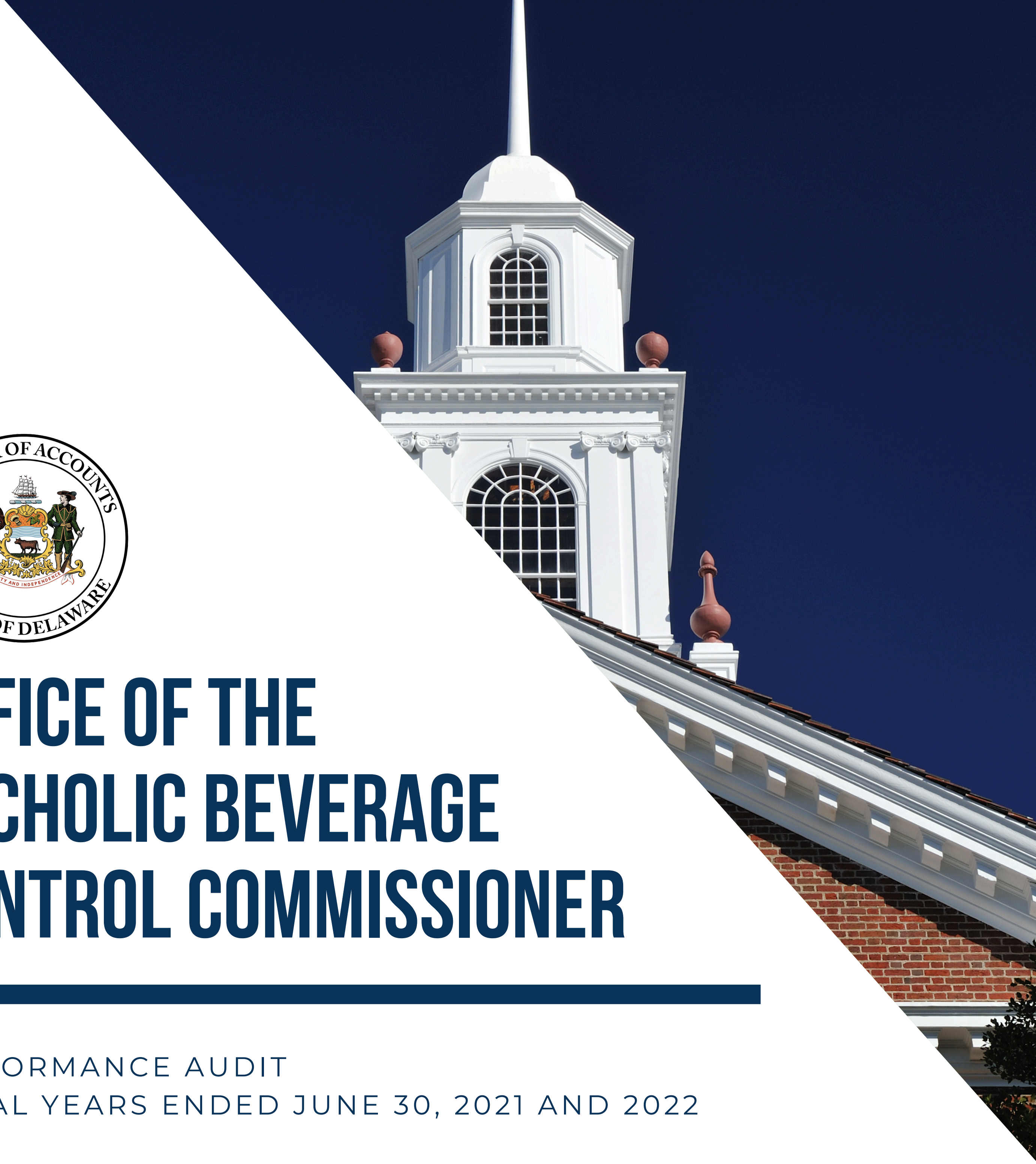

OFFICE OF THE ALCHOLIC BEVERAGE CONTROL COMMISSIONER

PERFORMANCE AUDIT
FISCAL YEARS ENDED JUNE 30, 2021 AND 2022

OFFICE OF THE ALCOHOLIC BEVERAGE CONTROL COMMISSIONER

REPORT SUMMARY FISCAL YEARS ENDED JUNE 30, 2021 AND 2022

BACKGROUND

The Delaware Office of Auditor of Accounts (AOA) conducted a performance audit of the Office of the Alcohol Beverage Control Commissioner (OABCC) as required by **4 Del. C §313**.

OABCC is headed by Commissioner Jacqueline Paradee Mette, Esquire. The Office of the Alcoholic Beverage Control Commissioner was a division under Delaware Department of Safety & Homeland Security (DSHS) until June 30, 2023. DSHS was responsible for all fiscal oversight of OABCC including policies and procedures, financial reporting, and other administrative tasks. As of fiscal year 2024, OABCC became a division under the Delaware Department of State. OABCC uses the state accounting system (FSF) and the Salesforce licensing system.

The Commissioner establishes rules and regulations to control the manufacture, importation, distribution, sale, and dispensing of alcohol in Delaware to protect public safety and the interests of consumers while not unduly restricting the alcoholic beverage industry. The OABCC considers applications for liquor licenses and requests for modifications to licensed establishments, performs inspections and grants renewals of liquor licenses. The Commissioner is authorized to conduct public hearings on applications for liquor licenses when there is sufficient public interest in the application, or if the Commissioner believes a public hearing is warranted.

The Commissioner is also authorized to adjudicate violations brought by the **Division of Alcohol and Tobacco Enforcement** against licensed establishments alleged to have violated the **Delaware Liquor Control Act** or the **Commissioner's Rules**. Sanctions and penalties against licensed establishments that are found to be in violation of state law or regulations can include a reprimand, fine, suspension, or revocation of a license.

The State Auditor is authorized under **29 Del. C., §2906** to conduct performance audits.

KEY INFORMATION AND FINDINGS

This was the first time that the OABCC was audited. Even though there were some areas for growth as noted in our concerns below, the operations were not affected by the items noted.

During the performance audit, the following areas of concern were noted:

- Documenting policies and procedures
- Reporting compliance with Delaware Code related to financial activity
- Supporting documentation maintenance

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Abbreviations:

AOA	Delaware Office of Auditor of Accounts
OABCC	Office of the Alcoholic Beverage Control Commission
FSF	First State Financials
GAGAS	Generally Accepted Government Auditing Standards
LGC	Local Government Committee
MOU	Memorandum of Understanding
RFI	Request for Information

State of Delaware

Office of Auditor of Accounts

Lydia E. York

State Auditor

INDEPENDENT AUDITOR'S REPORT

Jacqueline Paradee Mette, Esq
Office of the Alcoholic Beverage Control Commissioner
Carvel State Building
820 North French Street
Wilmington, Delaware 19801

Dear Commissioner Mette,

We present the attached report which provides the results of our performance audit of the State of Delaware's Office of the Alcohol Beverage Control Commissioner for fiscal years 2021 and 2022 in accordance with Title *4 Del. C.* §313. Delaware Code requires that "The operation of the office of the Commissioner shall annually be examined and audited by the State Auditor of Accounts." The State Auditor is authorized under Title *29 Del. C.* §2906(a) to conduct audits of all the financial transactions of all state agencies.

We conducted this performance audit in accordance with Generally Accepted Government Auding Standards (GAGAS) applicable to performance audits issued by the Comptroller General of the United States. These standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We are required to be independent of the Office of the Alcohol Beverage Control Commissioner and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit procedures are designed to assess efficiency, effectiveness and compliance however they do not provide absolute assurance in detecting all instances of fraud, waste or abuse. The audit findings are based on the information available and the scope of the review, and while efforts are made to identify irregularities, undetected instances may still exist.

This report is intended solely for the information and use of the Office of the Alcohol Beverage Control Commissioner and the Office of Auditor of Accounts. Under Title *29 Del. C.* §10002, this report is a matter of public record, and its distribution is not limited. This report will be provided to the General Assembly, Offices of the Governor, Controller General, Attorney General and Management and Budget.

AOA extends its gratitude to the Commissioner and the dedicated staff for their cooperation and support throughout this audit. Their professionalism and commitment have been truly instrumental in facilitating a thorough and meaningful audit.

Lydia E. York

Lydia E. York
State Auditor
Office of Auditor of Accounts
Dover, Delaware

July 23, 2025

PERFORMANCE AUDIT OVERVIEW

The United States Government Accountability Office develops and promulgates government auditing standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are referred to as Generally Accepted Government Auditing Standards (GAGAS).

Performance audits are audits that provide findings or conclusions based on evaluation of sufficient, appreciate evidence against criteria. Performance audits provide objective analysis to assist management and those charge with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Highlights and Conclusion

The Office of Auditor of Accounts (AOA) was able to evaluate the Office of the Alcohol Beverage Control Commissioner's (OABCC) manufacturer licensing procedures and determine if OABCC complied with the relevant sections of Title *4 Del. C.* ch. 5: Subchapter I - Manufacture and Import; Subchapter III - Determination of Applications; Subchapter IV - Certificate of License, Term of License and Fees; and Subchapter VI - 'Transfer of License; Death of Licensee'. Our review identified areas where there was an absence of written policies and procedures, supporting documentation was incomplete, and some transactions were recorded inconsistently within the accounting and licensing systems.

AOA found that OABCC did not fully adhere to reporting requirements in Delaware Code. The OABCC determined that certain reporting requirements in the Delaware Code were no longer relevant to its operational priorities and, as a result, did not adhere to those provisions. To ensure the Code remains relevant and effective, the AOA encourages the OABCC to explore potential legislative changes to address these outdated requirements rather than continuing to bypass sections of the code.

BACKGROUND

Office of the Alcoholic Beverage Control Commission

The Delaware Office of the Alcoholic Beverage Control Commissioner (OABCC) is headed by Commissioner Jacqueline Paradee Mette, Esq., who was appointed by Gov. John Carney and confirmed by the Delaware Senate in 2021.

The Commissioner establishes rules and regulations to control the manufacture, importation, distribution, sale, and dispensing of alcohol in Delaware to protect public safety and the interests of consumers while not unduly restricting the alcoholic beverage industry.

The OABCC considers applications for liquor licenses and requests for modifications to licensed establishments, performs inspections and grants renewals of liquor licenses. The Commissioner is authorized to conduct public hearings on applications for liquor licenses when there is sufficient public interest in the application, or if the Commissioner believes a public hearing is warranted.

The Commissioner is also authorized to adjudicate violations brought by the Division of Alcohol and Tobacco Enforcement against licensed establishments alleged to have violated the Delaware Liquor Control Act or the Commissioner's Rules. Sanctions and penalties against licensed establishments that are found to be in violation of state law or regulations can include a reprimand, fine, suspension, or revocation of a license.

During the period under review, the Office of the Alcoholic Beverage Control Commissioner was a division under Delaware Department of Safety & Homeland Security (DSHS). DSHS was responsible for all fiscal oversight of OABCC including policies and procedures, financial reporting, and other administrative tasks. As of fiscal year 2024, OABCC has become a division under the Delaware Department of State. The Department of State has taken on DSHS' previous responsibilities.

OABCC uses the State of Delaware's First State Financials Accounting System (FSF) to record payment of licensing fees. OABCC also uses the Salesforce software platform to keep record of all licensing documentation.

AUDIT RESULTS

Based on the work performed in connection with the performance audit, the following summarizes work performed and results for each objective:

1. Obtain an understanding of the entity's oversight over licensing activities through an evaluation of policies and procedures, walkthroughs of key processes, and an evaluation of entity level controls.

   (a) AOA reviewed a sample of 60 renewed manufacture licenses that includes both fiscal years 2021 and 2022. AOA also sampled 47 of new manufacture licensees as well. For all but the exceptions noted below, AOA was able to verify that the fees were paid in accordance with the fee schedule, and that fees were recorded in FSF and Salesforce. OABCC also had supporting documentation and met the reporting requirements.

   (1) AOA noted one exception OABCC was not able to provide a backup in FSF or Salesforce for Unlimited Supplier 92517 Mixx in FY2021. OABCC explained that they were dealing with some staffing issues, and a temporary employee completed the transaction during that time. OABCC provided AOA with an email backup verifying payment.

   (2) AOA found that 3 of the 47 new files did not have all the required documentation on record in accordance with the application checklist. In addition, 4 of the 47 files did not have supporting documentation for the application fee deposit records in FSF, the State of Delaware's accounting system.

2. Determine if OABCC is following reporting requirements per *4 Del. C.* ch. 3 - Delaware Alcoholic Beverage Control Commissioner

   (a) We identified deficiencies in the documentation and financial record-keeping processes for new licensees in Finding 2-1, and were able to provide recommendations that, if fully implemented, should allow the OABCC to comply with its requirements.

3. Evaluate OABCC's procedures over manufacturer licensing to determine if license processes complied with *4 Del C.* ch. 5 Subchapter I - Manufacture and Import; Subchapter III - Determination of Applications; Subchapter IV Certificate of License, Term of License and Fees; and Subchapter VI "Transfer of License; Death of Licensee".

   (a) There were no transfers of licenses identified during the period of audit

4. Evaluate the cancellation, suspension, and termination process for manufacturer licensees and determine whether OABCC complied with *4 Del. C.* ch. 5 Subchapter V - Cancellation or Suspension of License. Further, determine if all supporting documentation is kept in retention.

(a) AOA reviewed a sample of 20 cancelled licenses for the years ending 2021 and 2022. AOA found one licensee was issued a refund due to cancelling the license approximately sixteen months prior to the expiration date. AOA was able to verify that the refund was computed by prorating the license fee by number of months left prior to expiration. The refund was recorded properly in FSF and Salesforce. OABCC had supporting documentation and met the reporting requirements.

FINDINGS AND MANAGEMENT'S RESPONSE

Finding 1-1: Lack of Written Policies and Procedures

Condition: OABCC provided supporting documentation for job roles and responsibilities and a license workflow chart; however, there were no specific divisional policies and procedures to govern the Supplier licensing process.

Cause: Management stated that OABCC is a division that sits within an executive branch agency and adheres to the agency's fiscal office policies and procedures. In FY21 and FY22 (the years audited), the OABCC was within the Department of Safety and Homeland Security (DSHS). OABCC had no access to those fiscal policies and procedures within DSHS and could not provide them to the auditors.

Effect: Departmental policies and procedures tend to incorporate broad principles. Employees may not know how to apply these broad principles to their specific day-to-day job duties. Further, without the specificities, each employee can interpret the departmental policies and procedures differently, which can lead to inefficient or redundant processes. Without divisional policies and procedures, it is hard to pinpoint who should do what, when, and how.

Criteria: Standards for Internal Control in the Federal Government (Green Book), Delaware Budget and Accounting Manual, Chapter 2 Internal Controls

Recommendation: When well designed, divisional policies and procedures align with and reinforce department level policies. When adopted together, it creates a strong, coherent control environment. OABCC should establish formal written divisional policies and procedures covering the following areas:

- Acceptance of cash and checks for application fees
- Recording of payment in FSF and Salesforce
- Application processing
- Inspection of premises (including criteria)
- Financial reporting

These policies and procedures should establish clear roles and responsibilities for OABCC management and employees, and should detail the necessary steps taken to complete Supplier licensing tasks. OABCC should ensure that these documents are regularly updated and accessible to relevant employees.

Finding 2-1: Missing Documentation

Condition: Testing identified deficiencies in the documentation and financial record-keeping processes for new licensees.

Out of twenty-seven samples tested in FY2021, testing found the following:

- Three new licensee account files are missing required documentation as specified in the OABCC New License Application Checklist. OABCC was not able to locate the documentation.
- The license fee payment was not properly recorded for three sampled accounts. This included 1 transaction not included in the state accounting system FSF and two transactions not included in OABCC's licensing system.
- Four payments (checks) were received without the supporting deposit slip in the new license file. OABCC was not able to locate the documentation.
- One supplier licensee file was missing required Sales Representative documentation as specified in the supplier licensee checklist. OABCC was not able to locate the documentation.

Out of twenty samples tested in FY2022, testing found the following:

- Four supplier licensee files were missing sales representative documentation as specified in the supplier licensee checklist. Fee payments were recorded in FSF; however, the payments were not recorded in Salesforce and did not have supporting documentation to evidence payment of the fee.

Cause: The failure to adhere to the checklist was primarily due to the manual record retention process, which lacked the necessary efficiency and consistency to ensure accurate compliance. Additionally, occasional errors in the recording process were influenced by limited training, highlighting an opportunity for further guidance and support. These factors together contributed to unintended inconsistencies in the system.

Effect: Relying on physical records presents challenges for the organization, as documents can sometimes be misplaced, become inaccessible, or experience wear and tear over time, which may affect reliability. Gaps in maintaining thorough supporting application documentation led to difficulties in meeting necessary requirements. The use of the manual retention processes created the risk of overlooking important details, leading to inefficiencies and potential compliance issues. Additionally, errors in recording caused by insufficient training can create uncertainty, making it difficult to maintain accuracy and reliability.

Criteria: Standards for Internal Control in the Federal Government (Green Book); Delaware Budget and Accounting Manual

Recommendation: We recommended OABCC implement a comprehensive review process for all new license applications, including stricter document verification, improved record-keeping for payments, and training for licensing staff on proper application handling and documentation requirements. We also recommend consolidate and store files in a central electronic location to prevent files from being misplaced. We further recommend files be backed up on a regular basis.

Finding 3-1: Reporting Requirements

Condition: The OABCC has not complied with the reporting requirements outlined in Delaware Code. OABCC has not submitted required reports (304, 312, and 310) to the Governor, General Assembly, and Office of State Treasurer as mandated by Delaware law.

- The OABCC Annual 304 reports have not been submitted to the Governor and members of the General Assembly.
- The 312 Financial Statements (report of receipts and disbursements, and of its assets and liabilities) have not been reported to the State Treasurer. These reports are not to be rendered more often than quarterly per Delaware Code.
- A monthly 310 report of all receipts of the Commissioner was provided to AOA as evidence that the report is created; however, these reports have not been submitted to the State Treasurer's Office.

Cause: Delaware Code mandates specific reporting requirements; however, OABCC stated that these requirements are antiquated and has chosen not to prioritize these reports. This requirement was created in 1936, and the Code has not been updated.

Effect: The Governor, General Assembly, and State Treasurer are not receiving the necessary information to oversee OABCC's activities and ensure proper fiscal management.

Criteria: Title 4 Delaware Code
4 Del C. § 304 (9)
4 Del C. § 310
4 Del C. § 312

Recommendation: We recommend that if OABCC has determined that the reporting requirement is obsolete, then the OABCC management should take steps to have the code revised.

MANAGEMENT COMMENTS

STATE OF DELAWARE
OFFICE OF THE ALCOHOLIC BEVERAGE CONTROL COMMISSIONER

June 6, 2025

Lydia E. York, Auditor of the State of Delaware
Office of the Auditor of Accounts
1124 South Bradford Street
Dover, Delaware 19904

RE: OABCC FY21 and FY22 Performance Audit

Dear Madam Auditor:

The Office is in receipt of the Draft Performance Audit 2025 for the Office of the Alcoholic Beverage Control Commissioner (OABCC). OABCC responses to the audit findings are below.

Finding 1-1: Lack of Written Policy and Procedures. The audit states there were no comprehensive written departmental policies and procedures to govern the licensing process.

- The audit was limited in scope by the AOA to supplier licenses only, not other license types. It requested narrative/flowcharts for cancellation/suspension/transfer processes including associated FSF procedures.
- Supplier licenses are not transferred and have never been suspended in the history of OABCC. A supplier license is either active or cancelled only, requiring only a keystroke change in Salesforce. As such, there is no flowchart.
- The recommendation that policies should be written for supplier license applications in the following areas misunderstands the work of the OABCC:
  - Application processing – the application itself and its accompanying checklist of requirements needed for licensure – which was provided to the auditors - is the application processing policy.
  - Hearings and appeals – There are no hearings or appeals for supplier licenses.
  - Denials – Supplier license applications are not denied. They are approved upon payment and submission of the required documents.
  - Inspection of premises (including criteria) – Inspections are not conducted for supplier applications because they are out-of-state businesses, and the Office has no authority outside the state.
  - Financial Reporting – The OABCC follows the policies and procedures as directed by its executive branch fiscal team.
    - OABCC is a division that sits within an executive branch agency and adheres to the agency's fiscal office policies and procedures.
    - In FY21 and FY22 (the years audited), the OABCC was within the Department of Safety and Homeland Security (DSHS). The DSHS Fiscal

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Office oversaw all fiscal and accounting matters for OABCC and authorized OABCC staff to make cash/check deposits only.

- OABCC had no access to those fiscal policies and procedures within DSHS and could not provide them to the auditors. OABCC suggested the auditors reach out to DSHS for the fiscal policies and procedures.

Finding 2-1: Missing Documentation. The audit states "testing identified deficiencies in the documentation and financial record-keeping processes for new licensees."

- Physical records for licensees were not reviewed by the audit team during the site visit; it may have been a miscommunication between the auditors and OABCC staff, but physical records were available to the audit staff during the field visit. Deficiencies were noted when none existed. By way of example:
  - One license file listed twice with a deficiency was not reviewed by the audit team; the documentation was and is in the file.
  - The audit states 4 checks lacked deposit slips: deposit slips were in the physical record files and with respect to one license, the payment was made by credit card.
- Sales representative documents missing: This is inaccurate because no requests for sales representatives by the four suppliers identified by the auditors were submitted and therefore no records were missing.
- OABCC acknowledges that three license files could not be located during the audit's fieldwork. During FY21 and FY22, when staff was restricted from the office due to the pandemic, paper applications for supplier licenses were still accepted. The Office stopped accepting paper applications in FY23; having just learned three files were missing, the Office will locate the original applications for the licensees or request updated documentation from them.
- With respect to the audit's deficiency that license fees were not properly recorded: the Office notes staff did not always input payments in the licensing portal because the FSF backup was kept with the licensee's physical records that were not viewed by the auditors. The Office began adding payments in Salesforce in FY23.

Finding 3-1: Reporting Requirements. The audit states the OABCC has not complied with the reporting requirements outlined in Delaware Code; OABCC has not submitted required reports (304, 312, and 310) to the Governor, General Assembly, and Office of State Treasurer as mandated by Delaware law.

- Section 304 Reports: The OABCC complies with reporting requirements set forth in 4 Del. C. §304(a)(9). All data required by that section is posted on the OABCC webpage, making it available in real-time to anyone who accesses the webpage, not just the Governor and members of the General Assembly. See: https://oabcc.delaware.gov/facts-figures/
- Section 310 Reports: The Office uses FSF for its deposits to the OST accounts, and therefore OABCC complies with 4 Del. C. §310. FSF reports document the receipts detail as they are made by the OABCC. OABCC does prepare monthly reports and will follow up with OST staff to determine whether they wish to receive them.
- Section 312 Reports: If the OST determines the manner and the time for the report referenced in 4 Del. C. §312, the statute authorizes the OST to make the request. The OST has never requested such a report or identified the manner or the timing for such reports.

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I would be happy to schedule a meeting to discuss these comments further. The OABCC takes pride in its work. During FY21 and FY22, the years this audit assessed, the Office was staffed with 5 persons only, including the Commissioner and Deputy Commissioner. I took Office in September 2021, partway through FY22, and since then have made a number of changes to the Office, including increasing its staffing and relocating the division to the Department of State. We have improved our Office process, as well as amazing support from the fiscal team within the Department of State. I believe that a future audit will reflect these changes and welcome an opportunity to discuss them with you.

Sincerely,

Jacqueline Paradee Mette, Esq.

Jacqueline Paradee Mette, Esq.
Commissioner

cc: Robert Sisk

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AUDITOR'S RESPONSE TO MANAGEMENT'S COMMENTS

Finding 1-1

We acknowledge management's concern to the limitations of scope and the recommendations provided. We have since updated our recommendations based on the comments made by Management. However, in a performance audit governed by Governmental Auditing Standards, we audit using objectives and determine the scope that matches to the objectives. And per our standards, all objectives and scope were agreed with Management at the beginning of the engagement.

We would also like to acknowledge Management's reasons for not having policies and procedures as we understand that the fiscal staff from the governing Department is processing the payments of the Commission. However, State of Delaware's organizations are to establish an effective internal control system, per Chapter 2 of the State of Delaware, Budget and Accounting Manual. Although management was able to verbally describe them to us. We recommend that Management document policies and procedures. The policies and procedures can be documented as flow charts or standard written procedures.

Finding 2-1

We acknowledge management's concern about not reviewing certain records. However, the audit sample was based on American Institute of Certified Public Accountants (AICPA) sampling methodology. And during the fieldwork stage of the audit, management was provided with the sample of items selected for testing. Support was unable to be found for selected transactions. We would also recommend that in the policies and procedures management adds how the support is to be retained and what is considered support for each transaction.

Finding 3-1

We acknowledge management's response about the reporting requirements for Delaware Code. However, all agencies must be in compliance with Code requirements.

APPENDIX 1 – OBJECTIVE, SCOPE, APPROACH, METHODOLOGY & CRITERIA

Objectives

The scope of this performance audit was for the period of July 1, 2020, through June 30, 2023. AOA audited the books, records, and bank account activity for the period under review, our performance audit addressed the following objectives in accordance with *29 Del. C.* §2906 of the Delaware Code.

- Obtain an understanding of the entity's oversight over licensing activities through an evaluation of policies and procedures, walkthroughs of key processes, and an evaluation of entity level controls.

- Determine if OABCC is following reporting requirements per *4 Del. C.* ch. 3 - Delaware Alcoholic Beverage Control Commissioner

- Evaluate OABCC's procedures over Manufacturer licensing to determine if license processes complied with Del 4 C.5 Subchapter I - Manufacture and Import; Subchapter III - Determination of Applications; Subchapter IV Certificate of License, Term of License and Fees; and Subchapter VI "Transfer of License; Death of Licensee".

- Evaluate the cancellation, suspension, and termination process for manufacturer licensees and determine whether OABCC complied with *4 Del. C.* ch. 5 Subchapter V - Cancellation or Suspension of License. Further determine if all supporting documentation is kept in retention.

Scope

AOA performed this engagement for the purpose of determining OABCC’s compliance with the criteria set forth in the Delaware Code, Delaware Administrative Code, Policies and Procedures of the OABCC, and the State of Delaware Budget and Accounting Policy Manual (BAM), as applicable to the collection and deposit of license and application process fees for the period of July 1, 2021, through June 30, 2023. Engagement team would rely on documentation provided by the OABCC and obtained from the State of Delaware’s First State Financials Accounting System

Audit Approach and Methodology

Our approach consisted of the following procedures:

1. Planning Phase: The audit relied on various sources of information and methods to properly plan the audit and to obtain an understanding of, and assess processes for the organization, including the following:

(a) We reviewed the applicable sections of the Delaware Code Title 4 to gain an understanding of the legal and policy requirements governing the activities of the Office of the Alcoholic Beverage Control Commission.

(b) We inquired whether there were any findings and recommendations in reports resulting from any previous audits that relate to the objectives of this audit and whether the recommendations have been implemented.

(c) We performed risk assessment procedures such as:

(1) Obtained and documented an understanding of the organization and its environment and identified risks.

(2) Completed engagement team discussions, including discussions about the possibility of error or fraud involving license application processing and license fee collection.

(3) Made inquiries of management and others about risks (including fraud risks, related- party transactions, unusual transactions, and compliance with laws and regulations).

(4) Inquired as to the existence of the organization's internal control system over supplier application fee receipt and processing.

2. Performance Assessment: Based on the information gathered, we developed the following risk- based approach of the application process and fee collection with respect to the audit objectives.

(a) Develop and document a testing strategy for OABCC governance, supplier licensing, and license cancellations.

(b) Develop testing for license maintenance using a sampling methodology.

(c) Design and document sampling methodology for substantive testing using the AICPA Sampling Guidance for guidance.

3. Governance Assessment: AOA interviewed staff involved with approving application approvals & denials, inspections & hearings, and account maintenance. Confirm the existence of department policies and procedures and ensure that they are properly managed and maintained. Evaluate the effectiveness of policies and procedures in fulfilling goals and strategic objectives. Confirm that the policies and procedures include the following basic objectives of control procedures as defined in Delaware BAM Chapter 2 (as applicable).

4. New License oversight assessment: To ensure that the organization is in compliance with licensing activities and to verify the existence all documents required to process license

applications, we randomly selected 24 of 133 new licensees in 2021, and 20 of 97 new licensees in 2022. In accordance with *4 Del. C.* ch. 5- Licenses and Taxes, we verified the calculated amount of license fees required with application submission. We confirmed that the licensee's account profile and records contain all pertinent documentation as outlined in OABCC's Supplier application checklist (21 items). We determined whether applications were reviewed and approved within a timely manner (in accordance with OABCC application workflow timeline or within 60 days). If applications were not approved within the time period, we requested an explanation from management as to why the review and approval did not occur within 60 days and any supporting documentation (hearing paperwork, etc.). We then verified that for each new licensee sample, a record of all sales representatives was maintained and monitored, contained all necessary documentation, and that the fee was applied correctly for fiscal years 2021 and 2022.

5. License renewals oversight assessment: To ensure that the organization is in compliance with licensing activities and to verify the existence of all documents required in the maintenance of licenses, we randomly selected 60 of 797 renewal manufacturer licensees and conducted the following:

   (a) In accordance with *4 Del. C.* ch. 5- Licenses and Taxes, verify the amount of license fees received by the renewing licensee. Obtain supporting documentation to substantiate the fee application and transfer. Confirm that the fee was properly coded in FSF.

   (b) Confirm that the licensee's record profile contains all pertinent documentation as outlined in OABCC's Manufacturer/Supplier application checklist (21 items).

   (c) Confirm that the licensee's record profile has the following additional documentation:

      (1) Certificate
      (2) Surety Bond (as applicable)
      (3) Monthly manufacturer report in accordance with *4 Del. C.* §507
      (4) Price schedules in accordance with *4 Del. C.* §508

6. License Cancellation assessment: Select the population of cancelled (including transfers), suspended and terminated licensees, and confirm remittance amount as applicable in accordance with § 564. Payments to former licensee. Of twenty licensees that cancelled before the year end expiration date, only one licensee requested remittance; therefore, there is no sampling methodology for this test.

Whenever sampling was used, auditors applied a random statistical approach. This ensured that each licensee had an equal chance of selection, reduce bias and enable the projection of the results to the entire population. The sample size was determined in consideration of assessed control risks, and the need to obtain sufficient and appropriate audit evidence. This approach was determined to adequately support the audit conclusions.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance. This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal control significant to our audit objectives. As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards.

Criteria

We reviewed and/or used the following criteria to conduct the performance audit:

- The U.S. Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS/Yellow Book 2018 TU 2021)
- The U.S. Government Accountability Office's "Standards for Internal Controls in the Federal Government" (Green Book)
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) "Internal Control- Integrated Framework".
- Generally Accepted Accounting Principles (GAAP)
- Titles of Delaware State Law (Delaware Code)
- The State of Delaware Budget and Accounting Manual (BAM)