

Things Always Get Worse Before They Get Better



By Sara Schorske, Alex Heckathorn and Jay McPherson

OVER A year ago we reported on the split of the Bureau of Alcohol Tobacco and Firearms (ATF) into two agencies. The agency

that retained the name ATF joined the Justice Department and refocused itself exclusively on law enforcement functions. The regulation of alcohol and tobacco, which remained part of the Treasury Department, was spun off into a new agency called the Alcohol and Tobacco Tax and Trade Bureau (TTB for short).

The theory was that a smaller agency, dedicated strictly to alcohol and tobacco issues, would be more responsive to alcoholic beverage industry needs than the former ATF. But many of us in the industry had understandable apprehensions about the sudden loss of so many experienced personnel, most of the familiar office locations, and much of the bureaucratic structure we had grown accustomed to. We were all worried about the level of service we could reasonably expect in the future.

Even before the break up of ATF, the National Revenue Center (NRC) in Cincinnati

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had become the centralized location for processing applications, issuing permits, and reviewing tax returns. After the split the NRC's role loomed even larger, because ATF Area Offices were assigned to the Justice Department, leaving over half of the TTB's remaining employees sitting at desks in Cincinnati.

When NRC became the primary contact point for the agency, industry members expressed concerns that NRC specialists with their already existing heavy workloads might have difficulty replacing the services of ATF field personnel, while simultaneously reducing the backlog of existing applications. The NRC handles over one million pieces of paper a year between all the applications, tax returns, operating reports and other documents it processes. When the Cincinnati-based center was established, its staffing levels were set based on the expectation that it would be operating entirely with a paperless system by the late 1990's, when the transition from the district offices was complete. That promise of technology, while still a goal, remains years away from fulfillment.

Over the last year, we have seen many ominous signs that the industry's concerns were justified. Members of our staff, as well as other compliance consultants, reported that processing times at NRC were becoming longer, applica-

tions were being re-assigned multiple times to different specialists (each of whom had to painstakingly acquaint themselves with the application), and there were significant delays in referring the files to the field for investigation. Inadequate assessment of application documents throughout the process created additional delays. Missing information that should have been caught early on was being overlooked until much later—sometimes first requested after weeks or even months of processing, and changing hands several times. Disconcertingly, the specialists in the wine and wholesale units were re-assigned in large groups, and a number of supervisor positions at NRC remained unfilled.

Although the problems at TTB have been quite troubling, we continued to hope that an agency that had worked so hard at becoming efficient and business friendly would not abandon those goals. So we asked the chief of the NRC, Roger Bowling, to comment on the problems we'd observed and what the agency planned to do about them.

TTB's responses to our inquiries were remarkable. Bowling and several supervisors at NRC agreed to be interviewed, and their candor about the problems was refreshing. But more importantly, the clarity and unanimity of their responses showed that TTB is continuing to invest heavily in reinventing itself for

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Doing More With Less

From our discussions with TTB representatives, we now understand that some of the problems and slowdowns at TTB in the last year are the growing pains that can be expected with any new agency, and some are attributable to the new agency's immediate need to reorganize for greater efficiencies. When the agency split and most of the experienced regulators went to the Justice Department, the NRC already had a backlog of applications that needed processing. At first, TTB was hopeful it would get some additional manpower to reduce the backlog. But nine months later, with just as much backlog and no reinforcements on the horizon, the agency recognized that something new needed to be tried.

TTB, like any government agency, is subject to the prevailing and widespread political mantra that "less government is better government." TTB administrators are being asked to do more with less manpower and still serve a highly regulated and growing industry. While TTB administrators admit that they could use more help, they are resigned to the necessity of streamlining their processes in order to handle the burgeoning workload with a slender workforce.

TTB immediately started to look within for solutions and ideas. At the same time, the bureau hired an outside management firm composed of ex-treasury administrators to review its processes and make recommendations. As part of this review, the consulting firm contacted industry members and compliance consultants for their input and commenced a customer satisfaction survey. Although the consulting firm's final recommendations are not due until July, NRC has begun to implement many of the advisors' initial impressions and suggestions.

New Units and Work Flow

Based on the results of an internal

pilot program run a few years ago, NRC administrators divided the wine unit specialists into three new units—one unit that concentrates exclusively on new applications, one unit that handles amendments and changes, and one unit that does auditing. Under the old system each winery was assigned to a single specialist who did everything for that winery *and* for all the other wineries assigned to that specialist. The new applications, amendments, and reporting all went into one huge pile and were handled together on a first in, first out basis.

The wine unit was reorganized in September last year, much to the consternation of those of us trying to push last minute crush applications through. While the reorganization caused what appeared to be a rotating door of specialists on applications, and frayed our nerves with untimely delays, TTB's recent statistics indicate that both the time for processing an application and the number of backlog applications have since been reduced by the new system.

Since the reorganization of the wine unit went well, the units for the other commodities, beer and distilled spirits, were also divided into new sections, each section doing only new applications, amendments, or auditing. In an effort to handle the backlog of non-producer applications, TTB took the wholesaler and importer unit at NRC and divided it in thirds, assigned to wine, beer, or distilled spirits. TTB hopes this new division of labor will clear the logjam of pending applications by May of this year, in time for the "pre-crush" crush of new applications.

In an effort to free up the specialists to ply their trade, NRC formed a new clerical unit to intake applications, enter them in the databases, and order the background checks immediately. After an application leaves this new clerical unit, it is "triaged" so the applications are assigned to sections and specialists based on their difficulty. Simple applications, such as trade name

amendments, will be approved immediately. Files which need investigation or additional information will be handled by more senior specialists, who will have no other duties, such as auditing tax returns. The goal is to have even these more difficult applications completed in 60 days. TTB is also considering ways to simplify the bond process, since multiple tries are too frequently needed before a bond is approved.

In addition, NRC is considering setting up customer service teams to handle calls from industry and consultants. Sensitive to the potential pitfalls of such a system, however, TTB administrators were adamant that the specialists actually working an application would still be available by phone.

Field Inspections

Recently, long delays in either ordering or doing field inspections have plagued new applications. In the ATF days, virtually all applications for a new permit or a change in ownership were simply referred to the Area Office, where the supervisor made the decision whether to inspect. In the transition to the new TTB regional offices, with fewer trade investigators spread

out over large areas, the process bogged down.

To speed up the process, TTB has established a set of "triggers" that will determine whether it will even stage an application for investigation and created an automated form specialists at NRC will use to query the regional field office about the need for inspection. The regional field supervisors will still make the ultimate decision based on personnel resources.

TTB believes that its communication with the field supervisors is 100% better, now that there are only five field supervisors, each focused entirely on alcoholic beverage regulation, instead of twenty or thirty whose attention was divided among many responsibilities. To further increase the quality of the interchange, NRC recently brought all the field supervisors to NRC to discuss improving communication and processes. One of the outcomes was an agreement to speed up the process of reporting the results of inspections. Many times applicants waited weeks while the reports were prepared and mailed to NRC. TTB has now agreed that field personnel can report back their "verbal approval" to NRC by


phone, following up later with paperwork sent back to NRC via Federal Express or other delivery services. Once the report saying "issue" is back at NRC, it is their intention to act upon the approval immediately.

The Future Forecast

TTB will get the final recommendations of its business process review from the management consultants by July, and NRC administrators intend to implement those recommendations as quickly as possible. Also pending, based on the results of the business process report, is the filling of as many as eight upper-level vacancies at NRC. Once the consultants' report is finalized, TTB will fill those positions quickly based on the recommended work configurations. No one expects the transitions to go perfectly, but NRC staff is unanimously confident that their systems will soon be better and more efficient.

In the long term, even more improvements are in store. TTB continues moving ahead with developing its e-application systems that will allow the filing of applications and tax returns electronically. TTB has already implemented an e-application system for Certificate of Label Approvals for the alcohol industry and an electronic tax reporting and filing system for tobacco. Both industry and TTB report these systems have been successful in reducing everyone's workload and speeding up approvals.

Everyone has suffered somewhat in the current transition, but compared to TTB's investment of time and money into the restructuring process, the investment we industry members have to contribute is small, a few more months of patience while certain processes take longer than anyone (including TTB) prefers. We all wish change could go smoothly, but any of us who have tried to improve a complicated business system knows that there are always kinks to be worked out. TTB appears to be working diligently to improve its system under conditions that are less than ideal, in other words, *real world conditions*.

If all goes as intended and hoped, the payback for everyone's hard work and frazzled nerves will be big, and the dividends will continue to be enjoyed for years to come. TTB has shown what they can do with their on-line label approval system. Now it's up to them to prove to the industry they can do it again, this time on a much larger scale. We wish them well. 



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