

Ways and Means - 2023	Content
15% Reduction Options 23-25	Additional details, documents, and materials to support the following budget information included in the agency's PowerPoint presentation: Summary of 15% reduction options
LT Vacancies 1.2.31.22	Summary of long-term vacancy information requested by LFO, including number of vacancies, related budget by fund source, and length of time vacant
LT Vacancy Rates - Funding	Long-term vacancy rates & funding source calculations
Program Prioritization 23-25	Program prioritization for 2023-25 (form 107BF23)
GRB POPs 23-25	Summary of the Governor's budget by policy option package and funding source
Info Tech Projects Report	Summary of proposed information technology projects
Capital Construction 23-25	Summary of proposed capital construction projects (extracted from the OLCC narrative included in Governor' Recommended Budget)
Other Funds Report 1.20.23	Other Funds ending balance form
ARPA Report 1.20.23	ARPA Funds ending balance form
Span 7Q 3.15.23	Supervisory Span of Control Report from Workday
SOS Performance Audits 2021-2023	Results of, and agency responses to, all audits on the agency conducted by the Secretary of State under ORS 297.070 during the current biennium
SOS FY20 & FY21 Financial Audit Status	9/16/2022 status update on fiscal year 2020 & fiscal year 2021 audit findings & corrective actions
SOS FY22 Financial Audit Findings	2/8/2023 Secretary of State letter to agency management regarding fiscal year 2022 audit findings
SOS FY22 Management Responses	2/13/2023 agency management responses to fiscal year 2022 audit findings

Oregon Liquor and Cannabis Commission (OLCC)

2023 - 2025 Biennium

Detail of Reductions to 2023-25 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
Public Safety	Admin. Hearings	84500-002	Administrative Hearings Division			(461,136)				\$ (461,136)	(2)	(2.00)	TBD	Abolish two vacant Compliance Specialist 3 positions in OLCC's Public Safety - Administrative Hearings Division. This reduction would be mitigated by distributing the workload amongst the remaining Compliance Specialists in the Administrative Hearings program.	
Public Safety	Admin. Hearings	84500-002	Administrative Hearings Division			(1,954,229)				\$ (1,954,229)	(9)	(9.00)	TBD	Cost shift 1 Public Safety management position and the remaining 8 Administrative Hearing Division Compliance Specialist 3 positions from being 100% funded with Liquor revenues to a 75% MJ / 25% Liquor funding split. This cost shift was shown as a reduction since it would reduce costs charged to Liquor revenues. However, OLCC would need to retain the position / FTE authority for these 9 positions to effectively implement this cost shift.	
Public Safety	Public Safety	84500-002	Public Safety			(710,757)				\$ (710,757)	(3)	(3.00)	TBD	Abolish 3 (3.00 FTE) Liquor Regulatory Specialists, which equates to an 8% reduction in staffing.	
Agency Support & Admin.	PACE	84500-003	Policy, Analytics, Communication, and Education (PACE)			(1,135,825)				\$ (1,135,825)	(4)	(4.00)	TBD	Abolish three Operations and Policy Analyst 3 positions and one Compliance Specialist 3 position in the agency's PACE program. One of the OPA 3 position reductions will equate	
Public Safety	Public Safety	84500-002	Public Safety			(4,261,947)				\$ (4,261,947)	(18)	(18.50)	TBD	Abolish 18 (18.50 FTE), which equates to a cumulative total of a 54% reduction in program staffing. OLCC would only respond to serious incidents involving licensees and work on history of a	
Public Safety	Public Safety	84500-002	Public Safety			(4,261,947)				\$ (4,261,947)	(19)	(18.50)	TBD	Abolish 19 (18.50 FTE), which equates to a cumulative total of a 100% reduction in program staffing. Local and State law enforcement would be responsible for responding to all liquor related events for all licensees.	
						(12,785,841)				\$ (12,785,841)	(55)	(55.00)			

Target Difference \$ (12,785,841)

Oregon Liquor & Cannabis Commission (OLCC)

Vacancies as of December 31, 2022

Vacant Position Information																									
Agency Initial	SCR	DCR	Pos No	Position Class Comp	Position Title	Pos Type	GF Split	LF Split	OF Split	FF Split	FTE	2023-24 GF PS Total	2023-24 LF PS Total	2023-24 OF PS Total	2023-24 FF PS Total	2023-24 Total PS BUDGET	Vacant Date	Position in SRB? Y/N	Reason for vacancy - Recruitment Status	REG #	Date	Requester	Location		
OLCC	Public Safety (02)	84500-002-47-00-00000	4700544	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	11/21/2021	TBD	Termination - Multiple failed recruitments; Current recruitment closes in 3 days	117006	1/4/23	Lujan	Astoria		
OLCC	Public Safety (02)	84500-002-47-00-00000	4700556	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	4/30/2021	TBD	Closed 4 days ago; Applicant screening in process.	117034	1/4/23	Bloom	Newport		
OLCC	Public Safety (02)	84500-002-47-00-00000	4700560	AL-C 0104	Office Specialist 2 - SR15 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	139,772	3/23/2020	TBD	Change Job - Position on Hold	No REQ	n/a				
OLCC	Public Safety (02)	84500-002-47-00-00000	4700629	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	11/2/2021	TBD	Change Job - Applicant in Final Stages	111741	10/28/22	Rosenow	Portland		
OLCC	Public Safety (02)	84500-002-47-00-00000	4700837	AL-C 0104	Office Specialist 2 - SR15 - Non Exempt	PP	-	-	1.00	-	1.00	-	-	-	-	69,884	3/23/2021	TBD	Termination - Applicant in Final Stages (Reference Check)	101123	9/14/22	Bloom	Portland		
OLCC	Public Safety (02)	84500-002-56-00-00000	5500189	AL-C 5248	Compliance Specialist 3 - SR29 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	224,328	-	TBD	NEW: 2021 HB-5019 POP#205 - vacant positions included in first 15% of 15%	No REQ	n/a				
OLCC	Public Safety (02)	84500-002-56-00-00000	5500200	AL-C 5248	Compliance Specialist 3 - SR29 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	224,328	-	TBD	Termination - backfilled by another Financial Services employee (reclassification in process)	No REQ	n/a				
OLCC	Admin & Support (03)	84500-003-26-00-00000	1500603	AL-C 0438	Procurement & Contract Specialist 2 - SR29 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	224,328	7/18/2019	TBD	Termination - Applicant currently in Final Stage (Background Check)	No REQ	n/a				
OLCC	Recreational MJ (004)	84500-004-87-00-00000	9500114	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	9/18/2021	TBD	Termination - Recruiting On Hold	110215	10/11/22	Hunter	Medford		
OLCC	Medical MJ (006)	84500-006-91-00-00000	6000165	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	11/14/2020	TBD	Termination - Recruiting On Hold	No REQ	n/a				
OLCC	Medical MJ (006)	84500-006-91-00-00000	6000166	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	11/30/2021	TBD	Termination - Recruiting On Hold	No REQ	n/a				
OLCC	Medical MJ (006)	84500-006-91-00-00000	6000175	AL-C 5733	Regulatory Specialist - SR27 - Non Exempt	PF	-	-	1.00	-	1.00	-	-	-	-	207,686	11/15/2021	TBD	Change Job - Position on Hold	No REQ	n/a				
Total							12	0.00	0.00	12.00	0.00	12.00	0.00	0.00	12.00	2,338,442	0	2,338,442							

OLCC	12/31/22		12/31/22		12/31/22		23-25		Funding	
	VACANT	> 6 months	> 12 months	Budget	Source	LIQUOR / MJ	%			
SCR001	SPIRITS	4	0	0	\$ -	Liquor revenues				
SCR002	SAFETY	33	15	7	\$ 1,281,370	Liquor revenues				
SCR003	SUPPORT	12	6	1	\$ 224,328	Liquor revenues	\$ 1,505,698			
SCR004	REC-MJ	9	5	1	\$ 207,686	Marijuana revenues				
SCR006	MED-MJ	7	5	3	\$ 623,058	Marijuana revenues	\$ 830,744			
Vacancy	Totals	65	31	12	\$ 2,336,442	Totals	\$ 2,336,442			
21-23 LAB	Positions	386	386							
Vacancy	Rates	17%	8%	3%						

PROGRAM PRIORITIZATION FOR 2023-25

Agency Name: Oregon Liquor & Cannabis Commission		Agency Number: 84500																	
2023-25 Biennium		Agency-Wide Priorities for 2023-2025 Biennium																	
Priority	Agency/Program/Div	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Expanded Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. (C, D, FM, FO, S)	21	22
1	1	001-30	Distribution Center	845-4, 845-5	6			27,846,385				\$ 27,846,385	65	65.00	N	Y	C		
2	1	001-31	Bondable Systems	845-4, 845-5	6			23,200,000				\$ 23,200,000	0	0.00	N	N	C		
3	3	001-37	Debt Service	845-4, 845-5	6			27,093,826				\$ 27,093,826	0	0.00	Y	N	C		
4	1	002-45	Licenses Services	845-1, 845-2, 845-3, 845-4	6			10,742,741				\$ 10,742,741	46	45.16	N	N	C		
5	1	004-95	Recreational Marijuana Licensing	845-7, 845-8	3			11,066,961				\$ 11,066,961	31	30.04	N	Y	S		
6	2	004-97	Recreational Marijuana Regulation	845-7, 845-8	3			11,842,336				\$ 11,842,336	43	42.84	N	Y	S		
7	3	004-99	Recreational Marijuana Administration	845-7, 845-8	3			6,888,492				\$ 6,888,492	18	17.50	N	Y	S		
8	1	005-31	Online Trading Administration	845-4, 845-5, 845-3, 845-4	6			6,331,074				\$ 6,331,074	21	61.00	N	Y	S		
9	2	005-32	Banking Services	845-4, 845-5	4			11,655,776				\$ 11,655,776	23	22.16	N	Y	S		
10	2	005-26	Financial Technology	845-4, 845-5	4			11,826,400				\$ 11,826,400	36	35.64	N	Y	S		
11	2	003-25	Financial Services	845-4, 845-5	4			2,693,729				\$ 2,693,729	3	3.00	N	N	C		
12	4	003-10	Administration	845-4, 845-5	4			3,109,243				\$ 3,109,243	7	7.00	N	N	C		
13	3	003-15	Administrative Services	845-4, 845-5	4			662,301				\$ 662,301	2	2.00	N	N	C		
14	6	001-20	Purchasing	845-4, 845-5	6			18,690,631				\$ 18,690,631	0	0.00	N	Y	C		
15	4	001-24	Bank Card Fees	845-4, 845-5	6			173,121,420				\$ 173,121,420	0	0.00	N	Y	C		
16	1	005-73	Store Agents Compensation	845-5	6			8,450,496				\$ 8,450,496	0	0.00	N	Y	C		
17	2	002-55	Administrative Hearings	845-5	6			4,056,833				\$ 4,056,833	14	14.00	N	N	C		
18	3	002-55	Administrative Hearings	845-1, 845-2, 845-3, 845-4	5			3,770,774				\$ 3,770,774	12	11.76	N	N	C		
19	5	003-12	Human Resources	845-4, 845-5	6			4,226,487				\$ 4,226,487	9	9.00	N	N	C		
20	5	001-40	Retail Services	845-4, 845-5	4			6,338,337				\$ 6,338,337	23	22.40	N	N	C		
21	6	003-16	Policy Analysis Comm & Education	845-4, 845-5	4			1,433,337				\$ 1,433,337	0	0.00	N	N	C		
22	6	003-16	Policy Analysis Comm & Education	845-4, 845-5	4			36,371				\$ 36,371	0	0.00	N	N	C		
23	7	003-13	Commissions	845-4, 845-5	6			40,278				\$ 40,278	0	0.00	N	N	C		
24	7	001-42	Liquor Sales Support	845-4, 845-5	6			66,368				\$ 66,368	0	0.00	N	N	C		
25	9	003-60	Supply Center	845-4, 845-5	4			247,753				\$ 247,753	0	0.00	N	Y	C		
26	1	008-01	Capital Improvements	845-5	4			0				\$ 0	0	0.00	N	N	C		
27	1	008-01	Capital Construction	845-5	4			395,569,490				\$ 395,569,490	425	416.86	N	N	C		

7. Primary Purpose Program/Activity Exists

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Function
- 5 Energy Production
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Public Health
- 11 Recreation, Heritage, or Cultural
- 12 Social Support

19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Prioritize each program activity for the Agency as a whole

Document criteria used to prioritize activities:

OLCC's policies and operational decisions has two major elements, consistent with the Governor's priorities and budgeting principles. First, OLCC's policies will have public safety considerations guide growth. Second, OLCC's policies will support economic viability for Oregonians and the state's revenue base. The OLCC recognizes that responding to changing demographics and environments can take several years to develop and implement. In 2023-25, OLCC will focus on anticipating future needs and developing innovations to the current retailing model. This will help it to make long-term improvements and be responsive to the citizens of Oregon, its alcohol beverage-related industries, and the people who visit the state. To accomplish these goals for the long term health of the agency, the Commission is focused on maintaining the infrastructure of the agency that supports the activities of the Distilled Spirits and Public Safety operations.

GRB	POP NAMES	SPIRITS	SAFETY	SUPPORT	REC-MJ	MED-MJ	TOTALS	POS	FTEs	Comment
101	IT Modernization Bonded Costs	16,695,000					16,695,000	-	-	
102	Warehouse and Nonbonded IT Costs	14,403,773					14,403,773	-	-	
303	IT Risk Mitigation			496,133			496,133	2	1.76	ISS8 and PEM-D
104	Distribution Center Equipment Replacement									
305	Vehicle Replacement			385,000			385,000	-	-	12 vehicles
306	Human Resources Staffing									
307	Financial Services Staffing			238,613			238,613	1	0.88	Budget & Fiscal Manager 2
208	Alcohol Licensing Staffing		337,424				337,424	2	1.76	2 License Specialists 2s
109	Alcohol Communication Outreach									
410	Cannabis Communication Outreach				450,000		450,000	-	-	
211	Public Safety Call Center Staffing									
312	Records Requests & Communications			572,942			572,942	3	2.64	1 OPA3 and 2 Administrative Specialist 1s (PS Recon = \$97,482)
413	Marijuana Lab Integrity				965,674		965,674	3	2.64	1 Compliance Specialist 2, 1 NRS4, and 1 Regulatory Specialist
414	Marijuana Licensing and Compliance									
215	Alcohol Delivery Regulation LC		947,065				947,065	6	4.67	5 Regulatory Specialists and 1 Compliance Specialist 3 (22 months).
116	Distilled Spirits Board LC									
417	Marijuana License Reassignments Grants LC									
418	ODA Lab Funding LC									
419	Cannabis Consumer Protection Act LC									Revenue Transfer-OUT = (\$2,281,689) in Orbits #2603
	TOTALS	31,098,773	1,284,489	1,692,688	1,415,674	-	35,491,624	17	14.35	
							(325,838)	(4)	(3.50)	CFO Analyst Adjustment PKGs 90 + 91 + 92 + 93.
							35,165,786	13	10.85	BDV200
	Liquor Funded >>>	31,098,773	1,284,489	1,692,688			34,075,950			
	Marijuana Funded >>>				1,415,674		1,415,674			
							35,491,624			

Agency	Policy Group	IT Investment Name	Mandate	Project	Start Date	End Date	Total Cost	Previous Biennia OF Cost	Current Biennium OF Cost	Future Biennia OF Cost	Policy Option Package Request	Short Description
OLCC	Public Safety	Warehouse and IT Non-bonded Costs (POP 102)	None	Yes	2022-05-30	2025-07-30	\$ 18,684,486	\$ 176,699	\$ 4,104,014	\$ 14,403,773	Yes	This POP is for all the non-bondable expenses associated with the Warehouse/HQ construction project and the Enterprise Modernization Program (EMP). EMP consists of two projects, the Marijuana and Liquor Licensing and Compliance (MLLC) Project and the Distilled Spirits Supply Chain (DSSC) Project. The MLLC is a unified solution for the lifecycle of a license or permit from application to disposition. The DSSC is Full supply chain solution for distilled spirits products from supplier to customer. The purpose of this Policy Option Package is to request limitation through the agency's operation budget to cover the non-bondable costs for the Program, which are estimated at \$6,235,773 for the 23-25 biennium.
OLCC	Public Safety	IT Modernization Bonded Costs (POP 101)	None	Yes	2022-05-30	2025-07-30	\$ 19,808,599	\$ -	\$ 3,108,599	\$ 16,700,000	Yes	Bond funding request to extend bond spend through the 23-25 biennium. Bond funding is \$27 Million total - \$8.5 Million was released May 17, 2022; the remainder will be released during the March 2023 bond sale. The purpose of this Policy Option Package is to request that the bonded funding be extended through the 23-25 biennium.
OLCC	Public Safety	IT Compliance Officer and System Administrator/Risk Management (POP 303)	None	No	2022-10-01			\$ -	\$ -	\$ 496,133	Yes	The Systems Admin/Risk Mitigation position will be a dedicated resource to ensure the security, confidentiality, integrity and availability of agency information assets. This position will work closely with The State of Oregon's Cyber Security Services (CSS), which is responsible for defining enterprise security architecture and policy and for coordinating security incident response. Addition of an information technology compliance officer to identify information security and privacy risks and provide advice and leadership in managing them. This position will report to the OLCC Chief Information Officer (CIO) and collaborates closely with the State Chief Information Security Officer (SCISO) and the Cyber Security Services (CSS) in planning, advising, and directing information security and privacy activities for OLCC and the clients whom they serve. This position initiates, develops, and implements information security and privacy programs, policies, and procedures. As a member of the OIS leadership staff, the Information Risk, Privacy, and Compliance Officer will be the primary contact for information security and privacy functions.

Governor's Recommended Budget - Agency Summary prepared by CFO Analyst

The OLCC Capital Construction program was created for the 2021-23 biennium, for expenditures associated with the construction of a new warehouse and office facility through the issuance of Article XI-Q General Obligation Bonds. The Governor's budget for this program does not have any funding as the Capital Construction project for the new warehouse and headquarters was approved in 2021-23. The Capital Construction appropriations approved in 2021-23 are phased-out in 2023-25; however, the limitation remains in effect for six years from the date of authorization.

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2021-23 & 2023-25 BIENNA

Agency: Oregon Liquor & Cannabis Commission (OLCC)
 Contact Person (Name & Phone #): Kaillean Kneeland 971.413.4131 (mobile)

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) 2021-23 Ending Balance In LAB	(g) Revised	(h) In CSL	(i) 2023-25 Ending Balance Revised	(j) Comments
Limited	Distilled Spirits (SCR 001)		Operations		0	0	34,676,734	0	
Limited	Public Safety (SCR 002)		Operations		0	0	(1,919,208)	0	
Limited	Administration & Support (SCR 003)		Operations		0	0	(160,688)	0	
Limited	Agents Compensation (SCR 005)		Operations		0	0	16,988,084	0	
Capital Improvements	Capital Improvements (SCR 088)		Operations		5,013,200	1,500,000	1,500,000	1,500,000	
Limited	Agency-wide Consolidation (SCR 990)		Operations						
Limited & Capital Improvements	SCRs 001+002+003+005+088+990	Liquor Control Fund #0401	Operations	ORS 471.805	5,013,200	1,500,000	51,084,922	1,500,000	SUB-TOTAL (liquor) = Ongoing \$1.5M SCR balance to cover liquor cost of goods between months. Total monthly fund balance is distributed every month to General Fund 56%, Cities 20%, City Revenue Sharing 14%, and Counties 10%. Mental Health Alcoholism & Drug Services account (50% of Priv. Taxes) and the Oregon Wine Board are also part of the overall distribution.
Limited	Recreational Marijuana (SCR 004)	Marijuana Control & Regulation Fund #8094	Operations	ORS 475C.297	4,092,253	10,131,778	8,125,383	7,675,383	Operational reserve maintained to cover two quarters of recreational marijuana regulatory operations in the event of downturn in the recreational marijuana businesses.
Limited	Medical Marijuana - OMMMP Tracking (SCR 006)	Marijuana Control & Regulation Fund #8094	Operations	ORS 475C.457	4,545,744	5,984,896	4,456,668	4,456,668	Operational reserve maintained to cover two quarters of medical marijuana regulatory operations in the event of downturn in the medical marijuana growers. LAB did not meet this criteria
Capital Construction	MIS Bondable (SCR 001)	XI-Q 2022A OLCC Warehouse IT System #2197	Other - Capital Construction	SB-5506 (2021)	0	7,157,526	0	0	March 2022 XI-Q bond sale for MIS development = \$8,500,000; with March 2023 forecast @ \$2,000,000.
Capital Construction	Land & Buildings Bondable (SCR 089)	XI-Q 2022A OLCC Warehouse Land & Bldg #2196	Other - Capital Construction	SB-5506 (2021)	0	31,355,948	0	0	March 2022 XI-Q bond sale proceeds for HQ & Warehouse construction = \$52,537,265; with March 2023 forecast @ \$23,000,000
					13,651,197	56,130,148	63,666,973	13,632,051	TOTALS

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2023-25 legislatively adopted budget.

Instructions:

Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.

Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2021-23 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).

Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (i).

Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.

Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.

Columns (f) and (h): Use the appropriate, audited amount from the 2021-23 Legislatively Approved Budget and the 2023-25 Current Service Level at the Agency Request Budget level.

Columns (g) and (i): Provide updated ending balances based on revised expenditure patterns or revenue trends. The revised column (i) should assume 2023-25 Current Service Level expenditures, considering the updated 2021-23 ending balance and any updated 2023-25 revenue projections. Do not include adjustments for reduction options that have been submitted. Provide a description of revisions in Comments (Column (j)).

Column (j): Please note any reasons for significant changes in balances previously reported during the 2021 session.

Additional Materials: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast

2021-23 ARPA ENDING BALANCES											
Agency: Oregon Liquor & Cannabis Commission (OLCC)											
Contact Person (Name & Phone #): Kailean Kneeland 971.413.4131 (mobile)											
(a)	(b)	(c)	(d)		(e)	(f)		(g)	(h)		
SCR	Program Description	2021-23 LAB	2021-23		Amount Obligated	2023-25 POP		POP #	Comments		
			Ending Balance			Y/N					
Not applicable	Not applicable	-	-		-	N	n/a	n/a	Zero / NO ARPA activity for OLCC		
Instructions:											
Column (a): Select the appropriate Summary Cross Reference number and name from those included in the 2021-23 Legislatively Approved Budget.											
Column (b): List American Rescue Plan Act (ARPA) balances by legislatively approved uses and/or specified transfers to agency programs.											
Column (c): Provide the expenditure limitation approved for the ARPA funds transferred to the agency in the 2021-23 Legislatively Approved Budget.											
Column (d): Enter the total estimated balance of ARPA funds that will be unspent at the close of the 2021-23 biennium.											
Column (e): Enter the amount of the unspent ARPA balance obligated to a project/program through an award, grant agreement, or other contract as of June 30, 2023.											
Column (f) and (g): Indicate whether the 2023-25 Agency Request Budget includes a policy option package (POP) to utilize the ARPA funds carrying forward into the 2023-25 biennium, and if so, provide the POP number.											
(h) Please provide any additional information related to ARPA ending balances.											



HCM | Span of Control Counts by Company
(Company or Supervisory Organization
Selection)

Effective as of Date and Time: 03/15/2023 12:00:00.000 AM

Company: Oregon Liquor & Cannabis Commission

Include Subordinate Organizations: Yes

Company	Supervision Category	Filled	Vacant	Total
Oregon Liquor & Cannabis Commission	Non-Supervisory	327	67	394
Oregon Liquor & Cannabis Commission	Supervisory	26	7	33
Total		353	74	427

Results of, and agency responses to, all audits on the agency conducted by the Secretary of State under ORS 297.070 during the current biennium and/or an external audit firm.

1 [Secretary of State Effectiveness and equity of cannabis licensing, compliance](#)

Status at 2/14/23: Draft Report

The objectives of this audit are:

>To identify business equity challenges within Oregon's existing cannabis regulatory framework and how the state can address them.

>Determine how Oregon may address social equity issues within the Oregon cannabis industry.

2 [Secretary of State FY2021 Statewide Single Audit Report dated 2021-008 \(7/5/2022.\)](#)

The audit identified one significant internal control deficiency:

Month-end transfer process from the Liquor Control fund to the General fund resulted in inappropriately transferring more to the General Fund than statutorily required.

The letter to the agency recommended strengthening internal controls to ensure the accounting systems reconcile and the appropriate amount is being transferred to the General Fund each month.

Management agreed with the recommendation, and has hired a temporary Accountant 3 to help bring the agency process up-to-date. Once current, an OLCC staff member will be handling reconciliations on a routine basis.



Oregon

Kate Brown, Governor

Liquor and Cannabis Commission
9079 SE McLoughlin Blvd.
Portland, Oregon 97222-7355
503-872-5000
800-452-6522
www.oregon.gov/olcc

September 16, 2022

Karen Williams, Statewide Financial Compliance Analyst
Statewide Accounting and Reporting Services (SARS)
155 Cottage Street NE
Salem, OR 97301

Dear Karen:

In response to your inquiry, I have included a table below regarding the status of the prior year audit findings from fiscal years 2020 and 2021 at the Oregon Liquor and Cannabis Commission (OLCC).

Finding #	Finding	Recommendation	Original Management Response	Original Corrective Action Planned	Progress	Reported Status	Management Response Update (as of 09/16/2022)
2021-008	Strengthen controls over statutorily required transfers	Strengthen internal controls to ensure the accounting systems reconcile and that the appropriate amount is being transferred to the General Fund each month.	OLCC agrees with the recommendation. The reconciliation process should be conducted and monitored on a regular basis within a 12-month period. The COVID pandemic and staff shortages have severely curtailed the agency's ability to perform routine reconciliations recently.	Within the 2022 fiscal year, the reconciliation process should be conducted monthly. There is still a concern of continued staffing shortages. In an effort to expedite this completion OLCC is working with a temporary agency to hire an Accountant 3 to help bring the agency process up-to-date. Once current, an OLCC staff member will be handling this on a routine basis.	Finding has been partially resolved.	Partial corrective action was taken.	A temp. has been working on the annual reconciliations since he started in May 2022. He has completed data entry and reconciled many differences through FY 2020 and is currently working on FY 2021. OLCC plans to continue using a temp. in this role until the reconciliations are caught up.

Finding #	Finding	Recommendation	Original Management Response	Original Corrective Action Planned	Progress	Reported Status	Management Response Update (as of 09/16/2022)
2020-011	Ensure timely completion of agent inventory audits	Complete agent inventory audits for all stores that haven't had one in the last 12 months as soon as possible. We also recommend management ensure control processes for agent audits are documented in formal written procedures.	OLCC conducted 284 audits during FY21, an increase of 60 stores (26.8%) over FY20 with only eight stores remaining that were not audited in FY21. We will continue to audit our stores through mid-November and restart in January after the busy holiday season.	Partial corrective action taken, continue work to complete work on this finding.	Finding has been partially resolved.	Partial corrective action was taken.	Partial corrective action began, but the agency has fallen further behind since COVID continued to impact our ability to perform audits. Some stores outside of the local area that were scheduled called at the last minute saying employees had COVID and they needed to close and didn't want to put anyone at risk. We have not yet set a policy to include the risk based factor of these audits, but that is something OLCC will be considering. Currently there are 31 stores that have gone beyond a twelve month audit period.

Finding #	Finding	Recommendation	Original Management Response	Original Corrective Action Planned	Progress	Reported Status	Management Response Update (as of 09/16/2022)
2020-012	Strengthen controls over system access	Perform regular, periodic system access reviews to ensure the continued appropriateness of assigned user access. We also recommend management update their policy to align with their decisions for meeting the control objectives.	OLCC has assigned an Office Information Systems (OIS) team member to review, quarterly, access and usage to the following OLCC systems: Agent Revenue Management (ARM), Daily Sales, Merchandising Business, Non-Budget Vouchers (NBV), Financials, and Oregon Liquor Agent Services. The first quarterly review was performed in November 2020. During FY 2021, OLCC reviewed usage for the above-mentioned systems based on logins but did not review overall access. The quarterly reviews in the future will include both access and usage. Results of the monitoring are communicated to the Director of Finance and the CFO. OLCC will update our policy to align with this new practice.	Partial corrective action taken, continue work to complete work on this finding.	Finding has been resolved.	Corrective action was taken.	Beginning for the quarter ending 12/31/2021, OLCC has been sending two quarterly audits to managers each quarter (one based on logins and one on permissions only).

If you have any questions or need any additional information please let me know.

Respectfully,



Kailean Kneeland
 Chief Financial Officer
 Oregon Liquor and Cannabis Commission

cc: Nicole Pexton, OLCC Internal Auditor



Shemia Fagan Secretary of State
Cheryl Myers Deputy Secretary of State, Tribal Liaison
Kip Memmott Audits Director

February 8, 2023

Steven Marks, Executive Director
Oregon Liquor and Cannabis Commission
9079 SE McLoughlin Blvd.
Portland, Oregon 97222

Dear Director Marks:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2022. This audit work was not a comprehensive financial audit of the commission, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above 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 did not identify any deficiencies in internal

control we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

Significant Deficiency

Implement procedures for cash handling

Criteria: OAM 10.10.00.PR.101; OAM 10.20.00.PR.124

Department management is responsible for ensuring internal controls are adequate to provide reasonable assurance that cash and check related transactions are properly controlled. Specifically, related to cash handling, state policy requires mail to be opened by two designated persons.

During inquiries regarding mail delivery and financial services processes, department management stated that at the main office incoming mail was opened, and contents examined by a single person as standard practice. Initially, mail is split open, sorted, and distributed to applicable financial staff. Mail is then opened and undergoes an additional sorting by a second individual prior to processing.

Department procedures do not align with state policy for dual custody of cash and checks, and there were no compensating controls in place to ensure all checks received in the mail were recorded.

We recommend department management implement cash receipting procedures to ensure checks are safeguarded, properly tracked, and accounted for in the financial records in accordance with state policy.

Other Issue

During the course of our audit, we became aware of the following matter that is considered an opportunity for strengthening internal controls. This matter does not require a written response from management.

OAM 10.15.00.PO states that transaction processing controls should be designed to ensure all valid transactions are recorded with none being omitted and that transactions are recorded in the proper accounting period. The commission issued bonds in fiscal year 2022. During review of cash for fiscal year 2022, we noted the commission recorded the cash received from bond issuance, however several off-setting entries related to the bond liability and payment of issuance costs were not recorded, or were not recorded correctly.

Prior Year Findings

In prior fiscal years, we reported significant deficiencies related to the commission's completion of agent inventory audits in a letter dated November 9, 2020 and certification of statutory transfers in a letter dated February 2, 2022. These findings can also be found in the Statewide Single Audit Reports for the fiscal year ended June 30, 2020 and June 30, 2021. See Secretary of State audit report numbers 2021-13 and 2022-18, finding numbers 2020-011 and 2021-008, respectively. During fiscal year 2022, the commission partially corrected each finding by continuing to perform agent audits and by performing prior year reconciliations to bring the process current. These findings will be reported in the

Statewide Single Audit Report for the fiscal year ended June 30, 2022, with a status of partial corrective action taken.

The above significant deficiency, along with your response for the finding, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2022. Please prepare a response to each finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Michelle Searfus by February 16, 2023 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with Government Auditing Standards in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Michelle Searfus, Audit Manager or Katie Hull, Senior Auditor at michelle.n.searfus@sos.oregon.gov or katie.hull@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Will Higlin, Deputy Director
Kailean Kneeland, CFO
Cathy Watson, Financial Services Assistant Director
Nicole Pexton, Internal Auditor
Paul Rosenbaum, Commissioner Chairman
Berri Leslie, Interim State Chief Operating Officer, Department of Administrative Services
Robert Hamilton, SARS Manager, Department of Administrative Services



Oregon

Tina Kotek, Governor

Liquor & Cannabis Commission

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503-872-5000

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www.oregon.gov/olcc

February 13, 2023

Michelle Searfus, Audit Manager
Secretary of State
255 Capitol Street NE, Suite 180
Salem, OR 97310

Dear Michelle:

In response to Secretary of State's Fiscal Year 2022 Management letter, I have included a table below regarding the Oregon Liquor and Cannabis Commission (OLCC) response.

Finding	Recommendation	Original Management Response	Corrective Action Planned	Name of Contact Person Responsible for Corrective Action
Need to implement cash receipting procedures to ensure checks are safeguarded, properly tracked, and accounted for in the financial records in accordance with state policy (OAM 10.10.00.PR.101; OAM 10.20.00.PR.124).	Implement cash receipting procedures to ensure checks are safeguarded, properly tracked, and accounted for in the financial records in accordance with state policy (OAM 10.10.00.PR.101; OAM 10.20.00.PR.124).	OLCC agrees with the recommendation.	OLCC will implement the appropriate procedures to ensure compliance with state policy by March 31, 2023.	Kailean Kneeland, OLCC Chief Financial Officer

Thank you for your consideration

Sincerely,



Steve Marks
Executive Director
Oregon Liquor and Cannabis Commission

CC: Rob Hamilton, SARS Manager
Kailean Kneeland, OLCC Chief Financial Officer
Nathan Rix, OLCC Deputy Director
Nicole Pexton, OLCC Internal Auditor