Virginia ABC Board Meeting Minutes
August 13, 2026

Call Meeting to Order

Attendees

Board Chair, Tim Hugo
Vice Chair, Mark Stepanian
Board Member, Lisa Jennings, via Teams
Board Member, Dr. Lucretia Mason Underdue
ACEO, Tom Kirby
Deputy Secretary, Chris Curtis
GC, LaTonya Hucks Watkins
CFO, Dave Alfano
CHR, John Singleton
Office of the Attorney General, Elizabeth Peay
Senior Paralegal, Helen Gordon
Sales Audit Lead Analyst, Martha Jackson

Board Appeal Hearings

- The hearings began at 9:40 a.m. and the Board recessed at 10:33 a.m. for deliberations.
- In the matter of The Alpine Goat Brewery v. VA ABC, Vice Chair Stepanian motioned to modify the initial decision. The motion was seconded by Board Member Mason-Underdue and passed unanimously (4-0).
- In the matter of Cheetahs v. VA ABC-Vice Chair Stepanian motioned to modify the initial decision. The motion was seconded by Board Member Mason-Underdue and passed unanimously (4-0).
- The Board came out of deliberations at 11:04 a.m.

Opening Remarks

- Chair Hugo opened the Board meeting at 11:14 a.m. with a discussion of the Board wishing to receive their Board materials via mail to their homes.
- ACEO Kirby stated that he did not like to get the attachments because it's hard to open them. If you want to try a PDF mailing one meeting and then if that doesn't work, we will try mailing them and ACEO Kirby will be copied on the e-mails to make sure you can open them.

New Business - Board Approval

Approve Minutes from July 16 , 2026 Board Meeting

- Chair Hugo asked if there was any discussion on the minutes from the July 16, 2026 meeting? There being no discussion, the Chair asked for a motion.
- Vice Chair Stepanian made a motion to approve the minutes from the July 16th Board meeting as written.
- Board Member Mason-Underdue seconded the motion.
- The Chair called roll; all members voted, "aye".

YADAPP Update:

- Katie Crumble, Director of Community Health and Engagement made a presentation on the recent YADAPP conference.
- Ms. Crumble stated that her team does education and prevention programming across the Commonwealth. Last fiscal year, there were 190 events, with approximately 40,000 + people participating. We were able to reach over 13.5 million people with alcohol safety and health education. One of the largest programs we do every year is YADAPP. This year's theme was Agents of Change and the event was held at Christopher Newport University.
- We have 20 teams with twenty adult sponsors and twenty students in each group.
- 34,798 people have been reached with these plans. While at the conference , we developed 20 plans for this year. We gave out seed money grants while at the conference.

- Board Member Mason Underdue, how did you advertise for this?
- Ms. Crumble, we advertise at the end of each calendar year with mail to every high school and every community service board and we do marketing on social media.
- YADAPP has been around for 43 years, so it has a strong impact in several areas.
- Board Member Mason Underdue, do you have a goal for attendance?
- Ms. Crumble, attendance pre-COVID was about 70 teams per year. We did the event virtually during COVID. We are now capping attendance at 20 teams due to our budget.
- Vice Chair Stepanian, what is your plan?
- Ms. Crumble, it is a strategic plan for their school. We get them the data for their local community; Example: students pick a substance to address then they develop a strong prevention plan that appeals to their target audience. Some ideas they've come up with before are to turn in a vape and get a gift card. Some plans incorporate adding their topic to the school health topics. There are lots of events and after-school alternative activities planned.
- Vice Chair Stepanian, are the plans student driven?
- Ms. Crumble, 100%.
- Chair Hugo, what is the budget this year?
- Ms. Crumble, the YADAPP budget is $150,000 and we get a contribution from NABCA.
- Ms. Crumble, we get two grants from NABCA; one is $372,000 for non-personnel. This is how we reach the 13.5 million people.
- ACEO Kirby, Stateways is a magazine that reports on all things dealing with control states. ABC did make some submissions to Stateways and Katie's team was voted best consumer education-community. Katie and her team developed dashboards that are accessible to everyone that needs them.

Internal Audit Update:

- Holly Garner, Director of Internal Audit, indicated that APA has already begun the IT Audit this year and we have not received any questions so far.
- Chair Hugo, a lot of businesses use external auditors, what is the benefit of that?
- Ms. Garner, it would cost ABC an additional 40% to hire external auditors. You don't get to know the organization as an external auditor, but you focus on one specific topic. Having an overall organizational understanding is a big benefit. It's more difficult to tackle other items when you are focused on only one thing.
- The Distillery Store and retail stores' audits met our goals. We audited 16 distillery stores. We use a risk-based approach to determine which stores to audit. We work with the distillery store program manager as the audit gives her good insight on who might need an audit.
- We also perform remote audits; we only do remote audits for those stores that are the lowest risk; a store that has been audited before and where we didn't have any findings. Of course, remote audits don't give us the opportunity to count the inventory. It's a good tool to use to determine if they are reporting accurately.
- Ms. Garner, for the Expense Review FY25, we worked with the leadership team on this report and decided to cancel the audit. We would have to start all over as the information was old and leadership has increased oversight of expenditures.
- We have complaints that come in from anyone through the Office of the State Inspector General hotline. We must investigate because we are an Authority. HR felt that they needed an independent group to investigate some things. Investigations were more HR-type complaints, not fraud, waste or abuse other than an abuse of a policy.
- Chair Hugo, are we compliant with everything we should be compliant with, including PCI ?
- Ms. Garner, the PCI audit is not one we do.

- CFO Alfano, ABC recently received the results of the third-party PCI compliance review indicating that ABC has demonstrated 100% compliance with all PCI requirements.
- Chair Hugo, you are telling us an audit plan, but you aren't telling us the results
- ACEO Kirby, to know the results, you need to know what was examined. Instead of giving you these multiple-page reports, we could give you the areas we examined and the findings.
- Sometimes in an audit, it can show an organization's vulnerabilities. We don't want those vulnerabilities viewed in a public meeting.
- Ms. Garner, I think the year-end results of the retail and distillery stores will give you what you are looking for.
- Moving on to FY27's audit plan, we will need comment and approval for this at some point. The Warehouse audit has already started and will be completed this year.
- There are new guidance documents coming out for retail so those will need to be reviewed before we can conduct more retail audits.
- We have already done 8 distillery store audits and hope to complete 15 reports for distillery stores this year. We currently have 1 ongoing investigation.
- ACEO Kirby, in order for this to move forward, the Board needs to vote on this to allow them to proceed with this audit plan.
- Board Member Jennings, I have one comment, I agree with the risk-based audit section. I do not agree with the risk-based testing. I think you should have 100% testing on all things. I think it's very weak and unreliable. I think you should use your new staff and investigate some modern techniques.
- Ms. Garner, do you mean specifically for the IT audits?
- Board Member Jennings, I feel very strongly against sampling. They are not typically used anymore for reliance on results, but I will vote for your plan today.
- Chair Hugo, why don't we vote, and we can discuss this further at the next meeting?
- Vice Chair Stepanian made a motion to approve the internal audit plan.
- Board Member Mason Underdue seconded the motion.
- Chair Hugo called the roll, all members voted, "aye".

Financial Update:

- CFO Alfano reviewed the unaudited June financial results that will not be considered final until the conclusion of the APA FY2026 audit.
- June in-store and on-line sales of $119.5M are 6.3M or 5.6% above budget and are $6.5M or 5.8% greater than the prior year.
- The favorable variance was driven by the three-day Spirits Palooza sales event. Total Spirits Palooza sales were nearly $23M representing an increase of over $7M versus the same three-day prior year period.
- Spirits Palooza materialized in early May as ABC discussed levers to pull to disrupt the nationwide decline in Spirits sales.
- Chair Hugo, thank you for the texts. How many are on your texting list now?
- ACEO Kirby, we are near 70,000 now.
- I think Spirits Palooza was a huge success, and suppliers are asking when we are going to have the next one. In a down market, this was an aggressive play.
- Chair Hugo, I know this has been a team effort.
- CFO Alfano, ABC's gross profit in June is $4.4 million favorable to budget as a direct result of the increase in sales combined with supplier-funded discounts from Spirits Palooza that reduced cost of goods sold.
- CFO Alfano, total year-to-date net revenues of $1,220.8M are $6.8 million below budget.

- In FY26 total operating expenses of $301.8M were relatively flat versus the prior year , even after funding the impact of the $1,500 state-wide bonus, a 3% pay increase, and normal inflationary increases in rent, utilities and general operating expenses.
- Vice Chair Stepanian, we were talking before about silos. The easiest thing to do is to drop the price but the execution across the board was what was impressive as well as working the suppliers.
- Chair Hugo, you are leveraging the suppliers.
- CFO Alfano, Spirits Palooza wouldn't have worked without the partnership and agreement with suppliers.
- Chair Hugo, I can't tell you the kudos you got from suppliers. It is a transformational relationship that we are leveraging now. What was the biggest takeaway from the event? What was the one or two things that made this work?
- ACEO Kirby, the single factor contributing to the success of Spirits Palooza was the level of employee engagement and collaboration across ABC including the Distribution Center, Retail, Marketing, Enforcement, Communications, and employees from HQ that assisted in the stores.
- CFO Alfano, net profits in FY26 were $236.6M or $11.1M greater than the profit transfer commitment.
- ACEO Kirby, the net profit margin in FY26 was 19.4%, which is a significant accomplishment when costs are rising and sales are falling.

Comments from the Board

- Chair Hugo asked for any comments from the Board. There were none.

Public Comments

- Chair Hugo asked if there were any comments from the public.
- Tom Lisk, the Board used to post on the website the meeting materials as well as the agenda but that's not happening now. I would ask the Board to consider returning those to the site, so we don't have to submit a FOIA request for them.
- Chair Hugo, I will bring that up Mr. Lisk, we want to be as transparent as possible. When is our next meeting?
- Deputy Secretary Curtis, we would like to circulate some dates for you at the early part of next week.

Closed Session

- Legal matters
- Vice Chair Stepanian made a motion to move the Board into closed session to discuss legal and personnel matters
- Board Member Mason-Underdue seconded the motion.
- The Chair called roll; all members voted "aye".
- The Board moved into closed session.

Meeting Adjournment

Meeting adjourned at: 1:31 p.m.