

**STATE OF NEW HAMPSHIRE
LIQUOR COMMISSION**

**MANAGEMENT LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**



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To The Fiscal Committee Of The General Court:

We have audited the financial statements of the New Hampshire Liquor Commission as of and for the fiscal year ended June 30, 2025 and have issued our report thereon dated December 22, 2025.

This management letter, a byproduct of the audit of the New Hampshire Liquor Commission for the fiscal year ended June 30, 2025, contains our Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*, and related audit findings. The current status of prior audit findings, beginning on page 17, provides a summary of the status of observations presented in the fiscal year 2024 and fiscal year 2023 New Hampshire Liquor Commission management letters.

The New Hampshire Liquor Commission's fiscal year 2025 Annual Comprehensive Financial Report can be accessed online at: <https://gc.nh.gov/lba/auditreports/financialreports.aspx>

Office of Legislative Budget Assistant

Office of Legislative Budget Assistant

December 22, 2025

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**STATE OF NEW HAMPSHIRE
LIQUOR COMMISSION
2025 MANAGEMENT LETTER**

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ABBREVIATIONS USED

Commission	New Hampshire Liquor Commission
GASB	Governmental Accounting Standards Board
IT	Information Technology
MAPPER	Former front and back office, point-of-sale information system
NextGen	Enterprise Resource Planning system, including point-of-sale, E-commerce, warehouse, and back office financial systems
NH FIRST	New Hampshire State Government Accounting and Financial Reporting System
POS	Point-of-sale system
SOC	System and Organization Controls



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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Hampshire Liquor Commission which comprise the Statement of Net Position as of June 30, 2025 and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire Liquor Commission's basic financial statements, and have issued our report thereon dated December 22, 2025.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New Hampshire Liquor Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Hampshire Liquor Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Hampshire Liquor Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in Observation No. 1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Observations No. 2 through No. 5 to be significant deficiencies.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether the New Hampshire Liquor Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Observations No. 6 and No. 7.

New Hampshire Liquor Commission's Response To Findings

Government Auditing Standards requires the auditor to perform limited procedures on the New Hampshire Liquor Commission's response to the findings identified in our audit and described in the accompanying observations. The New Hampshire Liquor Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Hampshire Liquor Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Liquor Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office of Legislative Budget Assistant

December 22, 2025

**STATE OF NEW HAMPSHIRE
LIQUOR COMMISSION**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
1	5	No	Develop formal policies and procedures for periodically reconciling all critical balances and activity recorded in more than one processing system. Reconcile: 1) NextGen general ledger accounts to NH FIRST general ledger accounts; 2) credit card sales per the point-of-sale system to NextGen, and then to the credit card processor's reports; and 3) gift and promotional card activity per the point-of-sale system to NextGen, and then to the gift and promotional card service provider's processing system. Reconciliations should be performed timely and reviewed and approved by management.	Concur
2	7	No	Secure knowledgeable IT staff, with specialized skills, to determine how information is processed through the NextGen and point-of-sale systems. This effort should include report developers that can efficiently extract system data into useful and reliable data sets and quality management reports.	Concur In Part
3	8	No	Develop formal policies and procedures and appropriate controls for gift and promotional card programs. Establish real-time automatic alerts for unusual patterns. Communicate policies and procedures to employees responsible for issuing and redeeming the cards.	Concur
4	10	No	Establish formal policies and procedures that promote a competitive and transparent process for procuring rental space for retail liquor stores. Document and maintain lease and rental agreements. Establish a rental payment formula as part of the retail store plan as required by RSA 177:3, II.	Concur In Part

Recommendation Summary

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
5	12	No	When making procurements under statewide contracts, become familiar with all contract terms and provisions to ensure compliance with all requirements.	Concur
6	14	No	Comply with RSA 176:18 for contracts the Commission enters into. Ensure contracts that meet the statutory requirement are reviewed by the attorney general and approved by the governor and council. Promote full and open competition among vendors for contracts meeting the competitive bidding requirements in statute.	Do Not Concur
7	16	No	Continue to work with the Department of Administrative Services to establish the Division of Finance and Audit, and fill the Director of Finance and Audit position as required by statute.	Concur

INTERNAL CONTROL COMMENTS
MATERIAL WEAKNESS

Observation No. 1

Establish Routine Reconciliations For Significant Accounts And Activities

The Liquor Commission (Commission) did not establish formal policies and procedures or perform critical reconciliations for certain significant accounts and activities during fiscal year 2025.

A formal agreement dated January 16, 2024 between the Commission and the Department of Administrative Services recognized NH FIRST as the State's system of record, and stated the Commission would establish a formal process to reconcile NH FIRST and the NextGen general ledger balances by account on a monthly basis. The reconciliations would identify differences between the two systems, and corrective actions required to resolve differences would be taken.

The Commission did not perform reconciliations for the following key accounts and activities during fiscal year 2025:

- Monthly reconciliations between NextGen general ledger accounts and NH FIRST general ledger accounts as required by the formal agreement. The Commission performed one reconciliation for the full fiscal year in late September 2025.
- Credit card sales activity recorded in the Commission's point-of-sale system, to NextGen credit card sales, and to the credit card sales reported by the credit card processor's reports. According to the Commission, credit and debit card sales totaled \$478.3 million during the year. The Commission began to perform credit and debit card reconciliations by store by day in July 2025, subsequent to fiscal year end.
- Gift card and promotional card balances and activity (issuances and redemptions) processed in the Commission's point-of-sale system to NextGen, and to the third-party service provider system. The Commission issued \$45.5 million and redeemed \$43.7 million in gift and promotional cards during the year. The reported balances of gift cards and promotional cards not redeemed, as of June 30, 2025, were \$3.5 million and \$3.8 million, respectively.

Reconciliations are a critical control procedure to help ensure the accuracy and completeness of financial data between independent sources. Reconciliations may identify errors, detect fraud, and can help to provide confidence in the reliability of financial information. Without performing timely periodic reconciliations of all key accounts and activities, there was an increased risk that errors or fraud could occur and not be detected timely by management.

Recommendation:

We recommend the Commission:

- **develop formal policies and procedures for periodically reconciling all critical balances and activity recorded in more than one processing system;**
- **perform periodic reconciliations between 1) NextGen general ledger accounts and NH FIRST general ledger accounts; 2) credit and debit card sales per the point-of-sale system to NextGen, and then to the credit card processor's reports; and 3) gift and promotional card balances and activity per the point-of-sale system to NextGen, and then to the gift and promotional card service provider's processing system;**
- **ensure reconciliations are performed timely and accurately by an employee independent of the recording process;**
- **ensure differences are properly investigated and resolved; and**
- **ensure all key reconciliations are reviewed and approved by management, and approval is formally documented.**

Auditee Response:

We concur. The Commission agrees that timely reconciliations are a critical internal control procedure. These procedures are critical to ensuring the reliability of financial information and to identifying discrepancies promptly.

During fiscal year 2025, ongoing audit activity and daily operational demands significantly limited staff capacity to complete certain reconciliations with the desired frequency. Despite these constraints, staff maintained financial accuracy, conducting a full-year reconciliation between NH FIRST and NextGen, completed in September 2025. Daily store-level credit card reconciliations were undertaken in July 2025, starting with April 2024, the beginning of go-live and are now completed daily.

To strengthen our processes going forward, the Commission is:

- *Developing formal reconciliation policies and procedures.*
- *In the process of implementing structured monthly reconciliations between NH FIRST and NextGen.*
- *Expanding reconciliation work for credit card and gift/promotional card activity across all systems.*
- *Ensuring reconciliations are performed by staff independent of recording functions and formally reviewed by management.*
- *Assessing resource needs to ensure ongoing audits do not hinder completion of core controls.*

The Commission is committed to improving reconciliation practices and fully addressing the Auditor's recommendations.

The Commission remains committed to improving reconciliation practices and strengthening internal controls. We appreciate the Auditor's recommendations and will continue working toward full and timely compliance.

SIGNIFICANT DEFICIENCIES

Observation No. 2

Improve NextGen System Financial Analysis And Reporting Capabilities

The NextGen system, as configured during the audit period, did not provide management with the necessary tools to effectively extract and analyze data, self-service reporting functionality, or the capability to automate and streamline reconciliations.

During fiscal year 2025, the Commission was unable to obtain or provide the following complete data sets, for use by auditors, and for management purposes, if needed:

- NextGen Inventory Cost Data: The on-hand inventory data provided to auditors was incomplete and inaccurate as it did not include system adjustments. During the month-end inventory close process, the NextGen system evaluated product costs and, if incorrect, would systematically adjust costs; however the data provided omitted these adjustments.
- NextGen Data Fields for Depletions: The Commission reported it was unable to provide certain data fields for depletions due to the lack of reporting capabilities. The unavailable data fields included: broker name and identification number, period of allowance, product ID, product name, quantity, and allowance amounts.
- NextGen Data Fields for Gift and Promotional Cards: The Commission reported it was unable to provide certain data fields for gift and promotional cards due to the lack of reporting capabilities. The unavailable data fields included: date, time, authorization number, transaction ID, action, amount, user ID, store name, transaction reference, card number, card type, and form of payment used to obtain gift and promotional cards.
- NextGen Sales Data: The Commission provided auditors with fiscal year 2025 sales data, but reported it was unable to include certain useful information such as time of sale, sales order created time, cashier ID, or payment type used (i.e. cash, Mastercard, or Visa).

An effective financial data analysis and reporting system provides centralized access to live data, built in analytics, self-service reporting capabilities, and scalable architecture to manage data and is essential for accurate financial reporting. Data access availability is critical for data analysis, effective decision-making, and performing efficient internal and external audits.

The Commission did not sufficiently plan its data and reporting needs prior to going live with the NextGen system and does not have the appropriate resources to understand the complexity of its systems, including how their systems process inputs and outputs in the form of data files and management reports. System planning and implementation processes should have included consideration of data and reporting needs to ensure the Commission could effectively and efficiently manage its operations.

Recommendation:

We recommend the Commission secure knowledgeable IT staff, with specialized skills, to determine how information is processed through the NextGen and point-of-sale systems. This effort should include report developers that can efficiently extract system data into useful and reliable data sets and quality management reports that are necessary to support the proper functioning of the Commission’s system of internal control.

Auditee Response:

We concur in part. The Commission did plan its data and reporting needs prior to the NextGen system’s go-live. However, the Commission’s prior 34-year-old legacy system (Mapper) was a data warehouse in which information was maintained in summary form. In contrast, the new ERP system (D365) is a transaction-based platform with numerous tables and data points. This fundamental shift in system architecture requires customized reports and new extraction methods to access data at the level of detail now available. Given the resources available at the time, a decision was required to move forward to avoid additional delays and ensure the transition occurred within the planned implementation window. The Liquor Commission also engaged an experienced consulting firm to support the implementation effort.

While we acknowledge that there were limitations in the system’s reporting and data extraction capabilities at go-live, these constraints do not reflect a lack of planning or understanding of system requirements. Rather, they were the result of transitioning from a summary-based legacy platform to a substantially more complex transactional system. The decision to proceed was made after carefully weighing the risks against the operational need to advance the project rather than continuing to extend the timeline.

The Commission has access to complete and accurate data within the NextGen system. The primary area requiring further development is the creation of enhanced reports to support deeper analysis and audit requirements. Work is currently underway to identify system solutions that will improve reporting functionality and address the issues noted.

The Commission remains committed to strengthening its data analysis and reporting environment. We will continue working with our vendor and consultants to enhance system functionality and ensure reporting capabilities meet operational, analytical, and audit needs.

Observation No. 3

Controls Over Gift And Promotional Cards Should Be Strengthened

The Commission did not have formal policies and procedures, and had not developed appropriate controls, over the activation, redemption, and accountability of gift and promotional cards until June 3, 2025.

The Commission sold gift cards at its retail stores, and issued promotional cards for qualifying purchases during designated promotional periods. The Commission offered two promotions during

the audit period; one during the period of July 29, 2024 through September 2, 2024 where consumers who purchased \$150 or more up to a maximum of \$1,500 in product would receive \$25 in promotional cards for every \$150 increment spent, and another during the period of October 28, 2024 through December 31, 2024 where consumers who purchased qualifying gift cards would receive a \$10 promotional card for every \$50 increment spent on gift cards. A summary of the Commission’s gift and promotional card balances and activity for fiscal year 2025 is presented below:

	Gift Cards	Promotional Cards	Total
Beginning Balance	\$ 2,725,739	\$ 2,690,494	\$ 5,416,233
Activations	27,194,443	18,309,500	45,503,943
(Redemptions)	(26,445,154)	(17,222,079)	(43,667,233)
Ending Balance	<u>\$ 3,475,028</u>	<u>\$ 3,777,915</u>	<u>\$ 7,252,943</u>

While the Commission had a significant amount of gift and promotional card activity during the year, there were no formal policies and procedures in place until June 3, 2025 to establish expectations and promote consistency in recording, and the cards were not programmed to address critical controls necessary to safeguard against the risks of errors or fraud from occurring.

The Commission did not have the appropriate number of promotional cards on hand during one promotion resulting in the Commission activating approximately \$5 million in gift cards in place of promotional cards. Most promotional cards had expiration dates, and gift cards did not. Promotional cards were also reported in separate classifications on the financial statement and had a different accounting treatment than gift cards. For example, upon redemption, gift cards were recognized as a sale while promotional cards were recognized as a sales discount. The Commission posted an entry at year-end to correctly reflect the gift and promotional card activity in the financial statements.

Proper internal controls would have included procedures to ensure that promotional cards were issued in accordance with the promotion guidelines and objectives authorized by management (i.e. card issued at correct amount per the established promotion, only used during eligible period described in promotion, correct type of card is issued, etc.).

Recommendation:

We recommend the Commission develop formal policies and procedures and appropriate controls for its gift and promotional card programs, including the following:

- **ensuring the criteria is met prior to the issuance and activation of a promotional card;**
- **ensuring gift and promotional cards are issued using the appropriate type of card (i.e. gift or promotional card) at the correct amount and quantity, and that proper tender was paid;**
- **setting a dollar threshold over which management approval is required to activate and redeem the cards;**

- establishing real-time automatic alerts for unusual patterns, such as employees issuing multiple promotional cards to the same recipient (e.g., same credit card used for multiple transactions, multiple cash transactions involving activation of gift or promotional cards, or spikes in gift or promotional card issuances or redemptions at certain stores or by certain retail cashiers); and
- communicating policies and procedures to employees responsible for issuing and redeeming the cards.

Auditee Response:

We concur. The Commission has since formalized and documented comprehensive Gift Card and Promotional Card procedures, issued June 3, 2025, which establish controls over issuance, redemption, inventory management, system programming, returns, and financial tracking. These procedures provide clarification of roles, identify POS-based controls, prohibit interchangeability of card types, specify expiration rules, and outline required testing and accounting treatment. The Commission acknowledges that these procedures were not fully implemented during the period audited; however, we have taken corrective action to address the areas identified.

We agree the formalized procedures will promote improved employee consistency, auditability, and operational control. However, the Commission does not have any data to support the absence of formal documentation resulted in inaccurate reporting, increased risk, or material control deficiencies during the audit period.

The promotional program introduced in October 2024 was a pilot initiative designed to evaluate the effectiveness of gift card-based promotions compared to prior product-based promotions. This change contributed to the increased volume of both gift and promotional card activity observed during fiscal year 2025.

With respect to the temporary use of gift cards in place of promotional cards, this occurred due to an isolated inventory shortfall during a promotion. Appropriate accounting treatment was applied, and corrective measures were implemented to prevent a recurrence of this issue.

The Commission has developed reports for internal auditors to perform ongoing reviews and analysis during the entire promotional period.

The Commission remains committed to enhancing documentation, improving system functionality, and refining processes to align with best retail practices and support continuing operational integrity.

Observation No. 4

Policies And Procedures For Procurement Of Rental Space Should Be Established

The Commission neither established formal policies and procedures for the procurement of rental space nor developed a statutory formula to determine the appropriate rental payments for leased stores.

Leasing commercial retail space is a complex business decision that involves financial commitments, market studies, and has long-lasting implications. Leases involve budgetary considerations and are entered into after establishing the appropriate cost and location. Lease agreements come with legal obligations, insurance policy requirements, and may include hidden costs. Formal policies and procedures can be a critical control to ensure lease agreements are fair, equitable, and prudent. The decision to enter into a lease agreement should be based on a deliberate step by step process to ensure transparency, accountability, and prevent the appearance of favoritism or undue influence.

RSA 177:3, II, states the store plan for retail liquor stores should include, “a formula for determining appropriate rental payments for leased stores.” Pursuant to RSA 176:18, the Commission is exempt from competitive bidding requirements, attorney general review, and governor and council approval as it applies to leases of retail stores.

During fiscal year 2025, the Commission leased retail space for 57 stores and one building used for maintenance operations, and incurred \$11.8 million in lease expenses during the year. These leases included 21 retail stores where the arrangement was a tenant at will, and 36 retail stores where the Commission entered into long-term lease agreements. The leases were entered into over many years without formal policies and procedures, and lacked the benefit of a competitive, fair, and transparent process. The Commission had no standard lease template or guidelines to ensure the lease process was handled fairly, routinely, and in the most transparent and unbiased manner possible. Leasing decisions were made by upper management with institutional knowledge of the process.

During our review of the Commission’s lease agreements, we noted the following:

- The process of procuring rental space was not transparent and did not adequately address the risk of an appearance of favoritism, unethical practices, or undisclosed business deals. Of the 58 leased properties, 27 (46.6 percent) were leased from three lessors totaling \$7.2 million, accounting for more than 60 percent of the total lease payments made during fiscal year 2025.
- The process did not appear to promote a competitive environment for property owners and developers to provide the Commission with the best possible pricing.
- Lease agreements were not standardized.
- Supporting documentation for tenant at will arrangements was not maintained. These arrangements provided flexibility but lacked security, as the lessors could terminate the arrangements with minimal notice (often 30 days).
- The lease for the maintenance building was not, but should have been, competitively bid, reviewed by the attorney general, and approved by the governor and council, as the RSA 176:18 exemption only applied to retail store leases.

Recommendation:

We recommend the Commission establish formal policies and procedures that promote a competitive and transparent process for procuring rental space for retail liquor stores. The Commission should advertise its need for space including, but not limited to, the location,

type, and size of space needed to provide all interested parties with the opportunity to compete and to prevent the risk of an appearance of favoritism or undue influence.

All lease and rental agreements should be documented and properly maintained.

Additionally, the Commission should establish a rental payment formula as part of its retail store plan as required by RSA 177:3, II.

Auditee Response:

We concur in part. The Commission works with business partners who have suitable locations, sufficient resources, and available retail space positioned in areas that provide the greatest operational advantage and sales opportunities. Site selection is based on retail synergy and practical business considerations such as traffic patterns, accessibility, and market performance, not by who owns the property. There are no inappropriate or undisclosed actions involved in these decisions, and the Commission operates within its statutory authority, including the exemption from competitive bidding requirements for retail store leases under RSA 176:18.

While the Commission has not formalized written policies and procedures for lease procurement, longstanding practices have focused on securing viable retail locations that support sales performance and operational needs as well as consumer convenience. The Commission recognizes that certain leases fall under tenant-at-will arrangements, which have historically provided needed flexibility for strategic relocations, consolidations and market trends and shifts.

The concentration of leased properties among a limited number of landlords reflects the realities of commercial real estate markets in which only certain developers or property owners maintain locations meeting the Commission's specific operational needs and requirements.

The Commission acknowledges the observation regarding the maintenance building lease and will review its processes to ensure statutory distinctions are consistently applied going forward.

The Commission agrees that documentation practices and standardization of lease materials should be strengthened and are currently in process of being drafted to include compliance with RSA 177. Efforts are underway to improve recordkeeping and develop clearer internal guidance to support transparency and consistency.

Observation No. 5

State Contracting Procurement Requirements Should Be Adhered To

The Commission procured audio video and intelligent conference equipment for installation in its administrative office conference rooms located at Commission headquarters in Concord, New Hampshire prior to obtaining all the necessary quotes from authorized resellers, contrary to the statewide contract terms and provisions. As a result, the price paid may have been higher than necessary.

The State of New Hampshire Department of Administrative Services, Division of Procurement and Support Services, procured a statewide contract for the purchase of networking communications services and maintenance of equipment and other related items. The contract, which established requirements for payment, ordering, invoicing, reporting, and services, stated, "...Quotes shall be obtained directly from all resellers prior to entering a requisition into NH FIRST." There were five resellers listed in the contract to obtain quotes from.

One expenditure item we selected for testing was for the purchase of audio video and intelligent conferencing equipment totaling \$117,419 procured under the statewide contract described above. The Commission was subject to the contract compliance provisions including the requirement to obtain quotes from five authorized resellers. However, a quote from only one authorized reseller was received, contrary to the statewide contract terms and provisions. Management did not appear to be aware of the requirement to obtain quotes from all authorized resellers prior to entering the requisition into NH FIRST.

A lower price for the equipment may have been available had the Commission received quotes from all authorized sellers as required by the statewide contract.

Recommendation:

When making procurements under statewide contracts, we recommend the Commission become familiar with all contract terms and provisions to ensure compliance with all requirements.

Auditee Response:

We concur. The Commission was not legally required to use the statewide DAS contract. We did so voluntarily to enhance efficiency and value. We recognize and accept the finding regarding quotes and are taking tangible steps to ensure full compliance with contract obligations in future procurements.

The use of statewide contracts is optional, not mandated. We chose to utilize the statewide contract for networking and audio/video conferencing equipment for efficiency, consistency with state purchasing standards, and leveraging pre-negotiated pricing. This procurement method was a strategic choice, not a statutory requirement.

The DAS contract stipulates that "Quotes shall be obtained directly from all resellers prior to entering a requisition into NH FIRST." While we did secure a quote from one authorized reseller, we did not obtain quotes from all five, as required under the contract.

Competitive bidding remains the cornerstone of compliance under our statutory exemption. To ensure full adherence to the procurement process, the Commission is in the process of clarifying procurement procedures.

COMPLIANCE COMMENTS

Observation No. 6

Non-Exempt Purchases Should Be Made In Accordance With Statute

The Commission procured landscaping services prior to the contract being reviewed by the attorney general, and approved by the governor and council, incorrectly assuming a statutory exemption applied to a portion of the contract. In addition, the contract was required to be competitively bid, the solicitation to bid resulted in only one offer, and no further efforts were taken to seek a fair and competitive price.

RSA 176:18 states, “Contracts in excess of \$10,000 made or entered into by the liquor commission...shall be competitively bid, reviewed by the attorney general, and approved by the governor and council before becoming effective...If the commission uses competitive bidding, this section shall not apply to design, construction, renovation, relocation, and property management of **retail stores....**” [emphasis added]

The Commission contracted with a vendor to provide landscaping services at a liquor and wine retail outlet and Commission headquarters, a non-retail facility. The initial contract dated April 23, 2021, in the amount of \$43,500, was subject to competitive bidding requirements under RSA 176:18. The request for proposal was advertised in a State of New Hampshire newspaper for three consecutive days in March 2021. The Commission amended the contract three times between October 10, 2023 and June 13, 2024, increasing the original contract amount by \$135,000. Although competitive bidding was required, the Commission received only one proposal for landscaping services and did not expand its search by soliciting additional landscaping service providers or other media outlets to seek a fair and competitive price.

Recommendation:

We recommend the Commission comply with RSA 176:18 for contracts it enters into, including:

- **ensuring contracts meeting the requirement in statute are reviewed by the attorney general, and approved by the governor and council; and**
- **promoting full and open competition among vendors for contracts meeting the competitive bidding requirements in statute, including adequately advertising the need for services using venues that will reach many vendors offering the services needed.**

Auditee Response:

We do not concur. RSA 176:18 requires competitive bidding, Attorney General review, and Governor and Council approval for contracts in excess of \$10,000. However, the statute contains clear exemptions—specifically excluding “supplies” as defined under RSA 21-I:18 and RSA 21-I:11 from these requirements. Landscaping services fall within these statutory exemptions.

*RSA 21-I:18, I(b) exempts the Liquor Commission “from the provisions of this chapter, provided that the liquor commission uses competitive bidding when acquiring **supplies as defined in RSA 21-I:11, II(a)**, and other materials, goods, and services that are necessary for, incidental to, or related to the operation of liquor commission retail and wholesale operations.” Landscaping services associated with the Commission’s retail and wholesale locations are properly classified within this exemption.*

*21-I:11, II(a) defines “Supplies” broadly to include support and **maintenance services** which encompasses landscaping services. Therefore landscaping services qualify as “supplies” under the statute and maintaining the property that is co-located with the warehouse is incidental to, and directly **related to the Commission’s retail and wholesale operations**, and therefore fall within the statutory exemption.*

The Commission maintains that headquarters operations—including administration, logistics, finance, compliance, IT, merchandising, retail operations support, warehousing, and distribution—are integral components of the Commission’s mission and the functioning of its retail and wholesale system. The headquarters facility is physically co-located with the Commission’s central warehouse, which is a core operational unit directly supporting the distribution of product to retail locations and wholesale customers statewide. The administrative and operational units housed at headquarters perform essential activities without which the retail and wholesale operations could not function.

For these reasons, procurement of landscaping services for the headquarters grounds is not separate from the Commission’s operational mission; it is directly tied to maintaining the facilities that house and support daily retail and wholesale operations. As such, these services fall within the statutory exemption in RSA 21-I:18, I(b), just as landscaping services for any other operational facility would.

The contract for landscaping services for Store #69 in Nashua and the Commission’s headquarters—encompassing both administrative offices and the distribution warehouse—was competitively bid through public posting on the Commission’s website and newspaper publication, in full compliance with the competitive bidding requirement applicable to supplies under RSA 21-I:18, I(b). Because the statutory exemption applies, Attorney General review and Governor and Council approval were not required.

The Commission respectfully disagrees with the LBA’s conclusion that landscaping services at headquarters fall outside the exemption. The statute does not limit the exemption to retail storefronts; instead, it expressly covers services “necessary for, incidental to, or related to the operation” of retail and wholesale functions. Under the definition of incidental to meaning generally referring to something that is related to the primary activity or operation but is not a part of, the Commission headquarters is central to those operations, both administratively and operationally, and the exemption therefore applies.

LBA Rejoinder: The LBA disagrees that landscaping services for the Liquor Commission’s headquarters are exempt from RSA 176:18 and RSA 21-I:18, I(b), since landscaping at the headquarters building is not incidental to, or related to the Commission’s retail and wholesale operations. Retail and wholesale operations at the Commission would not be

affected, incidentally or otherwise, by services intended to enhance the aesthetics of the grounds at the headquarters building. Chapter 157, Laws of 2013, effective June 28, 2013, amended RSA 21-I:18, I(b) by removing the Commission's complete exemption from state purchasing requirements to an exemption restricted to the Commission's retail and wholesale operations. The Commission may want to seek an opinion from the Attorney General as to what expenses are exempt and nonexempt from RSA 176:18 and RSA 21-I:18, I(b) given the 2013 change in law.

Observation No. 7

Division Of Finance And Audit Should Be Established As Required

The Commission did not establish a Division of Finance and Audit, or appoint a Division Director as required by statute.

RSA 176:8 was amended during the 2025 legislative session pursuant to Chapter 67:1, effective August 1, 2025, creating a fourth division, a Division of Finance and Audit, within the New Hampshire Liquor Commission and establishing an unclassified position of Director of Finance and Audit.

As of the December 22, 2025 date of this report, the Division and the position of Director of Finance and Audit had not been created. The finance and audit functions at the Commission continued to be a part of the Division of Administration.

According to Commission personnel, the Commission is working with the Department of Administrative Services to create the new Division of Finance and Audit.

Recommendation:

We recommend the Commission continue to work with the Department of Administrative Services to establish the Division of Finance and Audit, and fill the Director of Finance and Audit position as required by statute.

Auditee Response:

We concur. The Division of Finance and Audit, along with the associated accounting units, have now been created. The timing of this implementation was influenced by the need for the Department of Administrative Services to determine the appropriate method to establish a new division outside of the normal budget cycle within both the State's budget system and NH FIRST. This coordination required additional time to complete properly.

The structural establishment of the Division is now completed, and the Commission is proceeding with the next steps to support full implementation in alignment with statutory requirements.

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status, as of December 22, 2025, of the observations contained in the New Hampshire Liquor Commission’s Management Letters for the fiscal years ended June 30, 2024 and 2023. Those reports can be accessed at, and printed from, the Office of Legislative Budget Assistant website: <https://gc.nh.gov/lba/auditreports/financialauditreports.aspx>

2024 Audit Comments Internal Control Comments

		<u>Status</u>
<i><u>Material Weaknesses</u></i>		
2024-1	<p>System Of Internal Controls Over NextGen Must Be Strengthened <i>Expand understanding of the NextGen system. Create a data dictionary for NextGen. Develop and document policies and procedures, and institute controls over transaction processes. (See current Observation No. 2)</i></p>	● ○
2024-2	<p>Risk Assessment Process Should Be Performed <i>Establish and document a formal risk assessment process for identifying, analyzing, and responding to risks, especially risks related to the implementation of the NextGen system. Regularly review financial and operational activities for indicators of risk exposure and establish and monitor controls to address those risks</i></p>	● ●
<i><u>Significant Deficiencies</u></i>		
2024-3	<p>Monthly Reconciliation Between NextGen And NH FIRST Accounts Should Be Performed <i>Implement an effective reconciliation of NextGen accounts to NH FIRST. The reconciliation should be completed timely by an employee independent of the recording process, be comprehensive and include investigation and resolution of significant discrepancies, and be reviewed and approved by management. Communicate difficulties in performing reconciliations to the Department of Administrative Services and seek their guidance. (See current Observation No. 1)</i></p>	○ ○
2024-4	<p>Daily Cash Receipt Control Process Should Be Strengthened <i>Strengthen the daily cash receipt control process by establishing policies and procedures, and maintaining documentation to provide evidence of the daily reconciliation of cash receipts and recorded revenues to the bank deposits. Investigate discrepancies and make corrections timely.</i></p>	● ●

		<u>Status</u>
2024-5	<p>Support For Accounts Receivable and Accounts Payable Balances Should Be Maintained And Balances Should Be Periodically Reconciled</p> <p><i>Maintain detailed subsidiary ledgers to support accounts receivable and payable balances. Periodically reconcile the ledgers to the NH FIRST general ledger account balances to ensure accurate financial reporting.</i></p>	● ○
2024-6	<p>Policies And Procedures Should Be Established For Determining Need For System And Organization Control Reports</p> <p><i>Develop policies and procedures for determining whether a system and organization controls (SOC) report is needed from service providers. Include a provision requiring a SOC report in future service contracts, and amend existing contracts, if needed.</i></p>	● ○
2024-7	<p>Internal Audit Function And Charter Should Be Developed</p> <p><i>Develop an internal audit function, supported by a charter, that is designed to help improve financial accounting, reporting, and compliance activities. The internal auditor should not be responsible for performing operational activities. The internal audit function should include a systematic, disciplined approach towards assessing, identifying, and reporting on issues and it should make recommendations to address noted problem areas.</i></p>	● ○
2024-8	<p>Accounting And Reporting Of Leases Should Be Improved</p> <p><i>Establish an effective review process to properly account for and report leases in accordance with GASB Statement No. 87. Common area maintenance costs and other non-component costs should be expensed and excluded from the lease liability and lease asset calculation.</i></p>	● ○
2024-9	<p>Policies And Procedures Should Be Established For Gift Card Breakage</p> <p><i>Develop policies and procedures for estimating breakage for gift cards sold that were never redeemed. Report and distribute to the State Treasury's Abandoned Property Division gift card balances exceeding \$250 that are more than five years old, in accordance with RSA 471-C.</i></p>	● ○
<u>Information Technology</u>		
2024-10	<p>NextGen System Foundational Documents Should Be Developed</p> <p><i>Develop a comprehensive Information Technology (IT) risk assessment. Develop a disaster recovery plan to address backup and recovery procedures in case of an IT interruption and ensure the business continuity plan is periodically reviewed and kept current. Review security controls and develop a security management plan for the NextGen system. Develop an incident response plan for the NextGen system.</i></p>	● ○

Status

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| 2024-11 | NexGen Configuration Baselines Should Be Developed
<i>Develop baseline configurations for the NextGen system and ensure each new baseline is reviewed and approved by management before being placed into production. Address the risk of delaying implementation of a workflow process in the NextGen system. Establish workflow as soon as possible to ensure a proper segregation of duties in transaction processing functions.</i> | ● ○ |
| 2024-12 | Excess NextGen System Administrator Accounts Should Be Deleted
<i>Eliminate excess user accounts with system administrator privileges and regularly audit a list of users classified as system administrators. Ensure system administrator accounts are used only for duties that require escalated privileges.</i> | ● ○ |
| 2024-13 | Revoke Developer Access To NextGen Production Environment
<i>Establish a proper segregation of duties between the development and production environments in the NextGen system. Revoke developer access to the production environment. Responsibility for promoting new or revised programming should be performed by someone who has no access to the development environment.</i> | ● ○ |

2023 Audit Comments
Internal Control Comments

Significant Deficiencies

- | | | |
|--------|---|-----|
| 2023-1 | System Data Should Be Secured From Unauthorized Changes And Data Input
<i>Consider and respond to existing risks posed by the lack of sufficient controls over data integrity in the MAPPER legacy information system. Ensure the NextGen system has the appropriate controls in place to ensure data validation, completeness, and accuracy. Ensure appropriate controls are developed for programming changes made to the NextGen system. Timely notify and bill off-premise licensees that received the incorrect discounts.</i> | ● ○ |
|--------|---|-----|

		<u>Status</u>	
2023-2	<p>Controls Over Receipt And Inspection Of Goods Should Be Improved</p> <p><i>Strengthen controls over the receipt and payment of goods by establishing policies and procedures for the key roles of purchasing, receiving, inspecting, and authorizing payments in the expenditure process; ensuring all items received are physically inspected upon receipt and properly accounted for; reviewing payment terms and conditions on all significant contracts; and ensuring all equipment items of \$250 or more are properly identified with an identification tag and recorded on the Commission’s equipment listing. Additionally, the Commission should perform a thorough physical inventory of equipment annually; and identify, investigate, and resolve differences between the physical count of equipment and the Commission’s records in a timely manner.</i></p>	●	●
2023-3	<p>Establish Formal Policies And Procedures Over Supplier Price Changes And Discounts</p> <p><i>Establish formal policies and procedures for the request, input, review, and approval of product price changes, and depletion allowances that require a Commission match; review and bring to the Commissioners’ attention any product price changes and depletion allowance offers requiring a match that were not formally reviewed and approved; and design formal procedures for the authorization and approval of product price changes and depletion allowance matches that could be incorporated into the NextGen system upon implementation.</i></p>	●	●
2023-4	<p>Disaster Recovery Plan Should Be Developed And Risk Assessment Finalized</p> <p><i>Develop a disaster recovery plan, which should be periodically tested, reviewed, and updated, as needed. Continue to establish a formal risk assessment process, supported by written policies and procedures for identifying, monitoring, and responding to risks.</i></p>	●	○
2023-5	<p>Backups Should Be Tested Periodically</p> <p><i>Coordinate with the Department of Information Technology to adhere to the Statewide Information Security Manual and test backup processes at least annually and document the results.</i></p>	●	●

Status Key

Resolved

Remediation In Process (action beyond meeting and discussion)

Unresolved

Status

● ●

● ○

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Count

5

12

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