

<b>Agency Name</b>	Liquor Commission
<b>Audit Name</b>	Liquor Commission 2020 Management Letter
<b>Audit Period</b>	FY 2020
<b>Status Report Date</b>	October 2022

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:** Fully Resolved

Now that the Commission has a new Comptroller in place, the focus has been 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.

Recently created a Comptroller of Systems and Operations position, the person in the Finance Administrator position was selected for the position and the Finance Associate was selected for the Finance Administrator position leaving the Finance Associate position open for recruitment.

**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:** Fully Resolved

The Commission in conjunction with the Department of Information Technology have actively recruited for all vacant positions. Also engaged 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 nearing completion of developing its risk management program and process for evaluating performance. An internal audit position is assisting with this process and will assist with training and developing a written plan for each functional area of the Commission. Once in place, this position will conduct internal audits in addition to acting as a consultant to help improve controls and processes.

In June of 2022, the Director of Administration (Rose Wiant) and the Senior Management Analyst (Kali Coleman) left the Commission. On September 21, 2022, James Vara was confirmed by the Governor and Executive Council as the new Director of Administration. Based on the recent administrative changes, the Commission continues to review and evaluate the Internal Audit functions and the Senior Management Analyst role/position.

**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:** Fully 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 reviewed and tested work done by the previous vendor. Based on the new vendor's assessment which identified and determined the value of any impaired capitalized assets the Commission posted a write-off as part of the FY2021 financial statements.

**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.