

MEMORANDUM

TO: Ad Hoc Committee on Liquor Control

FROM: Craig Howard, Senior Legislative Analyst, OLO
Leslie Rubin, Senior Legislative Analyst, OLO
Justina J. Ferber, Legislative Analyst, Council Staff

SUBJECT: **Worksession – Review of Alcohol Control in Montgomery County
Update on DLC Improvement Action Plan**

Those expected for this worksession:

George Griffin, Director, Department of Liquor Control (DLC)
Edgar Gonzalez, Deputy Director, DLC

The Department of Liquor Control will update the Committee on its Improvement Action Plan. The Committee has focused on the items listed below and request that DLC discuss their status prior to commencing with its review of other Action Plan items.

- Metrics (Headline Measures) for analyzing the Action Plan (CountyStat)
- Personnel Improvements - new Chief of Wholesale Operations and Warehouse Manager and OHR expediting advertising and hiring process and review of class specifications and general waiver from the hiring freeze
- Operations of the new Customer Service Call Center
- REOI for delivery operations and recommendations on lease vs. purchase of fleet
- Warehouse logistics report to analyze the warehouse layout and processes
- Remedies to the ordering and inventory systems – update on any changes and improvements made or underway to Oracle or other DLC processes that address the complaints and problems described by licensees during worksessions, surveys and public hearings related to ordering and inventory issues – See ©1 Improvements Made to Customer Experience with Ordering and Inventory Management System
- Progress on the three new stores and DLC development of a long-range of a strategic business plan for increasing the number of DLC retail outlets
- Status of Improvement Action Plan (An updated copy of the Action Plan will be distributed as an addendum when it is received from DLC.)

In addition to the Action Plan, the Committee would like a status report on the investigation by the CAO of the possibility of modifying the operating budget process for DLC referred to in his June 17 memo.

Attached Materials:

Circle #

Improvements Made to Customer Experience with Ordering and
Inventory Management System
Updated Action Plan (**to be distributed as an addendum**)

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DLC Ad Hoc Committee Meeting October 16
Improvements made to Customer Experience with Ordering and Inventory Management System

- **Enhanced Customer Experience in iStore:**
 - ***Enhance customer experience:***
 - Less clicks to access system - from 6 clicks to 1 click to enter the system
 - Extended iStore ordering deadlines
 - ***Streamlined ordering process for customers:***
 - iStore terminology has been changed to match DLC terminology
 - Additional information has been added to the Track Orders section and the checkout page that provides more relevant information for licensees, such as:
 - Delivery number
 - Trip number
 - Product tag
 - Number of bottles per case
 - Supplier name
 - Total number of cases ordered
 - Unit price
 - Discount (if applicable)
 - Total price of order
 - Email notification
 - Approximate 70 enhancement to iStore
 - Irrelevant columns have been removed from the Direct Item Entry screen to eliminate confusion about what information should be enter by the licensee
 - More options have been added to the search screens enabling licensees to further narrow their search and get more targeted results
 - ***Improved Warehouse Deliveries for Special Orders:***
 - Assemble-to-Order (ATO) was implemented through Oracle July 20th, which will improve delivery accuracy for special-order items
 - ***Enhanced customer reports:***
 - A new **Commercial invoice** that is easier to read/understand
 - A new **Licensee Payment Details Report** for easier bank charge reconciliation
- **Additional iStore enhancements are planned for the Fall:**
 - Updates include further enhancements to customer experience in iStore to:
 - Catalog Page
 - Shopping List
 - Tracking Orders

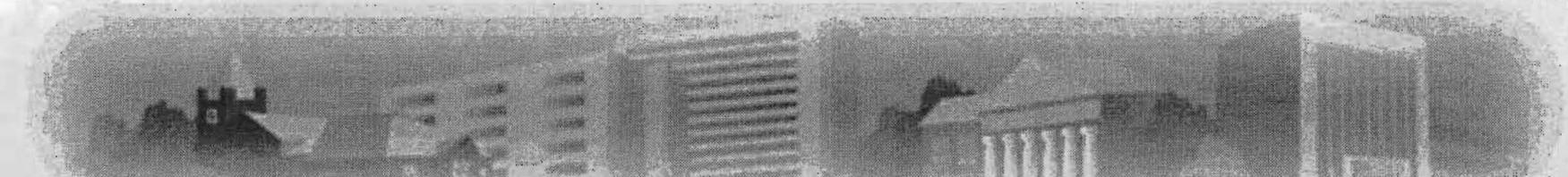


CountyStat
Performance Measurement and Management

DLCStat #5

October 14, 2015

**Department of Liquor Control
Department of Technology Services / ERP
Department of Finance
Internal Audit**



data-driven performance • strategic governance • government transparency • culture of accountability¹

- **Require Data-Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**

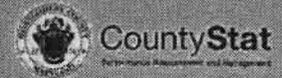
Agenda

1. **Review progress of follow up items from the 9/23/2015 meeting and action plan milestones**
2. **Provide an update on performance measures and customer returns data**
3. **Evaluate the Department of Liquor Control's (DLC) action plan implementation / progress updates to date**
 - Major accomplishments
 - Major upcoming actions
 - Identified risks

Desired Outcomes

Drive continuous performance improvement in DLC's Customer Service, Warehouse Operations, Special Order Management, Retail Operations, Delivery and Fleet Operations, and Financial Controls and General Operations through recurring systematic reviews, accountability meetings and data-driven discussions.

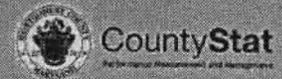
Follow Up Items from Prior DLCStat Meetings (1/2)



Action Items from Prior DLCStat Meetings:

Date	Party	Follow-Up Item	Status	Comments
5/27/2015	DLC	Identify industry thresholds and best practice standards for warehouse and delivery metrics such as acceptable levels of breakage, volume of customer returns, etc.	In Progress	NABCA -One additional reply received. However, applicants for the M2 and M3 positions suggested other ideas that should be incorporated once they come on board. Aim to complete by 11/30/15.
7/8/2015	CountyStat/ERP	Develop reporting on the time lags between the steps in the customer order through delivery process	Complete	After several refinements, the first dataset was shared with CountyStat on 10/12/15 reflecting the prior week's activity. Preliminary findings to be reported today.
7/8/2015	DLC	Engage OCA and perhaps DTS on the currently publicly available real estate data that reduces DLC's leverage when negotiating store leases	In Progress	Started discussions with DGS. Aim to complete by 1/31/16.
7/8/2015	DLC	Initiate a detailed review of truck routing	In Progress	Awaiting for new M3 to join the team, sometime in September. Aim to complete by 2/28/16.
8/12/2015	DLC	DLC will investigate why the shipment accuracy of Kegs regularly lags other product types	In Progress	DLC to provide update at DLCStat #4. Aim to complete by 10/31/15.
8/12/2015	DLC	DLC will weigh the option of honoring prices posted at the time of order, and provide estimates of the revenue impact of this policy choice	In Progress	Discussions of pros and cons have taken place. Need final decision made in the near future. DLC state this only an issue for beer and aims to have a final decision by 12/31/15, and must meet with ERP on process issues.

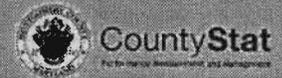
Follow Up Items from Prior DLCStat Meetings (2/2)



Action Items from 9/23/2015:

Date	Party	Follow-Up Item	Status	Comments
9/23/2015	DLC	DLC has one additional hire to make to fill out the staffing for the new Customer Solutions Center; DLC will commence training of Customer Solutions Center staff with a target go-live date of 11/1/2015	In Progress	All positions have been filled for the Customer Solution Center; Status of training and go-live of Customer Solutions Center?
9/23/2015	CountyStat	Develop reporting on the time lags between the steps in the customer order through delivery process	Complete	After several refinements, the first dataset was shared with CountyStat on 10/12/15 reflecting the prior week's activity. Preliminary findings to be reported today
9/23/2015	DLC	DLC will confirm that cashiers are using ONLY the eight valid reason codes when entering data into Oracle; DLC should investigate why additional reasons were being entered as of last DLCStat Meeting	In Progress	Cashiers have been instructed to only use the eight valid reasons [the number has gone down but as of 10/11, cashiers are still using extraneous codes]
9/23/2015	DLC/ERP	Investigate DLC's claims of challenges with Oracle relating to the consistency and integrity of data at each step of the business process (DLC gave the example of discrepancies between data on product routed vs. picked vs. invoiced)	In Progress	Issue is being worked on towards resolution by ERP and DLC staffs, working with outside consultants
9/23/2015	DLC	Open two new retail stores by the end of CY15, plus an additional two new and one replacement retail store by the end FY16	In Progress	DLC's goal continues to be to open two stores this year. But as a result of the site identification and selection process we are now aiming at opening four new stores in the Fiscal Year, one more than the initial request
9/23/2015	DLC/FIN	DLC and FIN have a few co-owned action items in the Improvement Action Plan (under Section VI: Financial Controls and General Operations) for which they must agree on timelines and expected completion dates	Complete	Agreement has been reached and dates finalized

DLC IAP Progress Updates – Milestones Summary



	MILESTONE	Milestone Date	9/30 Update	Lead	Support
	I. Improve Customer Service Action Plan				
MILESTONES	M1 Implement Customer Service Center (Including Improvements in iStore and iSupplier)	12/31/15	On Schedule (November 2015)	DLC	OMB, DTS, OHR
	M2 Implement Ongoing Performance Metrics and Customer Feedback/Improvement System	1/1/2016	On Schedule	DLC	ERP, Finance, CountyStat
	II. Improve Warehouse Operations Action Plan				
MILESTONES	M3 Implement Improvements in Inventory Management/Control Program	10/31/2015	On Schedule	DLC	OMB, OHR
	M4 Implement Improvements in Inventory Management Automated System (including use of scanners)	11/30/2015	On Schedule	DLC	ERP, DTS
	M5 Implement Organizational Changes	11/30/2015	On Schedule	DLC	CAO, OHR
	M6 Implement Ongoing Performance Metrics and Feedback/Improvement System	12/31/2015	On Schedule	DLC/CountyStat	Internal Auditor
	III. Improve Special Orders Action Plan				
MILESTONES	M7 Implement Improvements in Special Order Delivery Operations	10/31/2015	On schedule	DLC / ERP	Suppliers
	M8 Implement Ongoing Performance Metrics and Customer Feedback/Improvement System	11/30/2015	On schedule	DLC / CountyStat	ERP
	M9 Conduct Alternatives Analysis for: Special Orders Delivery Outsourcing, Direct Shipment, and Other Improvements	11/30/2015	On schedule	DLC	CAO/ACAO; State
	IV. Improve Retail Operations Action Plan				
MILESTONES	M10 Open Three (3) New Stores and Relocate One Store in FY16	6/30/2016	On schedule	DLC	DTS; DGS
	M11 Develop Long-Range Retail Store Business Plan/Strategy	6/30/2016		DLC	DGS, DTS, Co. Attorney
	M12 Implement Best Management Practices: Performance Monitoring and Internal Controls	10/31/2015	On schedule	DLC / CountyStat	
	V. Improve Delivery and Fleet Operations Action Plan				
MILESTONES	M13 Implement Improvements in Delivery Routing & Operations	12/31/2015	On schedule	DLC	DTS
	M14 Complete Analysis of Fleet Requirements and Alternatives and Develop Recommendations	10/31/2015	On schedule	DLC	DGS, PRO, OMB
	M15 Implement Improvements in Delivery & Fleet Performance Monitoring	10/31/2015	On schedule	DLC / CountyStat	
	VI. Improve Financial Controls and General Operations Action Plan				
MILESTONES	M16 Complete post Implementation FY15 transaction processing	8/31/2015	Complete	DLC	Finance, ERP
	M17 Implement improvements to financial and internal controls	6/30/2016	On schedule	DLC	Finance, ERP
	M18 Implement best practices: workforce planning, standard operating procedures, process improvements	6/30/2016	On schedule	DLC	Finance, ERP

DLC Returns Data Fields

DLC RETURNS DATA

Provided by Lines, Quantity, and \$ Amount - we use Quantity (# of cases)

Item Type	Reason Categories	Reason Codes
1) Beer SO [Special Order] 2) Beer ST [Stock] 3) Dunnage (i.e. Empty Kegs) 4) Kegs 5) Liquor SO 6) Liquor ST 7) Non-Alcohol 8) REF 9) Wine SO 10) Wine ST	Breakage Damage	Breakage Damage*
	Short on Truck	Short on Truck*
	Short - Wrong Case on Truck	Short - Wrong Case on Truck*
	Returned by Customer	Business Decision*
		Customer Did Not Want
		Duplicate Order*
		Refuses to Give Reason*
	Other Reason	AR Billing Error
		Credit and Rebill
		Damaged Product
Not Delivered		
Out of Date*		
Product Return		
Promotion Discount Error		
Repack Did Not Want*		
Wrong product		
Empty Kegs	Empty Kegs	

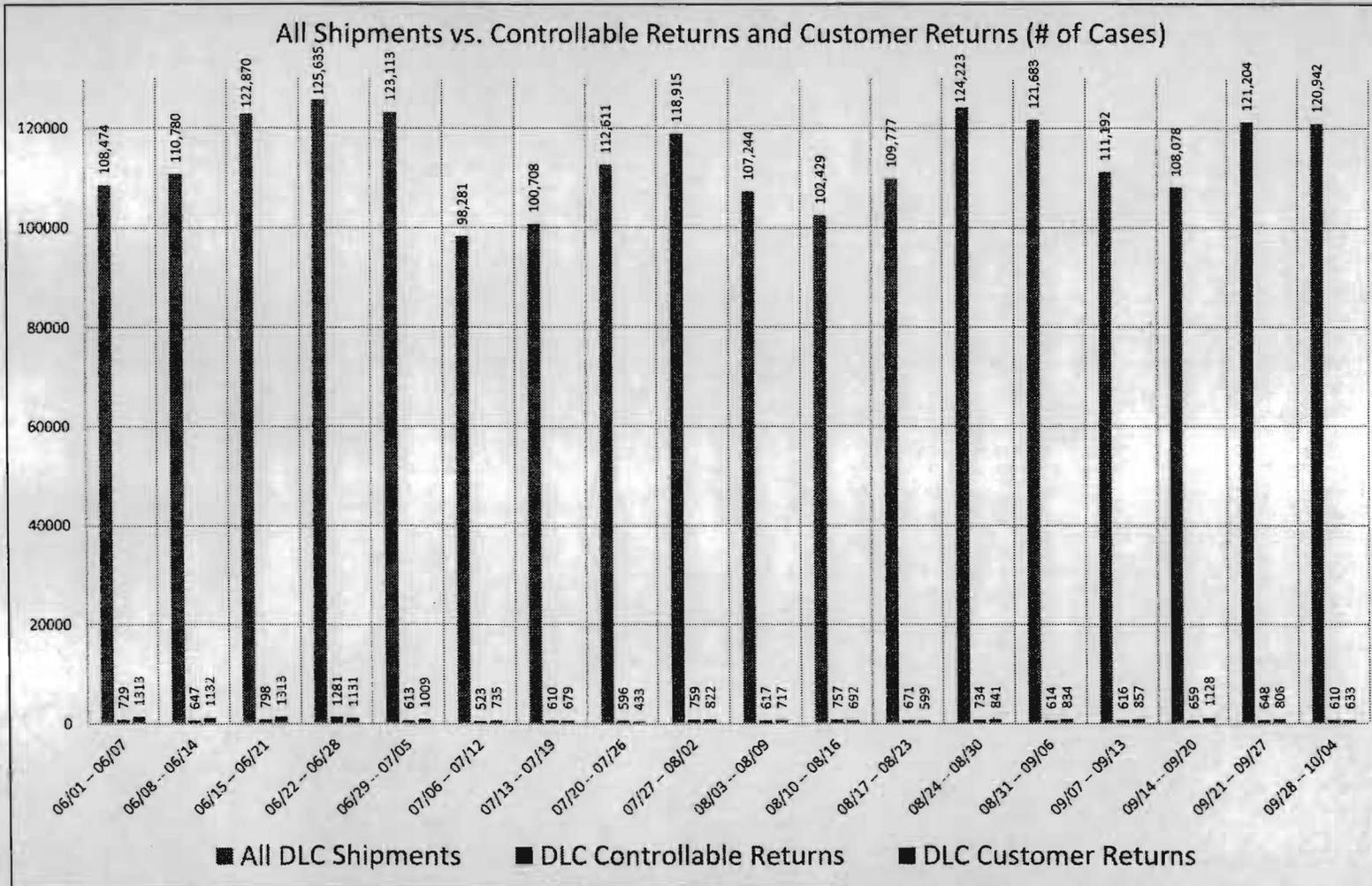
*Reason Codes that appear on the new DLC Credit Form under "Reason For Return"
 These Categories and Codes are considered "Controllable Returns" by DLC for related calculations

DLC Returns data displays ten different categories of Item Type, and six Reason Categories – two of which have multiple Reason Code options.

Three of the categories (breakage, short on truck, and wrong case on truck) are considered to be "controllable returns." Products may also be returned by DLC's warehouse by licensees who refuse delivery, with the licensees being granted a fair amount of leeway. These areas are the primary focus of the following charts.

Empty Keg returns are part of the normal course of business and have been removed from calculations as they are not considered returns of unwanted product.

Performance: Context



Since June 1, 2015, DLC has averaged nearly 114,000 cases shipped each week (“All Shipments”).

“Controllable Returns” include instances of product breakage, shorts on trucks, and wrong cases on trucks. Since June 1, 2015, DLC has averaged 693 cases returned each week that are considered “controllable”. $(693/113,787 = .61\%$ average).

Since June 1, 2015, DLC has averaged 871 cases returned each week because a licensee refused delivery even when it was correctly delivered by DLC. $(871/113,787 = .77\%)$

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	Returned by Customer	Business Decision*
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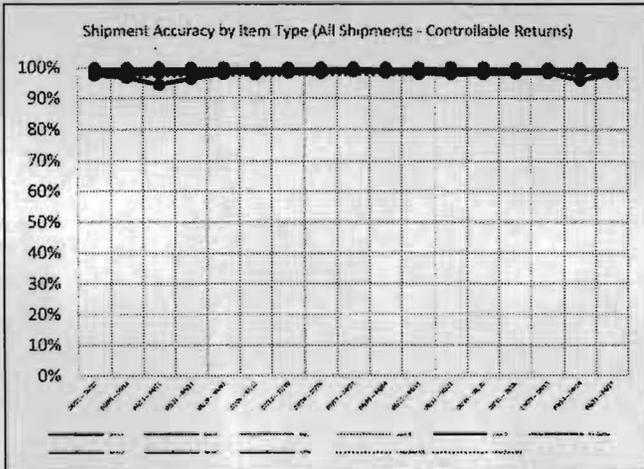
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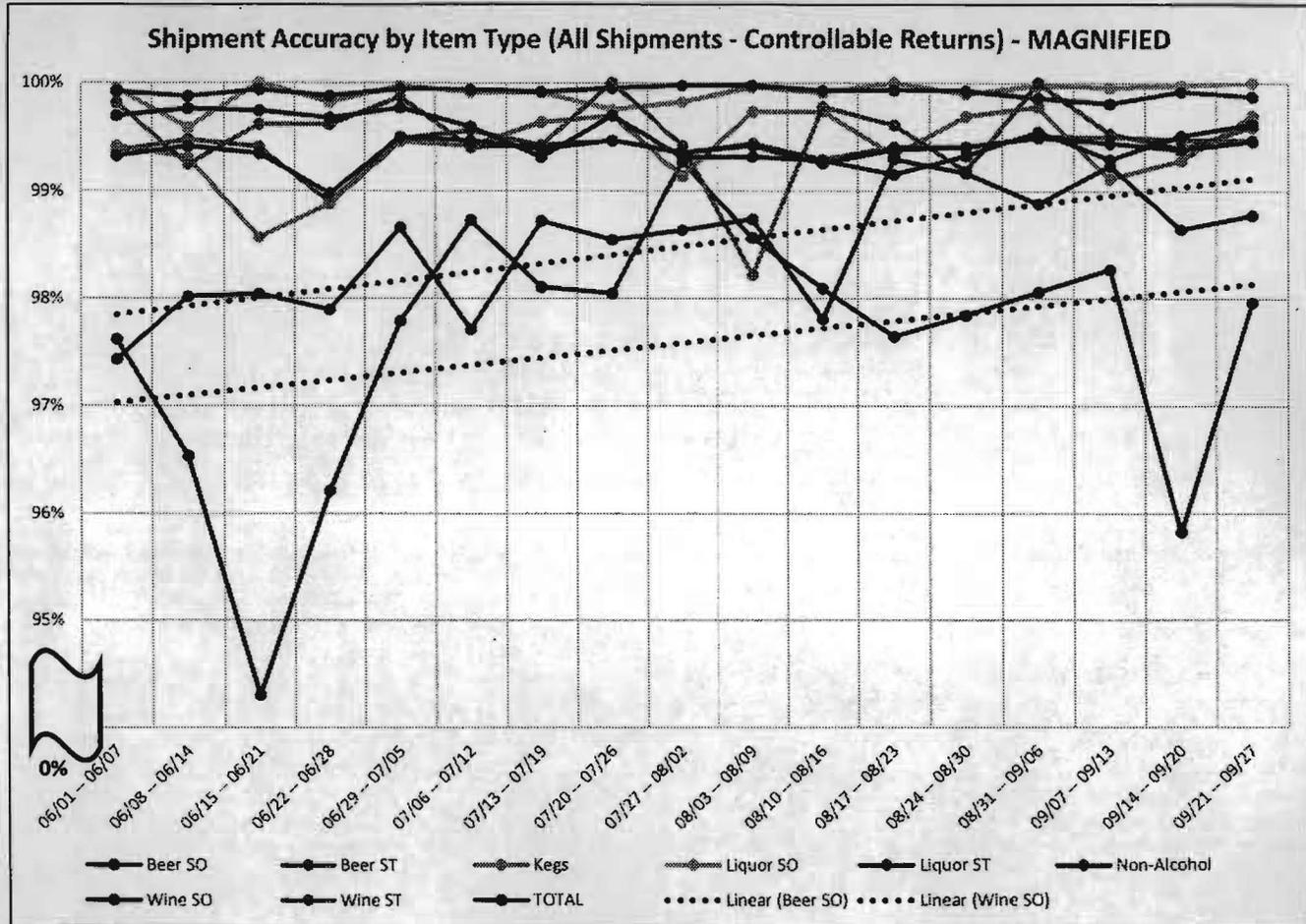
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Performance: Improve Shipment Accuracy



Shipment Accuracy = % of cases that had no controllable returns as a ratio of the total number of cases delivered to licensees. The goal is 100%. Total accuracy is consistently above 99% but when breaking out Item Types, the lowest performing items are Special Order Beer and Special Order Wine, though both are trending positively since June 1.



DLC Returns Data Fields

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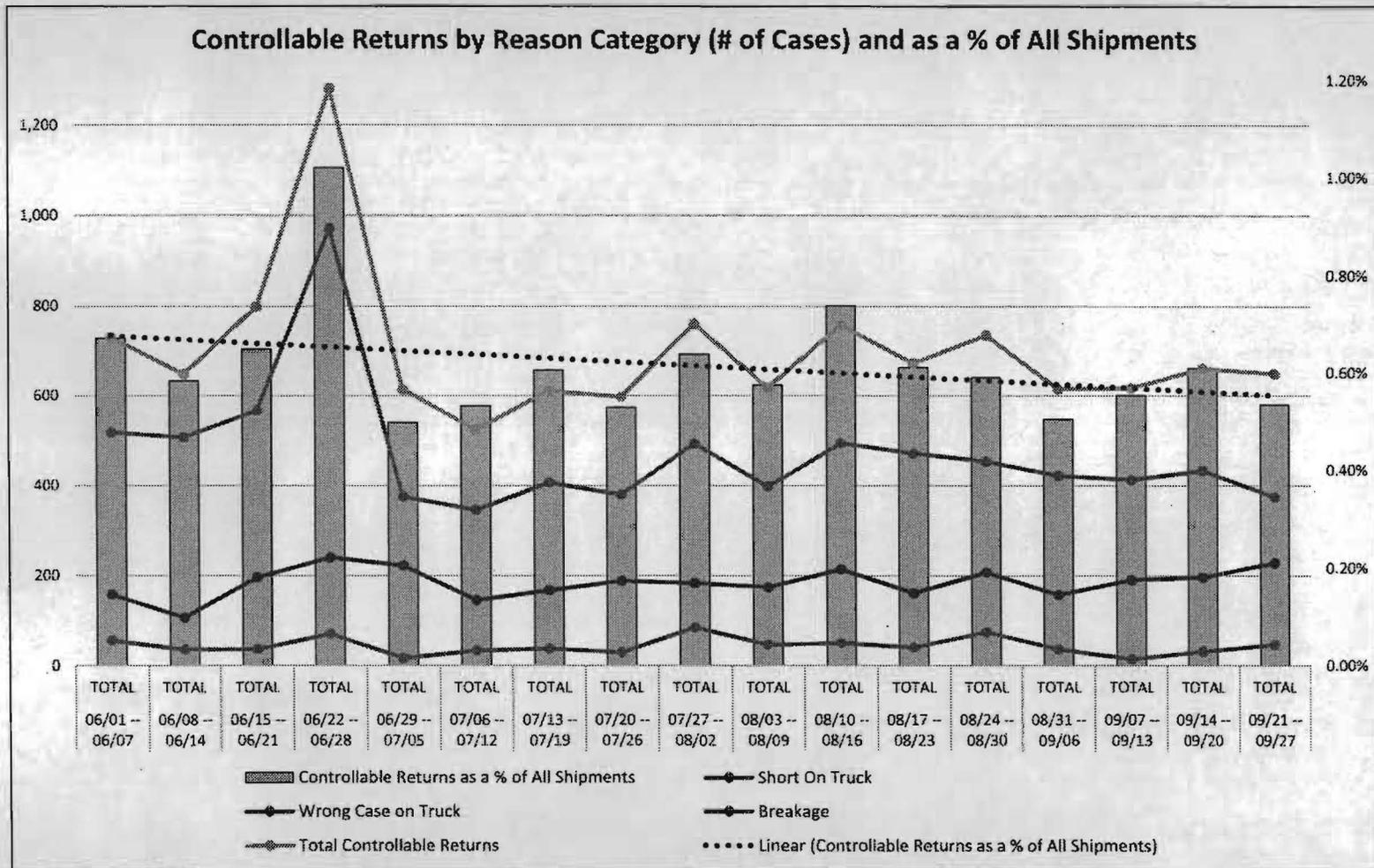
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Performance: Reduce Controllable Returns (1/2)

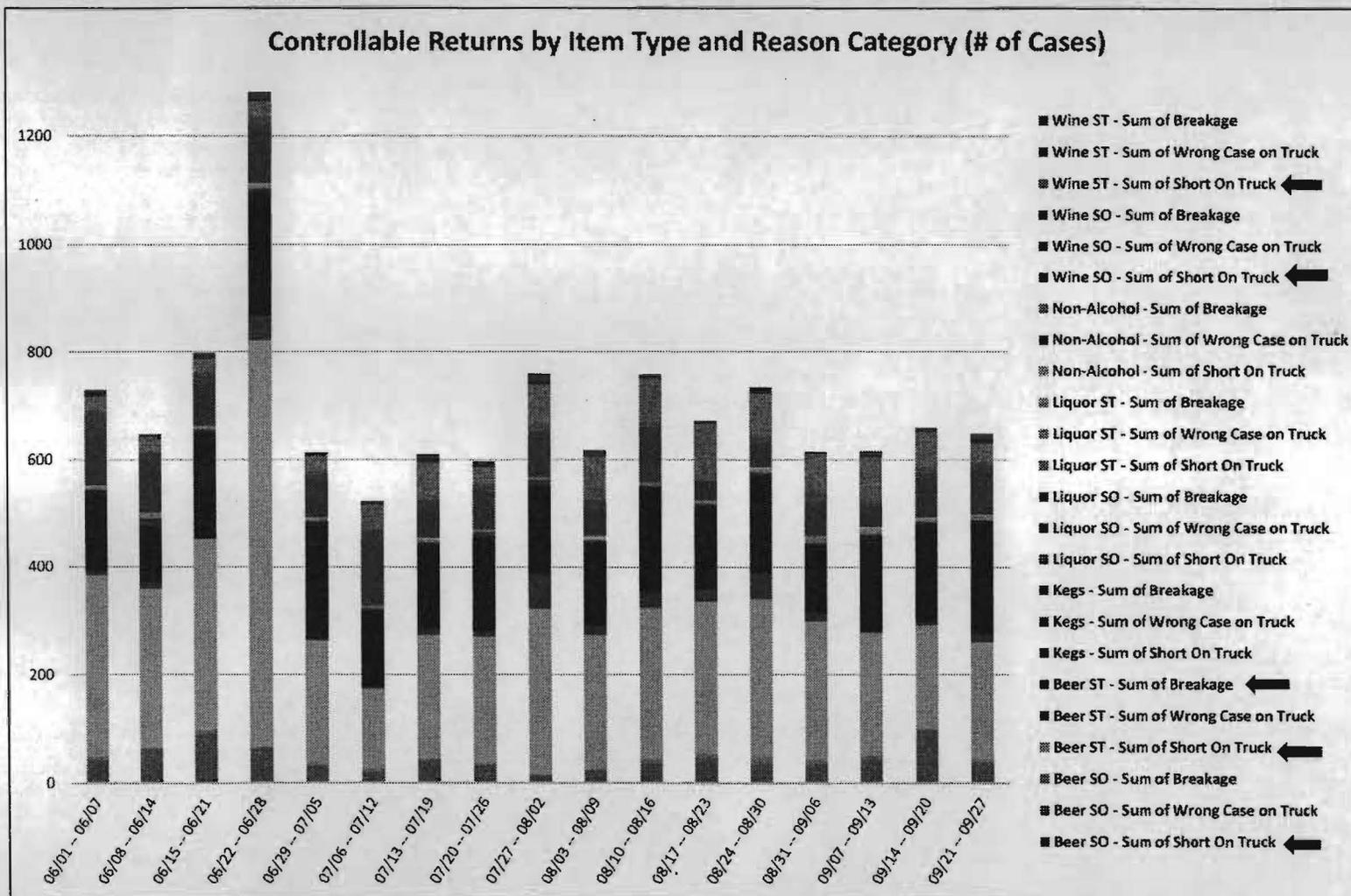


“Controllable Returns” include instances of product breakage, shorts on trucks, and wrong cases on trucks.

Since realizing improvements in shorts on trucks in late June, the numbers of cases within each of the three categories has remained consistent into late September, although controllable returns as a percent of all shipments (the red dotted line) has been trending downward since the summer months.

Performance: Reduce Controllable Returns (2/2)

Controllable Returns by Item Type and Reason Category (# of Cases)



The most common items types and reason categories that drive DLC's controllable returns are consistent week to week:

- Stock Wine/Short on Truck
- Special Order Wine/Short on Truck
- Stock Beer/Breakage
- Stock Beer/Short on Truck
- Special Order Beer/Short on Truck

DLC Returns Data Fields

DLC RETURNS DATA

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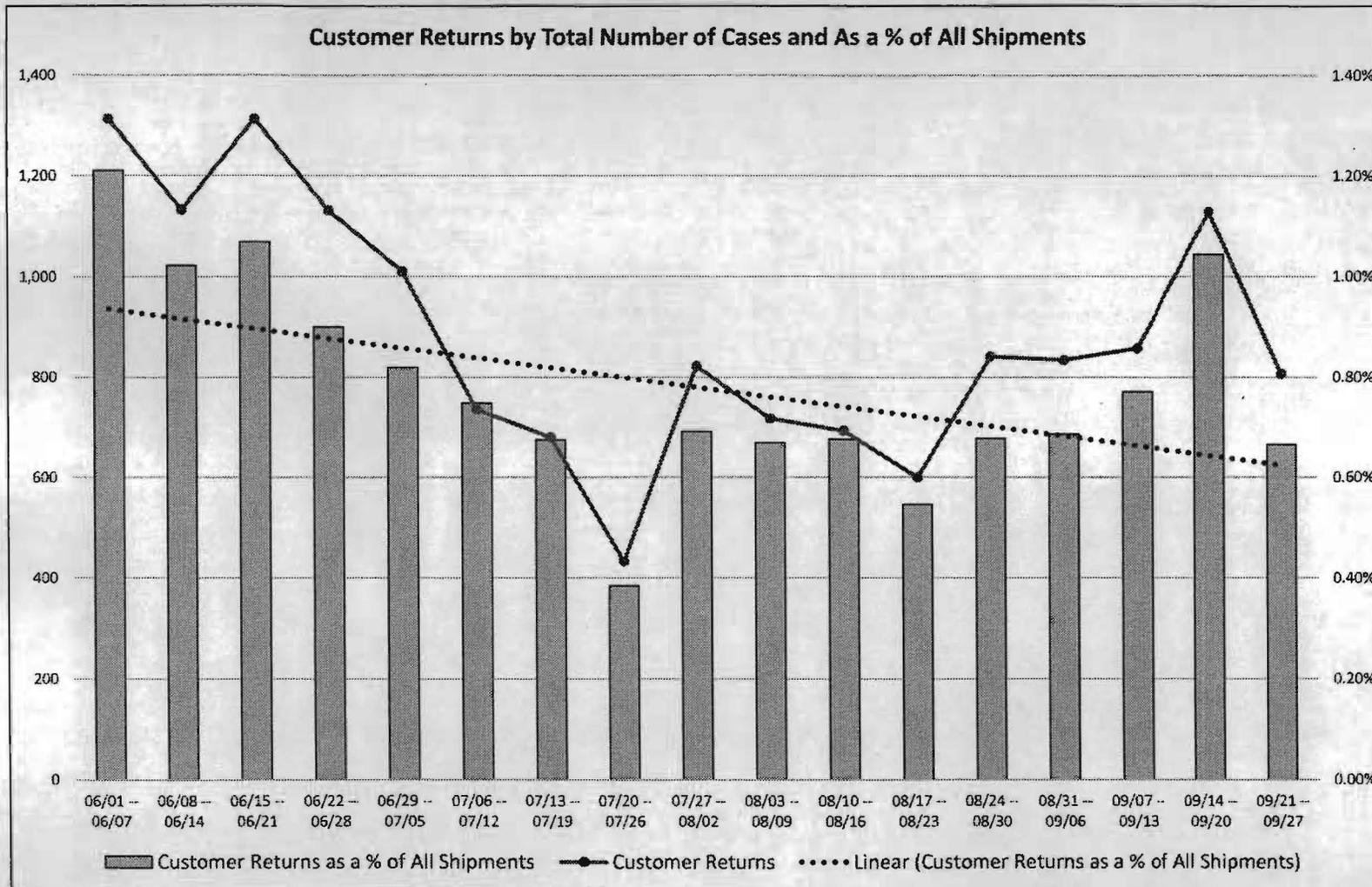
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Performance: Reduce Customer Returns (1/4)



Since June 1, Customer Returns of DLC product (regardless of reason) as a percent of all shipments is typically between 0.5% and 1% but has been trending down.

DLC Returns Data Fields

DLC RETURNS DATA

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Performance: Reduce Customer Returns (2/4)

Customer Returns by Item Type and # of Cases



Stock Beer is the most common Item Type returned by customers, followed by Special Order Wine, Stock Wine, and Special Order Beer

DLC Returns Data Fields

DLC RETURNS DATA

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Item Type	Reason Categories	Reason Codes
	Breakage Damage	Breakage Damage*
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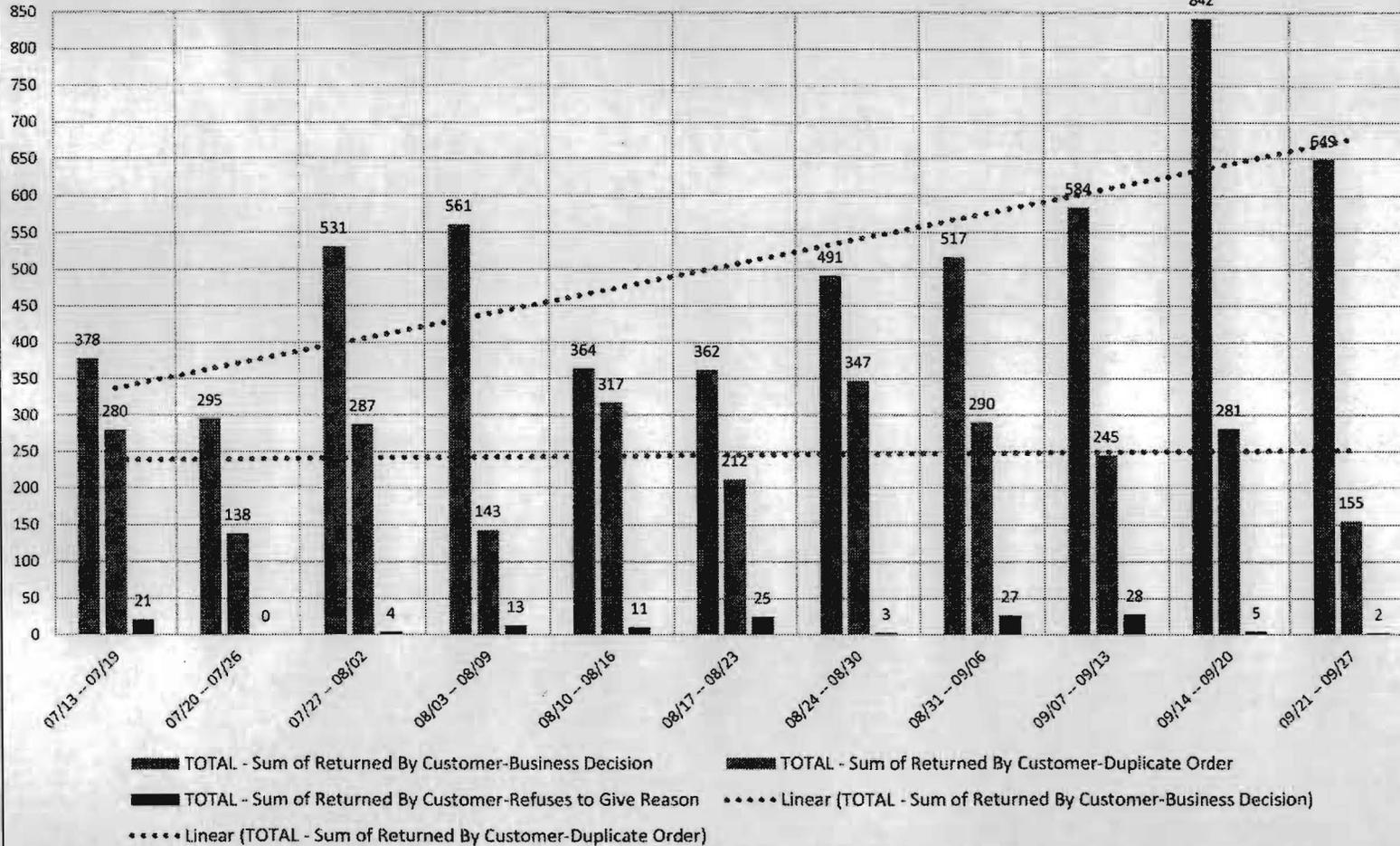
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Performance: Reduce Customer Returns (3/4)

Returned by Customer Reason Codes by # of Cases



Customer Returns using the reason of "Business Decision" has been trending up. Returns due to duplicate orders has been consistent, and customers refusing to give a reason for their returns does not seem to be a problem at this time.

DLC Returns Data Fields

DLC RETURNS DATA
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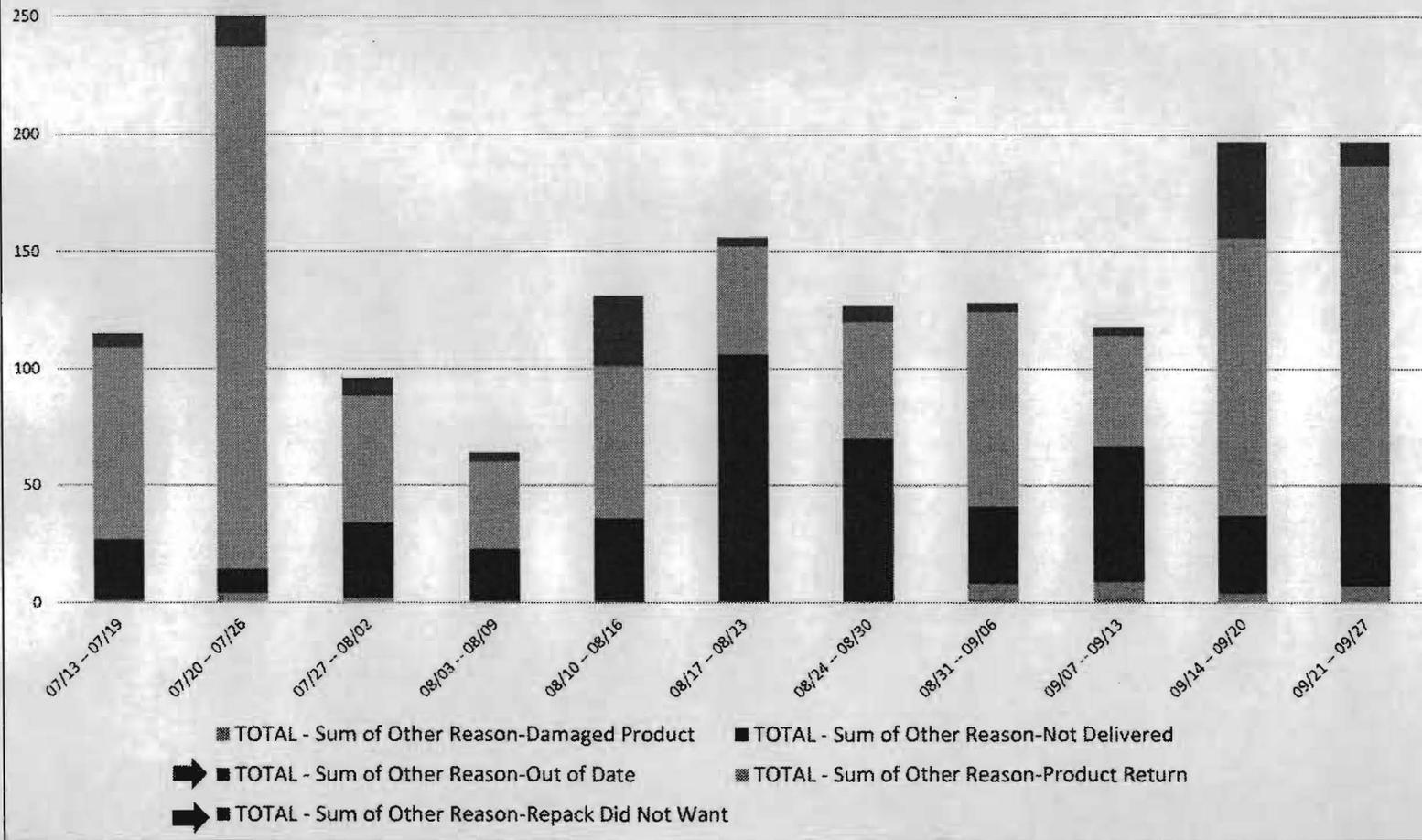
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Performance: Reduce Customer Returns (4/4)

Use of "Other Reason" Category by Reason Code and # of Cases
 (Only "Out of Date" and "Repack-Did Not Want" are Valid)

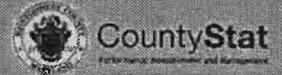


DLC Returns Data also has an "Other Reason" category with a variety of Reason Code options.

Only "Out of Date" and "Repack-Did Not Want" are valid, but cashiers are still selecting invalid reasons for customer returns, primarily "Product Return."

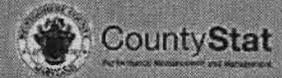
DLC has instructed cashiers to only use the valid reasons and use of the invalid codes is decreasing but as of 10/11 they are still showing up in the weekly reporting.

DLC IAP Progress Updates – Milestones Summary



MILESTONE		Milestone Date	9/30 Update	Lead	Support	
MILESTONES	I. Improve Customer Service Action Plan					
	M1	Implement Customer Service Center (Including improvements in iStore and iSupplier)	12/31/15	On Schedule (November 2015)	DLC	OMB, DTS, OHR
	M2	Implement Ongoing Performance Metrics and Customer Feedback/Improvement System	1/1/2016	On Schedule	DLC	ERP, Finance, CountyStat
MILESTONES	II. Improve Warehouse Operations Action Plan					
	M3	Implement Improvements in Inventory Management/Control Program	10/31/2015	On Schedule	DLC	OMB, OHR
	M4	Implement Improvements in Inventory Management Automated System (Including use of scanners)	11/30/2015	On Schedule	DLC	ERP, DTS
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	M6	Implement Ongoing Performance Metrics and Feedback/Improvement System	12/31/2015	On Schedule	DLC/CountyStat	Internal Auditor
	III. Improve Special Orders Action Plan					
MILESTONES	M7	Implement Improvements in Special Order Delivery Operations	10/31/2015	On schedule	DLC / ERP	Suppliers
	M8	Implement Ongoing Performance Metrics and Customer Feedback/Improvement System	11/30/2015	On schedule	DLC / CountyStat	ERP
	M9	Conduct Alternatives Analysis for: Special Orders Delivery Outsourcing, Direct Shipment, and Other Improvements	11/30/2015	On schedule	DLC	CAO/CAAO; State
MILESTONES	IV. Improve Retail Operations Action Plan					
	M10	Open Three (3) New Stores and Relocate One Store in FY16	6/30/2016	On schedule	DLC	DTS; DGS
	M11	Develop Long-Range Retail Store Business Plan/Strategy	6/30/2016		DLC	DGS, DTS, Co. Attorney
	M12	Implement Best Management Practices: Performance Monitoring and Internal Controls	10/31/2015	On schedule	DLC / CountyStat	
MILESTONES	V. Improve Delivery and Fleet Operations Action Plan					
	M13	Implement Improvements in Delivery Routing & Operations	12/31/2015	On schedule	DLC	DTS
	M14	Complete Analysis of Fleet Requirements and Alternatives and Develop Recommendations	10/31/2015	On schedule	DLC	DGS, PRO, OMB
	M15	Implement Improvements in Delivery & Fleet Performance Monitoring	10/31/2015	On schedule	DLC / CountyStat	
MILESTONES	VI. Improve Financial Controls and General Operations Action Plan					
	M16	Complete post implementation FY15 transaction processing	8/31/2015	Complete	DLC	Finance, ERP
	M17	Implement improvements to financial and internal controls	6/30/2016	On schedule	DLC	Finance, ERP
	M18	Implement best practices: workforce planning, standard operating procedures, process improvements	6/30/2016	On schedule	DLC	Finance, ERP

I. Improve Customer Service Milestones & Updates (1/2)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M1: Implement Customer Service Center (including improvements in iStore and iSupplier)	12/31/15	Ahead of schedule	DLC	OMB, DTS, OHR

Major Accomplishments to Date:

*Job offers have been made to all 10 grade 18 positions. Nine of the positions, including two for the now called "Solution Center" were filled during the month of September. The last grade 18 position is scheduled to report to work on October 5. *John Zeltner has been selected and has already reported to work as the new Manager of Wholesale Operations (M2). * Mr. Michael Vogel has been selected as the new Warehouse Manager (MLS 3). He will report to work on October 5. * A second MLS 3 position has been created and approved by the CAO to be in charge of product picking, routing, and delivery to stores and licensees. Expect to fill the position during the month of October. * Solution Center Manager has been selected, with expected start date of October 19, 2015. * Solution Center staff will undergo training during the month of October with a goal to go "live" by the first week of November, 2015. *The iStore enhancements continue with a goal to complete over 110 changes in November, 2015.

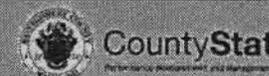
Upcoming Major Action Items:

* Fill 100 percent of the management positions during the month of October. (Two MLS 3, and the Manager of the Solution Center.) * Initiate the evaluation of warehouse personnel needs: positions, training, new technology. *Complete training in Siebel, Oracle and iStore for the new positions in LRE dealing with licenses and Solution Center needs. * Prepare the launching of the "Solution Center" in early November, 2015.

Current Risks:

*Timely training of the Solution Center staff in Oracle, iStore and Siebel to ensure smooth initial operations.

I. Improve Customer Service Milestones & Updates (2/2)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M2: Implement ongoing performance metrics and customer feedback/improvement system	1/1/2016	On schedule	DLC	ERP, FIN, CountyStat

Major Accomplishments to Date:

- Have continued the refinement of performance metrics in cooperation with NABCA, CountyStat and the experience and expertise of new management staff. Task expected to be completed by start of calendar 2016, with desired completion in October – November.

Upcoming Major Action Items:

- Continue enhancements to iStore with desired goal to complete by end of October or mid-November. * Develop and conduct survey of licensees about the changes made so far to the iStore site. * Request production of new Oracle reports to improve performance in the areas of inventory accuracy and right size, slow moving products, right sizing our inventory. * Ensure integrity of Oracle data moving from receiving, to routing, to picking, to loading/delivering and then invoicing.

Current Risks:

- * Identifying and resolving issues associated with Oracle and the actual business practices followed by our employees.

II. Improve Warehouse Ops Milestones and Updates (1/4)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M3: Implement improvements in inventory management/control program	10/31/2015	On schedule	DLC	OMB, OHR

Major Accomplishments to Date:

* New Division Chief for Wholesale Operations has been hired effective September 21, 2015; and offer has been extended to new Warehouse Manager. *Emphasis this month has been given to clearing up the warehouse from surplus inventory, with a goal of eliminating surplus by the end of October. This will improve efficiency, effectiveness and accuracy of deliveries to licensees. * New warehouse management has been implementing changes to improve safety of personnel and efficiency of operations by clearing out aisles and using racks more efficiently. * Review of reasons for returns are providing good guidance on whether to institute a restocking fee for product returns for which the DLC has no fault. *ATO for special order wine and liquor is fully implemented.

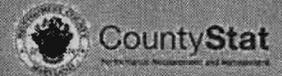
Upcoming Major Action Items:

*Warehouse Manager to start work on Monday, October 5th, and Delivery Manager to be extended offer in early October with desire to have him start work by Monday, November 2. * Need to complete the sale and/or returns of unallocated inventory by the end of the month of October. * Analyze “returns and shorts” metrics and make recommendations for reductions.

Current Risks:

* Transition of new management bringing significant changes to warehouse operations and reaction from staff.

II. Improve Warehouse Ops Milestones and Updates (2/4)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M4: Implement improvements to inventory management automated system (including use of scanners)	11/30/2015	On Schedule	DLC	ERP, DTS
<p>Major Accomplishments to Date:</p> <ul style="list-style-type: none"> * Tracking of back-orders for Beer, Liquor and Wine has helped to straightened out inventory accuracy, including the use of selected cycle counts. * About 60 percent of the requested changes to iStore have been implemented and remaining changes are expected to be completed not later than mid-November. * Survey questions for licensee feedback have been developed and are under review for survey implementation in October. * New management has requested a review of scanner technology in use at DLC in order to improve speed. * Levels of inventory are under review by new management. <p>Upcoming Major Action Items:</p> <ul style="list-style-type: none"> * Continue changes to improve iStore/iSupplier modules. * Invite providers to present new scanner technology and visit sites where latest technology is in use. * Complete evaluation of levels of inventory product in the warehouse and adjust the min-max rules based on demand in the recent past. <p>Current Risks:</p> <ul style="list-style-type: none"> * None anticipated at this time. 				

II. Improve Warehouse Ops Milestones and Updates (3/4)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M5: Implement organizational changes	11/30/2015	On Schedule	DLC	CAO, OHR

Major Accomplishments to Date:

- Division Chief for Wholesale Operations already hired, and new Warehouse Manager has been made offer, with expected starting date of October 5, 2015. * CAO has authorized an additional MLS 3 for Distribution and Delivery of products. Awaiting position creation by OHR and expect to hire new manager sometime in October. * Other staff additions/changes will wait for further analysis as requested by the CAO.

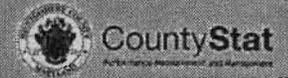
Upcoming Major Action Items:

- Initiation of work by the new two MLS 3's in October. * Evaluation of current personnel complement, need for training and/or additional personnel.

Current Risks:

- * Transition of new management and challenges associated with reaction by existing personnel to possible significant changes. We are prepared for it.

II. Improve Warehouse Ops Milestones and Updates (4/4)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M6: Implement ongoing performance metrics and feedback/improvement system	12/31/15	On schedule	DLC/ County Stat	Internal Auditor
<p>Major Accomplishments to Date:</p> <ul style="list-style-type: none"> New tracking forms for returns indicate that over 40 percent of returns are due to “Business Decisions”. * Analysis of licensee returns show that about five percent of licensees have higher than average volume of returns while returning product more frequently. * No new metrics have resulted from our outreach to NABCA and other control states. <p>Upcoming Major Action Items:</p> <ul style="list-style-type: none"> * Complete analysis of licensee returns, and as a result develop and present options for possible establishment of re-stocking fees. * Discuss with Comptroller’s Office clarifications to returns policy at the State level, to ensure adherence to the law. <p>Current Risks:</p> <ul style="list-style-type: none"> * None at this time. 				

III. Improve Special Orders Milestones and Updates (1/3)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M7: Implement improvements in special order delivery operations	10/31/2015	On schedule	DLC, ERP	Suppliers

Major Accomplishments to Date:

*New Division Chief for Wholesale Operations has been hired effective September 21, 2015. Major initial steps have been to reduce unallocated stock and create safe aisles for warehouse employees in the Special Order areas. * New Warehouse Manager to report to work on October 5, 2015. * New Delivery Manager expected to report by November 2, 2015. * Elimination of unallocated stock will facilitate appropriately locating, picking and delivery of special orders. * Expect successful disposition of unallocated stock by end of October, either thru shipping to County Stores or return to suppliers

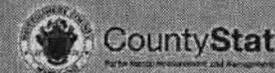
Upcoming Major Action Items:

*Evaluate use of different technology for the warehouse, including but not limited to scanners and forklifts, to improve efficiency and effectiveness. * Complete disposition of unallocated products to create space and smooth operations in the Special Order areas of the warehouse. * Observation of current operations and start changes to current practices by the new Warehouse Management team.

Current Risks:

* Changes are on the way and some resistance may be encountered, as things have been done the same way for many years. We are prepared to smooth the transition.

III. Improve Special Orders Milestones and Updates (2/3)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M8: Implement ongoing performance metrics and feedback/improvement system	11/30/2015	On schedule	DLC, County Stat	ERP, FIN, MCIA
<p>Major Accomplishments to Date: *NABCA has confirmed that no additional metrics are being used, or at least have not been provided to them, by other control states. * With new M2 and MLS 3 on board by early October, we will start getting their input into the matter with a target completion date of October, 2015.</p> <p>Upcoming Major Action Items: * Complete the development of metrics during the month of October, with input from CountyStat and new warehouse management.</p> <p>Current Risks: *None anticipated at this time.</p>				

III. Improve Special Orders Milestones and Updates (3/3)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M9: Conduct alternative analysis for: special order delivery outsourcing, direct shipment, and other improvements	11/30/2015	On schedule	DLC	CAO, State of MD

Major Accomplishments to Date:

*New M2 and one MLS 3 are now on board. Alternatives to be developed and evaluated during October, with goal to complete recommendations by end of November.

Upcoming Major Action Items:

*Review initial ideas and incorporate other possibilities during October and November with objective to improve operations significantly by Spring, 2016 the latest.

Current Risks:

* Local State Delegation may act before major improvements occur.

IV. Improve Retail Ops Milestones and Updates (1/3)

	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M10: Open Three New Stores and Relocate One Store in FY16	6/30/2016	On schedule	DLC	DTS, DGS
<p>Major Accomplishments to Date:</p> <p>*Site visits confirmed the desirability of the new five sites and the willingness of the landlords to negotiate with the County. * Initial offers for leasing have been made to property owners and we have received counter offers, which are under review. * Two of the new sites are within the City of Rockville and landlords have initially declined to do the demolition needed to have sites more easily fit for our use and occupancy. Negotiations continue. * Two other sites are either under construction or have current tenants. They should not be available to us until late on the first quarter of 2016 or early in the second quarter. * The fifth site, in Bethesda, will be a replacement to the Chevy Chase store.</p> <p>Upcoming Major Action Items:</p> <p>*Complete negotiations for the first two sites in Rockville and continue negotiations for the remaining three. * Develop detailed plans to fit the new sites, hiring and training of new personnel, ordering of displays and design the layout for the two new stores, with goal of opening by the Holiday season.</p> <p>Current Risks:</p> <p>* Delays in any critical activity: completion of lease negotiations, signing contracts, hiring and training of personnel, procurement issues associated with making sites available.</p>				

IV. Improve Retail Ops Milestones and Updates (2/3)

	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M11: Develop Long-Range Retail Store Business Plan / Strategy	6/30/2016	Not Started	DLC	DGS, DTS, OCA

Major Accomplishments to Date:

- * General discussion and idea exchange has occurred with Brown Forman, who will be assisting the Department on this matter.
- * Major efforts, however, will not occur until we have made significant progress in the opening of the first two new DLC stores.

Upcoming Major Action Items:

- * Review of previous recommendations in the strategic plan so that activities can start in full force once we have certainty on achieving the opening of the two new stores.

Current Risks:

- * None at this time.

IV. Improve Retail Ops Milestones and Updates (3/3)

	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M12: Implement best management practices: Performance monitoring and internal controls	10/31/2015	On schedule	DLC, County Stat	
<p>Major Accomplishments to Date: * New reports for "Backorders" of Beer, Liquor and Wine are being produced, and then used to do unscheduled "cycle counts" for products that appear to be missing. * Process has been operating very well since early September for Special Order Beer and is more recently being used for special order wine and liquor as well. * Level of inventory kept for different products are under review, to create space efficiencies in the warehouse, facilitate picking and delivery and right size money invested in inventory.</p> <p>Upcoming Major Action Items: *Start implementing changes to min-max levels for product inventory based on more recent sale trends. * Improve coordination of product purchase by buyers with actual inventories and sale trends.</p> <p>Current Risks: * None at this time.</p>				

V. Improve Delivery and Fleet Milestones and Updates (1/3)



	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M13: Implement improvements in delivery routing and operations	12/31/2015	On schedule	DLC	DTS
<p>Major Accomplishments to Date: *Tally sheets reveal that between 30 and 40 percent of the product returns are for business reasons. * Have started analysis of returns by customers' quantities and frequency of returns. * New warehouse manager to start October 5 and new delivery manager later in October. These hires will permit for closer scrutiny of deliveries and reasons for returned product.</p> <p>Upcoming Major Action Items: * New managers to start the detailed review of delivery schedules and technology in use for delivery routing. * Similar analysis needed for receiving product as well.</p> <p>Current Risks: *None at this time.</p>				

V. Improve Delivery and Fleet Milestones and Updates (2/3)



CountyStat
Reporting to the Board of Supervisors

	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
M14: Complete analysis of fleet requirements and alternatives and develop recommendations	10/31/2015	On schedule	DLC	DGS, PRO, OMB
<p>Major Accomplishments to Date:</p> <ul style="list-style-type: none"> * Implementation of the agreement with DGS, Procurement and OMB for the first six replacement trucks is under way. Order is expected to be processed before mid-October. * Draft REOI for the remainder of the fleet has been prepared and reviewed by affected Departments. * Schedule has been accelerated to advertise the REOI by November 17, with responses due by December 17, 2013. Selection team has been agreed to. <p>Upcoming Major Action Items:</p> <ul style="list-style-type: none"> * Finalize the REOI and advertise it on schedule, on November 17, 2015. <p>Current Risks:</p> <ul style="list-style-type: none"> *None anticipated. 				

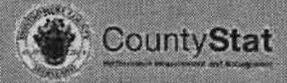
V. Improve Delivery and Fleet Milestones and Updates (3/3)



CountyStat
Performance Measurement and Management

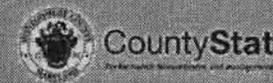
	Milestone Date	Current Status (9/30)	Lead Party	Supporting Party(ies)
<p>M15: Implement improvements in delivery and fleet performance monitoring</p>	10/31/2015	One Month Delay	DLC, County Stat	
<p>Major Accomplishments to Date: * Activities for this Milestone will heavily rely on experience and decisions by the new management team for the Wholesale Distribution and Warehouse Operations. Expect to be fully staffed by end of October with recommendations in November, one month behind our desired schedule. NABCA has not provided any additional information.</p> <p>Upcoming Major Action Items: *Continue working with CountyStat in the development of new metrics and engage newly hired staff to direct the effort.</p> <p>Current Risks: *None Anticipated</p>				

VI. Improve Financial Controls and General Ops Milestones and Updates (1/3)



	Milestone Dates	Current Status (9/30)	Lead Party	Supporting Party(ies)
M16: Complete remaining post implementation FY15 transaction processing	8/31/2015	Complete	DLC	Finance, ERP
<p>Major Accomplishments to Date: N/A</p> <p>Upcoming Major Action Items: N/A</p> <p>Current Risks: Year-end audit fieldwork begins in October; any auditor requests relating to transactions that involved processing issues or temporary manual solutions will not be known until that time.</p>				

VI. Improve Financial Controls and General Ops Milestones and Updates (2/3)



	Milestone Dates	Current Status (9/30)	Lead Party	Supporting Party(ies)
M17: Implement improvements in financial and internal controls across DLC operations	6/30/2016	On schedule	DLC	Finance, ERP

Major Accomplishments to Date:

* Developed and implemented Business Intelligence (BI) report designed to make it easier for DLC A/P staff to research and match invoices to PO lines in order to process payments. FIN A/P staff conducted training and facilitated system access for new hire for DLC A/P. * Completed fix to configuration of A/P Trial Balance, and implementing for October to increase efficiency of monthly A/P closing process. * Completed modifications to ensure one invoice is generated per delivery date, even if delivery contains multiple orders, to facilitate matching processes. * ACH rejection and collection processes fully transitioned from DLC to Finance; documentation is in final review by DLC and anticipated to be complete in October. * Substantial progress made in developing standardized receipt templates for warehouse and LRE cash receipts; during testing identified opportunities for further efficiencies in the approach requiring modifications to the templates, and resulting in a slight delay to implementation.

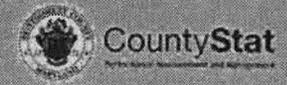
Upcoming Major Action Items:

* Complete reviews and finalize documentation over business process changes relating to: ACH rejections and collections, receipt reversals, credit card reconciliations, creation of LRE customers, recording of LRE invoices * Initiating documentation over areas such as keg returns/RMA's. * Continue and complete efforts to automate the recording of Zero Balance Account (ZBA) sweeps. * Complete the redesign, testing, and implementation of templates for warehouse and LRE cash receipts. * Continue the A/R validation process (SLA to GL) which had to be deferred and completed as part of the year-end closing process. * Continued support of DLC variance/cycle count processes recently initiated; this focus, along with DLC planned improvements to warehouse product workflow have resulted in a deferral of the next planned full physical counts and related reevaluation of the count processes. * Continued ERP and FIN support of DLC A/P operations. * Continue to identify gaps in warehouse and inventory daily controls that contribute to financial transaction processing issues. * Continue efforts to more fully automate bank reconciliation activities through resolving causes of exceptions

Current Risks:

Year-end closing and audit priorities will increase the completing priorities for financial accounting resources required to resolve certain action items. * End-to-end processes originating in the warehouse impact financial transaction processing; as a result, improvements and efficiencies in financial processing depend heavily on future DLC/FIN collaboration when implementing resolution of current issues and when evaluating policies and procedures.

VI. Improve Financial Controls and General Ops Milestones and Updates (3/3)



	Milestone Dates	Current Status (9/30)	Lead Party	Supporting Party(ies)
M18: Implement best practices: workforce planning, standard operating procedures, and process improvements	6/30/2016	On schedule	DLC	Finance, ERP

Major Accomplishments to Date:

*Identification of key positions for Succession Planning has been completed. * Tracking of reasons for return is underway with recommendations planned for October. * Un-scheduled variance/cycle counts are being implemented for beer and now extended to liquor and wine. * Implemented automated status updates for ACH transactions in the A/P module that reconcile in a fully automated manner. * FIN conducted interviews with DLC staff as part of initial phase of a FIN initiative to establish Countywide enhanced policies and procedures over cash collections *

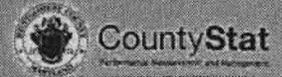
Upcoming Major Action Items:

* Complete analysis of reasons for returns since July, 2015 and make recommendations for reductions. * Note have deferred implementation of automated consolidation of DLC to MCG general ledger, to allow more time to fully evaluate implications, and continue the manual workaround process in the meantime. * Continued focus on improvements to warehouse processes and controls, including those that relate to ATO, and that impact financial transaction processing * Continued analysis of OCR options for more fully automating the three-way-match and bill paying processes

Current Risks:

*OCR solution is not currently budgeted for

Appendix – DLC Definitions



Lines: The number of different products returned by customers. (If a customer returns four different items, the number of lines would be four, regardless of the number of cases returned for each item.)

Quantity: The number of cases returned by the customers. (If a customer returns three cases for each of four different wines, the quantity would be 12.)

Amount: The cost of the product returned. (This would be the sum of the multiplication of the quantity of cases ordered and the unit cost for each case.)

Total (Lines, quantity and amount): The total number of different items, quantities ordered and total cost of all orders placed during the same time period and shown below the heading "All Shipments".

Short on Truck: Difference between the quantity and price in an invoice billed to a licensee and the actual quantity and value delivered.

Short Wrong Case: Quantity and value of product taken to a licensee that is returned because it is different than the order placed, according to the Customer.

Breakage Damage: Quantity and value of product broken as part of the delivery process. Product would have been in the original invoice, but credit is given because of the breakage.

Customer Did Not Want: Quantity and value of product that is not accepted by a licensee and it is then returned to the warehouse. *(This measure will be modified effective the middle of July to reflect specific reasons why the product is being sent back to the DLC.)*

All Shipments: Lines, quantity and value of different products ordered during a given time period. In our case in the week covered by the range in dates

Shipment Accuracy: Percentage of lines, quantities and product cost that had no problems with: shorts, wrong cases, returns because the customer did not want the product the day of delivery, or breakage as a ratio of the total number of lines, quantities and value expected to be delivered to the licensees. Perfection in this area would be 100 percent. (Ex. If a customer returns two cases of each of three different wines and each wine costs \$5.00 the lines would be three, the quantity would be six and the amount would be \$30.00.)

