

**LBA Financial Audit Report Summary:
Liquor Commission Management Letter For The Fiscal Year Ended June 30, 2006**

The New Hampshire Liquor Commission was established in 1933 pursuant to Chapter 99, N.H. Laws of 1933. New Hampshire State liquor laws are codified in RSAs 175 through 180 and cover the establishment of the Commission, liquor store operations, liquor licenses and fees, beverage distributor contracts, and enforcement.

The Liquor Commission regulates the manufacture, possession, sale, consumption, importation, use, storage, transportation, and delivery of wine, spirits, and malt or brewed beverages in New Hampshire.

During fiscal year 2006, the Liquor Commission's operating revenues were \$415.5 million and operating expenses were \$330.7 million providing operating income of \$84.8 million. Total nonoperating revenues for fiscal year 2006 were \$18 million to provide \$102.8 million of income, prior to operating transfers.

We audited the financial statements of the business-type activities of the New Hampshire State Liquor Commission, a department of the State of New Hampshire, as of and for the fiscal year ended June 30, 2006. A copy of the Liquor Commission's annual report may be obtained from the New Hampshire State Liquor Commission, P.O. Box 503, Storrs Street, Concord, New Hampshire, 03302-0503.

This management letter, a byproduct of the fiscal year 2006 audit of the Liquor Commission contains an auditor's report on internal control over financial reporting and on compliance and other matters and related audit findings. The following is a list of the comments in the report.

<i>Internal</i>	<i>Control</i>	<i>Comments</i>
<i>Reportable Conditions</i>		
		<ul style="list-style-type: none">• Formal Risk Assessment Policies And Procedures Should Be Established• Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented• Comprehensive Administrative Policies And Procedures Should Be Developed For The Bureau Of Enforcement Support Staff• Segregation Of Duties Controls Should Be Implemented Over Processing Of Beer Tax Revenues• Controls Over Direct Shipment Sales Should Be Improved• Accounts Payable Should Be More Closely Monitored

- Effective Payroll Monitoring Controls Should Be Established
- Controls Should Be Improved Over Output From Commission Information Systems
- Controls Should Be Established/Strengthened Over The Processing And Recording Of Purchase Discount Transactions
- Security Over Credit Card Data Should Be Improved
- Store Lease Documents Should Be Clarified
- Continued Appropriateness Of Standard Mark-Up Percentages Should Be Reviewed

State Compliance Comments

- Policies And Procedures Should Be Established Describing The Commission's Inspection Program For License Renewals
- Current Exemption From Bailment Fees Granted To Vendor Should Be Reviewed
- Formal Written Store Plan For The Retail Stores Should Be Developed
- Expired Rules Should Be Readopted If Still Considered Operational