

Agency Name	Liquor Commission
Audit Name	Liquor Commission 2020 Management Letter
Audit Period	FY 2020
Status Report Date	April 2021

Summary of Audit Observations/Findings					
Number	Observation Title	Status [place X in status column]			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1	Implement And Staff A Financial Accounting And Reporting Structure Appropriate For The Commission's Size And Complexity		X		
2	Seek Additional Resources To Fulfill Information Technology Needs		X		
3	Re-Establish A Formal Risk Assessment Process		X		
4	Capitalized Costs Should Be Properly Evaluated For Impairment Under GASB 42		X		
5	Liquor Stock Payables Reconciliation Control Should Be Improved				X
6	Procedures To Ensure Complete Reporting Of Capital Assets Need To Be Strengthened				X

Observation 1: Implement and Staff A Financial Accounting And Reporting Structure Appropriate For The Commission's Size And Complexity

Summary of Finding: The Commission faces the following challenges: staffing of its financial reporting section and continued reliance on a single employee, the Chief Financial Officer; completing the task of establishing comprehensive and documented policies and procedure for all critical financial accounting and reporting; and standardizing a process for compiling financial statements for audit.

Current Status: Partially Resolved

The Commission actively recruited for two Comptroller positions since July 2020, but despite numerous interviews with good candidates, was unable to find a candidate prepared to enter the state system. Recently, because of continued recruitment efforts, the Commission engaged a new Comptroller of Financial Reporting. The new Comptroller, who started with the Commission on February 26, 2021, is a CPA with extensive financial reporting experience. We will reassess our needs after the new Comptroller has an opportunity to come up to speed.

Now that the Commission has a new Comptroller in place, the focus will be on writing policies and procedures for all significant financial accounting and reporting activities and to continue to build the processes that facilitate the annual compilation of the financial statements.

Observation 2: Seek Additional Resources To Fulfill Information Technology Needs

Summary of Finding: The Commission should seek additional resources to fulfill its information technology needs including the remaining development, deployment, and maintenance of its NextGen information technology system to ensure a smooth transition from its legacy system. The Commission should ensure that the additional staff resources have the appropriate qualifications and experience to reduce the risks of further business interruptions.

Current Status: Partially Resolved

The Commission has begun working with the Commissioner of Department of Information Technology including pursuing our option for resources under a state contract with Computer Aid, Inc.

Observation 3: Re-Establish A Formal Risk Assessment Process

Summary of Finding: The Commission should re-establish a formal and documented risk assessment process for recognizing, evaluating, and responding to risks that could affect its ability to achieve its financial accounting and reporting objectives. The process should include an information technology security risk assessment component to ensure the Commission's information systems are adequately protected. Risks identified should be analyzed to determine whether current internal controls mitigate risk to a level desired by management or whether actions are required in response to risks. Commission employees with particular areas of expertise should participate in the review to ensure details of operations that may not be obvious to management are appropriately considered.

Current Status: Partially Resolved

The Commission is developing its formal Internal Audit and Compliance Unit to provide independent and objective evaluation of internal control processes and compliance-related matters. A priority of the unit will be to develop and implement a process for conducting periodic risk assessments in collaboration with management and relevant staff to identify and analyze risks that could affect the Commission's ability to achieve expected outcomes and to ensure the controls in place appropriately mitigate those risks.

Observation 4: Capitalized Costs Should Be Properly Evaluated for Impairment Under GASB 42

Summary of Finding: The Commission should coordinate with the vendor to help determine what capitalized assets continue to have service utility in accordance with guidelines provided in GASB 42. A formal evaluation should be completed to support the assessment of the capitalized assets, including support for the reduction in the carrying value of those assets determined to be impaired.

Current Status: Partially Resolved

Effective June 24, 2020, the Commission entered into a contract with a new vendor to complete development and deploy the new ERP system. Throughout system development, the vendor is reviewing and testing work done by the previous vendor. The Commission is working with the vendor to identify and determine the value of any impaired capitalized assets.

Observation 5: Liquor Stock Payables Reconciliation Control Should Be Improved

Summary of Finding: The Commission should continue to develop formal policies and procedures for the performance of complete and accurate monthly reconciliations of all applicable Mapper activity to NHFirst. Periodic and timely reconciliations should be performed by someone knowledgeable of the activity, but independent of the recording and posting processes. The reconciliations should be reviewed and approved by management to ensure timely and accurate performance.

Current Status: Fully Resolved

The Commission has developed procedures for complete and accurate monthly reconciliations of all applicable Mapper activity to NHFirst.

Observation 6: Procedures To Ensure Complete Reporting Of Capital Assets Need To Be Strengthened

Summary of Finding: The Commission should strengthen procedures to ensure that all charges, including those that are incurred in the Capital Projects Fund and Liquor Fund accounts are appropriately identified and reported as capital assets. The procedures should allow for the timely detection and correction of any errors identified.

Current Status: Fully Resolved

The Commission has reviewed and revised the monthly recording and reporting of capital assets. The Commission has implemented a quarterly reconciliation and added another level of review.