departments in order to promote and/or develop personal career goals beyond the Board's scope. Turnover is a concern due to the size, limited number of vacancies, and ability for upward mobility within the same department. The scope of the Board's Upward Mobility program is limited due to size, positions (zero vacancies), and budget. Due to challenges around state pay structure and creating incentives for high performers, and continued questions surrounding a hybrid workforce, there may be future hurdles attracting and retaining a skillful workforce which the Board must continually prepare for.

Control: Upward Mobility and Career Development

To strengthen staff retention, the Board makes every effort to support employee goals and provide opportunities and resources for training, growth, mentoring, and career advancement. Upward Mobility program participants have taken on escalated responsibilities and challenges, continuing to work on career development and planning. They participate in a wide variety of trainings to broaden and strengthen their knowledge and skills towards their career goals. The Board's commitment and efforts towards upward mobility and career development will provide more support to employees and increase their satisfaction working for the Board, which will hopefully bolster staff retention. The Board also conducts annual performance evaluations and works with staff to create career development plans. The Board has implemented staff cross training to both strengthen institutional knowledge and create opportunities for employees to expand their skill set and job experiences. The Board continues to research other opportunities for stretch assignments for staff even outside the department.

Risk: Leave balance liabilities

The California Department of Human Resources (CalHR) requires all state employers and employees to make every effort to adhere to a maximum cap of annual leave vacation hours in accordance with Memorandums of Understanding and California Code of Regulations. In compliance with recent MOU agreements, the rollover/cap accumulation limit was temporarily increased due to the implementation of the Personal Leave Program 2025 (PLP 2025). Currently, all Board employees are in compliance with CalHR leave caps. However, some employee leave balances, while under the limit, are quite high. Employees who have accumulated significant leave hours create an unfunded liability for the Board budget. It is difficult for some staff members to substantially reduce their leave balances due to the specialization of their work, such as supervising.

Control: Leave management plan

Employees who exceed the leave balance limit will be placed on a leave management plan and the Executive Officer regularly reviews leave summaries to ensure the plans are followed and staff leave balances are appropriately managed. Maintaining compliance with leave balance caps will reduce the liability for the Board.

Risk: Difficult-to-forecast expenses

The Board's statute and regulations require the Board pay a portion of the cost to prepare and copy appeals' administrative records. Due to lengthier and more complex administrative records, there has been a significant increase in recent years in the Board's transcript costs -- despite having an overall decrease in number of appeals received. These cost increases are unpredictable for the Board's budget planning. The Board has no choice but to pay these costs and no control over the amounts. With recent budget cuts, increasing costs could be unsustainable depending on the number of appeals and size of the transcripts.

Control: Prudent budget planning and cost controls

Without a way to predict these mandatory annual costs, the Board must be consistently vigilant in our budget monitoring and conservative with any spending. The Board is prudent about efficient contracting and tracking any spending to ensure manageable ongoing costs and minimal discretionary spending.

CONCLUSION

The Alcoholic Beverage Control Appeals Board strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Taryn Kinney, Executive Officer

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency