

Board Meeting Minutes

Virginia Alcoholic Beverage Control Authority Board Meeting

July 12, 2022 – 9:00am

Call Meeting to Order

Authority Board Chair Maria J.K. Everett called the Board Meeting to order at 9:07 am.

Attendance

Board Chair Maria Everett
Board Vice-Chair Beth Hungate-Noland
Board Member Greg Holland
Board Member William Euille
Board Member Mark Rubin *
Chief Executive Officer, Travis Hill
Chief Government Affairs Officer, John Daniel
Chief Information Officer, Paul Williams
Chief of Law Enforcement, Tom Kirby
Chief Transformation Officer, Elizabeth Chu
Chief Digital and Brand Officer, Vida Williams
Deputy Secretary, Chris Curtis
Director of Internal Audit, Nannette Williams
Director of Human Resources, John Singleton
Senior Legal Counsel, Latonya Hucks-Watkins
Director of DEI, Cortley West
Director of Retail, Jennifer Burke
Attorney General's Office Representative, Jim Flaherty
Executive Assistant, Kathleen LaMotte

* Mr. Rubin participated telephonically pursuant to § 2.2-3708.3(B)

Approval of Minutes

Vice-Chair Hungate-Noland moved to approve the minutes from the June 14 and 29, 2022 Board meetings as amended. Board Member Euille seconded the motion and with all in agreement, the minutes were approved through a roll-call vote of 5 – 0.

Approval of Listings Subcommittee Recommendations

Vice-Chair Hungate-Noland moved to ratify the actions of the listings subcommittee in approving the listings on June 29. Board Member Rubin seconded the motion, and the motion passed on a roll-call vote of 4 – 0, with Mr. Euille abstaining.

Director Reports

Retail

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Jennifer Burke, Director of Retail, Tom Aruanno and Julia Fuellner presented the proposed Retail Pay for Performance program to the Board, attached to these minutes as Appendix A.

Board Member Euille asked if other retailers use a similar program. Retail staff responded that this proposal is a mix of experience with other employers and new ideas to build this program. Mr. Euille asked if retail employees get annual pay adjustments, Mr. Hill responded that all state employees should receive a 5% raise next year, but this is not a certainty and may be adjusted due to economic conditions. This program is building on an overall Authority goal of incorporating pay for performance into compensation.

Mr. Rubin asked if this program is the only way for retail employees to receive a raise. Ms. Burke responded that all employees will get the across the board raise, and an hourly increase is expected due to the minimum raise increase and to address wage compression for certain employees. Mr. Hill advised that there are bonuses and training incentives retail employees may earn as well.

Internal Audit

Nannette Williams, Director of Internal Audit, shared a presentation, attached to these minutes as Appendix B.

Ms. Williams reported that:

- Internal Audit will update the Board on a Quarterly basis rather than once a year
- Execution on the FY22 plan did not hit all the marks, but Internal Audit will continue to improve and execute on the plan for FY23
- The highest risk systems will be audited in FY23

Board Member Holland moved to approve the proposed Audit Plan for FY23. Vice Chair Hungate-Noland seconded the motion and with all in agreement, the motion was approved through a roll-call vote of 5 – 0.

Approval of recommendations of the Real Estate Committee (REC)

- Board Member Euille moved to accept the REC's recommendations for two relocations, Store 166 (Leesburg) and Store 355 (Chesapeake), one expansion, Store 381 (Williamsburg), and five renewals, Store 035 (Aquia), Store 104 (Chesterfield), Store 160 (Bedford), Store 196 (Keysville), and Store 274 (Madison). Board Member Holland seconded the motion, and the Board adopted the recommendations of the REC on a roll-call vote 5– 0.

Approval of New Policy: Supplemental Leave

John Singleton, Director of HR, reported that:

- This policy supports the Authority's strategic goal of investing in our employees. It is designed to provide up to four weeks of supplemental leave a year and will aid in attracting and retaining talent and help to identify ABC as an employer of choice. The leave will be available after 90

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days of employment and remain available to new employees until they are eligible for the Virginia Sickness and Disability Program (VSDP) once they have been employed by the state full-time for one year.

Board Member Euille moved to approve the policy as presented. Board member Holland seconded the motion and with all in agreement, the motion was approved on a roll-call vote of 5 – 0

Financial Report

Doug Robinson, Director of Finance, reported that:

For the month of May vs budget:

- Store sales were .5% below budget at \$117M.
- The Cost of Goods Sold (COGS) variance is unfavorable, due to inventory adjustments resulting from the close out of the Hermitage Road facility and other inventory true ups at the new Distribution Center. As a result, COGS as a percent of sales is 48.9%.
- Variable costs were \$5.7M above budget largely due to depreciation true-up adjustments (\$3.8M) on the new buildings, offsetting the favorable variance in fixed costs and reusable bag costs (\$1.1M) charged in May not timed with the even spread of the budgeted cost.
- The total Contribution margin was \$4.9M unfavorable at \$22.3M.
- Fixed administrative costs were below budget by \$4.9M due a depreciation true-up on the new building for (\$3.5M) offsetting the unfavorable variance in variable costs and lower personal services cost (\$500k). Regulatory costs were \$0.7M below budget largely from lower personal services costs (\$700k) due to unfilled budgeted positions.
- Overall, the Authority ended the month \$0.7M favorable at a net profit of \$18.0M, or 4.0% above budget.

For the May fiscal year to date period vs budget

- Store sales were up by 2.2% at \$1.262 Billion
- Net revenue was 2.5% above budget at \$1.075 Billion
- While the COGS variance is negative, that is due to higher sales. COGS is consistent as a % of store revenues.
- Variable expenses were higher by \$13.6M due to lower depreciation costs (\$3.1M) offset in fixed costs due to YTD reclassifications and adjustments, increased manual labor services (\$3.0M) related to repalletizing in the warehouse and temporary labor needs as part-time employees max out on allowed hours, unfavorable building rentals (\$4.4M) due to unbudgeted short-term operating lease costs, higher personnel services expenses (\$1.6M), higher telecom costs (\$1.0M) and higher credit card fees (\$900k) in line with higher sales
- The contribution margin was positive by \$1.9M or 0.7% above budget for a total of \$282.9M.
- Fixed administrative costs were \$21.6M favorable largely from lower personal services costs due to vacancies (\$5.9M), lower depreciation costs (\$3.2m) offset in variable costs due to YTD adjustments, favorable telecom costs (\$1.9M), favorable network server software and equipment costs (\$1.9M), favorable skilled services costs (\$1.7M) due to hard to fill IT contract positions, unfulfilled computer software costs (\$1.6M), a net favorable year-to-date leave

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liability adjustment of (\$1.2M), lower training/travel costs due to Covid (\$1.3M) and lower management services (\$0.9M).

- Regulatory costs were \$5.8M favorable principally in personal services due to vacancies.
- After adjusting for the positive variances in fixed costs, we come up with a net profit of \$207.4M which is \$29.3M above budget, 16.4% ahead of budget.
- So far in June looks like tracking as expected with no surprises or inability to meet our targets

Chief Reports

John Daniel, GAO reported that:

- Hearings and appeals has been slow getting cases through new VAL system but is starting to pick up.
- There was a recent negotiation listed in the Board's Materials regarding approval of Miller Coors' product Simply Spiked Signature Lemonade. Virginia ABC is working with companies that are introducing alcoholic versions of traditionally non-alcoholic products to ensure that it is clear to consumers that these products contain alcohol.
- Mr. Daniel suggested there is likely a need to develop regulatory language to keep pace with the market and asked the Board to reach out to him with any thoughts as this may become an issue during the next legislative session. The Virginia ABC will continue work on a communication plan to consumers.
- Chief Kirby advised that the Bureau of Law Enforcement will issue a circular letter to licensees regarding these products.

Elizabeth Chu, Chief Transformation Officer, reported that:

- The warehouse optimization project is going well and is focused on training and processes to get holiday ready.
- The Key Progress Indicators (KPI) report has some additional slides designed to go to the Governor and Chief of Staff. Two KPI are red, Retail in Stock and Employee turnover rate. In stock has been improved as much as possible by factors within ABC's control
- The project management portfolio is currently full and cannot accept any more projects.
- The HR System improvement will be discussed more in-depth at a future Board Meeting.
- Future reporting to the Board will be slimmed down.

Tom Kirby, Chief of Law Enforcement, reported that:

- The Under-age Buyer (UAB) program has resumed alcohol and tobacco compliance checks. The Authority works with the Department of Behavioral Health to perform tobacco checks. The compliance of alcohol 87.6%, 84.2% on tobacco products. The BLE has only completed about a quarter of the checks.
- About 77 ABC stores have been checked so far with six underage sales completed

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- A Retail employee observed a person in the back parking lot that appeared to be selling liquor out of their car. The BLE Conducted some surveillance alongside state police and seized about 80 bottles of spirits.

Travis Hill, CEO, reported that:

- The Press releases and FOIA request reports provided to the board contains nothing of note.
- FOIA responsibilities moved from strategy and analytics to the GAO office.
- Mr. Hill provided an update on behalf of Mark Dunham, who was not in attendance. Licensee sales have returned to pre-pandemic levels and are growing, while store retail sales are decreasing from a pandemic high.
- A new casino has opened in Bristol, Virginia. The Hard Rock Casino is licensed to sell alcohol 24 hours a day. Their initial order was one of the largest licensee orders ever fulfilled. Retail, Logistics and Enforcement working together to decide how to best serve these licensees.
- Reviewed OOS situations, many due to supplier issues.
- Governor Youngkin's Administration issued a new regulatory review process headed by Andrew Wheeler. Gov. Youngkin's order referenced a reduction in regulations by 25% and speeding time of regulatory decisions. ABC is determining what, if any, applicability the program will have to ABC as an independent authority.
- The Administration also stood up an effort to track Board and Commission meetings across the Commonwealth. ABC will provide bullets of the Board's Agenda and actions through the Secretary of Public Safety.
- Mr. Hill, Mr. Daniel and Ms. Chu are working on the strategic plan process for the Department of Planning and Budget.
- Mr. Hill will speak to the Washington Region Alcohol Program on July 21 to discuss alcohol education and prevention efforts at the ABC
- Mr. Hill, Mr. Daniel and Mr. Kirby will speak to the Virginia Craft Brewers Guild in August on regulatory updates.
- Chris Curtis will bring forward some proposed amendments to the delegation of Authority

Moved Into Closed Session

- At 12:45 p.m., Board Chair Everett moved that the Board enter closed session to discuss upcoming litigation and IT Security pursuant to 2.2-37.11(A)(17) and 2.2-37.11(A)(19). Board member Holland seconded, and the motion passed 5 – 0 on a roll-call vote. Attending the closed session in full were Maria Everett, Beth Hungate-Noland, Greg Holland, Mark Rubin, William Euille, John Daniel, Jim Flaherty, Travis Hill and Chris Curtis.
- When the Board returned from Closed session, Board Vice Chair Hungate-Noland moved to certify that to the best of her knowledge nothing was discussed in the closed sessions but litigation and IT Security matters pursuant to 2.2-37.11(A)(17)(19), and only public business matters

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lawfully exempted from open meeting requirements was discussed. Board Member Euille seconded; the motion passed on a roll-call vote of 5 - 0.

Comments from the Board

Next Board Meeting September 8.

The Chair would like to have Board Materials furnished further in advance of scheduled meetings. An internal group of ABC members will meet to address the Board's concerns.

Public Comments

None

Meeting adjourned at 1:15 p.m.

Retail Bonus Update

7/11/2022



www.abc.virginia.gov

Overview and Objectives

- Drive result higher via incentivizing above average performance
- Reduce turnover by offering a bonus to high performing employees
- Attract talent to Virginia ABC
- Show our part-time employees the value proposition in pursuing and building a career at Virginia ABC.
- Fully self funded!!! Zero cost to Virginia ABC unless we exceed sales, service and profit expectation.

Overview Table

Zero Cost for the program unless ABC exceeds expectations

Incremental Sales vs Incremental Profit and Headroom Need/funded for Bonus Payouts using FY23's Contribution Margin 22.2%

Sales in Billion	Percent Change from Targeted Total Sales	Estimated Comp over 2022 (FYI only)	Incremental Sales	Incremental Profit	Estimated Total Bonus Payout	Estimated Profit Payout (includes Benefit cost of 21.6%)	Estimated Sales Payout (includes Benefit cost of 21.6%) ***	Additional Profit after Bonus Payouts (sales and Profit)	
\$1.407	-1.0%	2.2%	-\$14,210,640	-\$3,154,762	\$0	\$0	\$0		
\$1.414	0.5%	2.7%	\$7,105,320	\$1,577,381	\$0	\$0	\$0		
\$1.421	0.0%	3.2%	\$0	\$0	\$0	\$0	\$0	\$0	Target
\$1.428	0.5%	3.7%	\$7,105,320	\$1,577,381	\$688,210	\$326,942	\$361,268	\$889,172	
\$1.435	1.0%	4.2%	\$14,210,640	\$3,154,762	\$1,291,868	\$653,884	\$637,984	\$1,862,894	
\$1.442	1.5%	4.7%	\$21,315,960	\$4,732,143	\$1,927,432	\$980,826	\$946,606	\$2,804,711	
\$1.449	2.0%	5.2%	\$28,421,280	\$6,309,524	\$2,598,594	\$1,307,768	\$1,290,826	\$3,710,930	
\$1.457	2.5%	5.7%	\$35,526,600	\$7,886,905	\$3,231,032	\$1,634,710	\$1,596,322	\$4,655,873	
\$1.464	3.0%	6.2%	\$42,631,920	\$9,464,286	\$3,895,482	\$1,961,652	\$1,933,830	\$5,568,804	
\$1.471	3.5%	6.7%	\$49,737,240	\$11,041,667	\$4,338,454	\$2,288,594	\$2,049,860	\$6,703,214	
\$1.478	4.0%	7.2%	\$56,842,560	\$12,619,048	\$4,788,387	\$2,615,536	\$2,172,851	\$7,830,661	Max
\$1.485	4.5%	7.7%	\$63,947,880	\$14,196,429	\$4,709,374	\$2,615,536	\$2,093,838	\$9,487,055	
\$1.492	5.0%	8.2%	\$71,053,200	\$15,773,810	\$4,835,005	\$2,615,536	\$2,219,469	\$10,938,806	
\$1.499	5.5%	8.7%	\$78,158,520	\$17,351,191	\$4,968,173	\$2,615,536	\$2,352,637	\$12,383,019	
\$1.506	6.0%	9.2%	\$85,263,840	\$18,928,572	\$5,094,215	\$2,615,536	\$2,478,680	\$13,834,357	
\$1.513	6.5%	9.7%	\$92,369,160	\$20,505,954	\$5,094,215	\$2,615,536	\$2,478,680	\$15,411,738	
\$1.521	7.0%	10.2%	\$99,474,480	\$22,083,335	\$5,094,215	\$2,615,536	\$2,478,680	\$16,989,119	

*** 10% Extra is added to Sales payouts for unexpected overages. Sales bonus payouts are based on an estimated % of business units that are over or under target to achieve the corresponding result. The 10% will protect us from going over budget. ***

Total payout amounts are based on full employment, FT Vacancies will decrease payout amount



Business Unit defined

Each position will be measured based on the business unit assignment listed below

Retail Total

- Director Of Retail
- Asst. Directors of retail
- Retail support Staff
- Area Managers

District

- District Managers

Store

- Store Managers
- Asst. Store Managers
- Senior Sales Associates

Overview of conditions, Sales

- Sales
 - No employee will receive a sales bonus if the organization does not achieve a 3.7% (estimate, each qtr.) comp in the quarter being paid
 - Each business unit will have its on sales targets for each level of comp sales achieved (min, target and Max), average of all store specific targets will be Virginia ABC target.
 - If ABC achieves 3.7% comp in a quarter each business unit will receive a bonus payout % of max based on each business units specific target.

Estimate Target based on Average target

	Sales Comp%	% of Max payout
Max	7.2%	100%
Target	5.2%	75%
Min	3.7%	25%
Below	3.69%	0%

Bonus by Position

MAX Payout sales	Full Year Sales Max Bonus	Quarter Max Bonus	# of Emps	Total W Benefits
Director of Retail	\$5,850	\$1,463	1	\$7,117
Asst Director of Retail	\$5,250	\$1,313	2	\$12,773
Retail support staff	\$2,000	\$500	7	\$17,031
Area Manager	\$4,000	\$1,000	2	\$9,732
District manager	\$4,000	\$1,000	25	\$121,650
Store Manager	\$2,800	\$700	404	\$1,376,105
Asst Store manager	\$2,000	\$500	384	\$934,272

Sales Bonus Estimates

Zero Cost for the program unless ABC exceeds expectations

Sales Payout Table								
Comp %	Sales in Billions	Payout % amount	Scaled Payout % amount	estimated % stores achieving	Payout %	Full Year Bonus Payout	Quarterly Bonus Payout	Additional ABC Profit after Bonus Payouts (sales and Profit)
3.2%	\$1.421	0%	0%	50%	0.00%	\$0	\$0	\$0
3.7%	\$1.428	25%	25%	53%	13.25%	\$328,425	\$82,106	\$889,172
4.2%	\$1.435	25%	42%	56%	23.40%	\$579,985	\$144,996	\$1,862,894
4.7%	\$1.442	25%	58%	60%	34.72%	\$860,551	\$215,138	\$2,804,711
5.2%	\$1.449	75%	75%	63%	47.34%	\$1,173,478	\$293,370	\$3,710,930
5.7%	\$1.455	75%	88%	67%	58.55%	\$1,451,202	\$362,800	\$4,655,873
6.2%	\$1.462	75%	100%	71%	70.93%	\$1,758,027	\$439,507	\$5,568,804
6.7%	\$1.469	75%	100%	75%	75.18%	\$1,863,509	\$465,877	\$6,703,214
7.2%	\$1.476	100%	100%	80%	79.69%	\$1,975,319	\$493,830	\$7,830,661
7.7%	\$1.483	100%	100%	84%	84.47%	\$2,093,838	\$523,460	\$9,487,055
8.2%	\$1.490	100%	100%	90%	89.54%	\$2,219,469	\$554,867	\$10,938,806
8.7%	\$1.497	100%	100%	95%	94.91%	\$2,352,637	\$588,159	\$12,383,019
9.2%	\$1.504	100%	100%	100%	100.00%	\$2,478,680	\$619,670	\$13,834,357
9.7%	\$1.511	100%	100%	100%	100.00%	\$2,478,680	\$619,670	\$15,411,738
10.2%	\$1.517	100%	100%	100%	100.00%	\$2,478,680	\$619,670	\$16,989,119

Estimates are scaled based on the number of stores in each group: No Bonus, min, Target and **Max**
Example-if ABC achieves a comp of 4%, stores will fall into all 4 groups: no bonus, min, Target or Max



Business Unit Conditions, Sales

- Sales (50% of total payout)
 - Sales are based on each specific Business Units result.
 - Expected results will have a 2-step review process and shared with each employee prior.
 - Paid quarterly
 - Three condition must be meet to receive a Sales Bonus
 - Condition one- all of Retail must achieve a 3.7% sales comp in a quarter for any employee to be paid a sales bonus for the quarter.
 - Condition two- If an individual business unit does not achieve the minimum sales comp goal for the Business unit the Business unit employees will be disqualified from the sales bonus for that quarter.
 - Condition three (A specific employee will be disqualified if)-
 - The employee's Business unit does not achieve at least a 90% service score and greater than predetermined number surveys for each store in the quarter
 - » Survey count target is 0.25% of average traffic, 1:400 ratio (7 Minimum and 40 maximum per month per store)
 - Fraud prevention is built into the survey results (only one survey per customer, per store, per month will count towards the results)
 - Employee must be in good standard (not on a group notice or a performance improvement plan at the time of payout)
 - Employee leaves ABC prior to the payout date

Overview of conditions, Profit

Zero Cost for the program unless ABC exceeds expectations

- Profit
 - No employee will receive a Profit bonus if the organization does not achieve a 4.2% comp for the entire Year. (1.442 Billion in sales)
 - Profit bonus is a team share payout. Meaning that all included employees will be paid a bonus based on the overall result of retail for the entire year
 - Payout is a sliding scale based on the overall result.

Profit Payout Table					
Sales Above Target of 1.412 Billion	Sales Comp over 2022	Sales in Billions	% of Max payout for each emp	Estimated Payout	Additional ABC Profit after Bonus Payouts (sales and Profit)
1.0%	4.2%	\$1.442	25.0%	\$653,884	\$1,862,894
1.5%	4.7%	\$1.464	37.5%	\$980,826	\$2,804,711
2.0%	5.2%	\$1.493	50.0%	\$1,307,768	\$3,710,930
2.5%	5.7%	\$1.531	62.5%	\$1,634,710	\$4,655,873
3.0%	6.2%	\$1.577	75.0%	\$1,961,652	\$5,568,804
3.5%	6.7%	\$1.632	87.5%	\$2,288,594	\$6,703,214
4.0%	7.2%	\$1.697	100.0%	\$2,615,536	\$7,830,661
4.5%	7.7%	\$1.773	100.0%	\$2,615,536	\$9,487,055
5.0%	8.2%	\$1.862	100.0%	\$2,615,536	\$10,938,806
5.5%	8.7%	\$1.964	100.0%	\$2,615,536	\$12,383,019
6.0%	9.2%	\$2.082	100.0%	\$2,615,536	\$13,834,357
6.5%	9.7%	\$2.218	100.0%	\$2,615,536	\$15,411,738
7.0%	10.2%	\$2.373	100.0%	\$2,615,536	\$16,989,119



Overview of conditions, Profit

▶ Profit (50% of total payout)

- ▶ Bonus amount is based on overall Retail profit (Team-share)
- ▶ Paid annually
- ▶ Two condition must be met for any Profit Bonuses to be paid

▶ Condition 1 (A specific employee will be disqualified if)-

- ▶ The employee's Business unit does not achieve at least a 90% service score and greater than predetermined number surveys for each store in the quarter
 - ▶ Survey count target is 0.25% of average traffic, 1:400 ratio (7 Minimum and 40 maximum per month per store)
- ▶ Fraud prevention is built into the survey results (only one survey per customer, per store, per month will count towards the results)
- ▶ Employee must be in good standard (not on a group notice or a performance improvement plan at the time of payout)
- ▶ Employee leaves ABC prior to the payout date

▶ Condition 2- all employees will be disqualified if ABC Retail does not hit the sales goal of \$1.421-billion in sales, PLUS 1% = **1.442 Billion**

Max bonus amount for sales/Profit by Position, Paid at the end of fiscal year

MAX Payout sales	Full Year Sales Max Bonus	# of Emps	Total W Benefits
Director of Retail	\$5,850	1	\$7,117
Asst Director of Retail	\$5,250	2	\$12,773
Retail support staff	\$2,000	7	\$17,031
Area Manager	\$4,000	2	\$9,732
District manager	\$4,000	25	\$121,650
Store Manager	\$2,800	404	\$1,376,105
Asst Store manager	\$2,000	384	\$934,272
Senior Sales Associate	\$750	150	\$136,856




Change in position

- New employee
 - A new employee will receive a prorated payout based on the number of days employed in the calendar year or quarter for sales and profit bonus.
 - Example- New employee starts on January 15
 - Sales for 3rd quarter would be 83% of the total payout (75 days of the 90 days in the quarter)
 - Profit payout would be 31.7% of the total available payout (116 days of the 365 days in the year)
- Employee transfer position or assigned location
 - Employee that move from one position to another will receive a prorate payout for the time spent in each position and the store assigned.
 - Example- Employee goes from ASM to SM on January 15th
 - Sales payout for quarter would be 17% at the ASM rate and 83% at the SM rate
 - Profit payout for the full year would be 45% as a SM and 55% at the ASM rate, for the store they worked in for each position
 - The same would apply if an employee changes store in the year. It would be prorated for the result of each store and the time spent in each store.

Audit and review controls

- Prior to rolling out targets to Stores Retail will share and ask that S&A review expected results
- At the end of each quarter Retail will ask IT to verify results obtained via internal systems
 - Are the sales finalized?
 - Is the data correct?
- After IT has reviewed the result and verified, retail will ask S&A and Internal Audit to review results prior to payout
- Payouts will be scheduled 6 weeks after the close of the cycle



Internal Audit FY 22 Plan Results

FY22 Highlights

- **PCI DSS** - Successful completion of our annual PCI DSS assessment
- **Investigations** - Investigation of 6 Complaints during the Fiscal Year; prompted by internal or external complaints or suspected fraud, 4 are complete and 2 are still under investigation.
- **New Software** - Implementation of new software – AuditBoard Cross Comply – used by IT Audit and Information Security
- **Revised Retail Store Audit Program** - Completion of a re-write of the retail store audit program to reflect the changes in the store operating procedures made by retail management or prompted by the changes in the new POS and Sales Audit systems.
- **IT Audits** - We completed 3 information technology security audits during the workplan year.
- **New Staff** - We recruited, onboarded, and trained a new staff auditor, Liliana Ramirez.

FY22 Results – Recurring and Continuous Audits

Recurring Annual and Continuous Audits			
Audit Area	Division	Date Completed	Notes
Distillery Stores	N/A	These are recurring	35 or 55 distillery stores audited.
Small Purchase Charge Card (SPCC)	All/Procurement	Currently underway, should be complete by July 30th	We audit all 99 cardholders each year.
State Fraud Waste and Abuse Hotline Complaints	Various	N/A	None investigated, 2 sent over for consideration.
Internal Fraud Complaints and Investigations	Various	Various	4 complete, 2 still currently underway.
Distillery Store Manual	N/A	Currently underway - should be completed in early July	Annual update for legislative and Finance procedural changes.
Payment Card Industry Data Services Standard (PCI DSS) Assessment	Various – primarily Retail and IT	Completed January 31st	ABC successfully passed our PCI DSS assessment allowing us to continue to take credit cards as payment and to avoid fines for non-compliance.



FY22 Results – Risk Based Workplan Audits

Summary of Planned Audit Results

Operational Audits

- 6 planned audits
 - 1 started, not complete
 - 1 blocked due to unit not being stabilized ahead of audit (Warehouse processes)
 - 4 moved

IT System Audits

- 8 planned audits
 - 2 complete
 - 2 moved (MIPS and Sales Audit)
 - 2 blocked due to unit not being stabilized ahead of audit (DC and POS)
 - 1 postponed
 - 1 deemed unnecessary



FY23 Proposed Risk Based Audit Workplan

FY23 Proposed Operational Audits

Audit Area	Division	Expected Objective	Start Date
Accounting – Controls, Policies and Procedures, Fixed Assets	Finance	Conduct a review of Accounting internal controls, processes, and procedures.	Recommence October 2022
License Records Management	Enforcement	Review processes, procedures, and reconciliations, as well as cash management/cashiering	December 2022
Education Grants	Education and Planning	Review grant controls and procedures. There was a previous large fraud in this area.	February 2023
Authority Policy and Procedure Review	All	Review Authority policies and procedures for adequacy and to ensure we have the right policies, and that policies are practical and enforceable.	August 2022
Leases	Real Estate & Property Management	Review of the accuracy of lease information in PRISM	March 2023
Distribution Center	Logistics	Process review of new distribution center processes	June 2023

FY23 Proposed IT Security Audits

System Name	Division	Start Date	Notes
MIPS	IT, Retail, Logistics	August 2022	Security controls audit
POS	Retail	November 2022	Somewhat covered during PCI but there are additional controls specific to ABC to audit
Sales Audit	Finance	February 2023	Somewhat covered during PCI but there are additional controls specific to ABC to audit
Distribution Center (WMS)	Logistics	June 2023	Audit systems concurrently with Distribution Center process audit and after warehouse processes have stabilized