

# Beaufort County ABC Board

## Performance Audit Report



Alcoholic Beverage Control Commission  
400 East Tryon Road, Raleigh, NC 27610  
p: 919-779-0700 | f: 919-661-5927 | <http://abc.nc.gov>



**ABC**  
COMMISSION  
NORTH CAROLINA

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# ABC

COMMISSION  
NORTH CAROLINA

## Alcoholic Beverage Control

October 16, 2024

CHAIRMAN:  
Hank Bauer

Beaufort County ABC Board  
Donald Sadler, Chair  
770 Carolina Ave.  
Washington, NC 27889

COMMISSIONERS:  
La'Tanta (L.T.) McCrimmon  
Raleigh

David Sherlin  
Raleigh

Chairperson Sadler,

DEPUTY COMMISSIONER:  
Mike DeSilva

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Beaufort County ABC Board. The report consists of an overview of the objectives & background summary, financial analysis and findings, and a summary of actions recommended based upon your board's performance and related findings. Additional considerations are listed as well to provide further guidance and enhance awareness to promote ABC board success.

LOCATION:  
400 East Tryon Road  
Raleigh NC 27610

MAILING:  
4307 Mail Service Center  
Raleigh NC 27699-4307

PHONE: (919) 779-0700  
<http://abc.nc.gov/>

Please reach out if you have any questions or require assistance in implementing any of the statute requirements, Commission rules, or other recommendations included in the report. On behalf of the North Carolina ABC Commission, I thank you and your staff for your assistance and cooperation in conducting this periodic review. We appreciate the continued efforts by your board to comply with the performance standards, as well as the board's commitment to increase profitability and reduce expenses.

If we can be of assistance in the future, please do not hesitate to reach out to the Commission staff.

Respectfully,

Michael DeSilva  
Deputy Commissioner

## **OBJECTIVE, PURPOSE & BACKGROUND INFORMATION**

In addition to regular and special financial audits, G.S. 18B-705(a) authorizes the NC ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvement.

The audits are designed to ensure that all local ABC Boards comply with established performance standards pursuant to G.S. 18B-203(a)(20). The audit's scope addresses compliance with ABC laws and rules, store appearance, operating efficiency, solvency, and customer service.

To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, Reports, and Administrative Policies
- Verify compliance with Commission and Board policies
- Verify results of previous performance audit recommendations
- Review ABC Board annual independent financial audits
- Review ABC Board reporting and documentation reports
- Visit the store(s)
- Interview key ABC Board personnel

Beaufort County is in the eastern part of the North Carolina and included in the “inner banks” region. The county is best known for its history and waterways. Washington is the county seat and largest town. The county’s population per the 2020 Census was 44,652 residents which was approximately a six- and one-half percent (6.5%) population decrease since 2010.

Chapter 493 of the 1935 Pasquotank Act authorized Beaufort County to hold an election for an ABC store. The referendum was held on June 29, 1935, and passed 2,923 to 964. The first retail sales occurred July 12, 1935. On May 3, 1994, a mixed beverage election was held for the county and passed 4,046 to 3,746. The Beaufort County board of commissioners appoint one (1) chairperson and two (2) board members. Current members include Donald Saddler (Chair), Anthony Tyre, and William O’Neal.

The Beaufort County ABC Board operates six (6) retail stores and is the only board with stores in Beaufort County. The board currently staffs twenty-three (23) total employees, with six (6) full time and seventeen (17) part time employees. The general manager is serving on an interim level and has twice been the general manger before. She has recently returned to the board temporarily as the previous general manger departed within the weeks before Commission visit. She describes her main responsibilities as inventory, ordering, and employee-human resources. The finance officer has been with the board for over three years and is responsible for all things billing and accounting. Each store has a store manager responsible for scheduling, store upkeep, and inventory. There is currently a warehouse manager and operations manager in training who deal with a variety of board operations to include mixed beverage. All other staff are engaged in customer service, daily operations, floor upkeep, truck delivery, and sales.

*The last performance audit for the Beaufort County ABC Board occurred in 2016. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.*

# OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On Thursday, August 8, 2024, ABC Board Program Analyst Edwin Strickland, and ABC Audit/Budget Manager Quinn Woolard visited the Beaufort County ABC Board and interviewed the interim General Manager, Jo Kay Smith, Finance Officer Meagan Phelps, Chairperson Donald Sadler, Member Anthony Tyre, and other board personnel. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**750 Carolina Ave. Washington, NC.**





**821 John Smalls Ave. Washington, NC.**

## **FINANCIAL ANALYSIS**

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### **INVENTORY TURNOVER**

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The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set goals for determining an effective rate based on the frequency of deliveries. Below are the turnover rates based upon the delivery schedule:

- Once a week deliveries target at 6 times or more per year
- Twice a month deliveries target at 5 times or more per year
- Monthly deliveries target at 4.5 times or more per year

The Beaufort County ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2022-2023 was 4.3, which is somewhat below the goal.

## PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Beaufort County ABC Board had a profit percentage to sales of 4.81%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Beaufort County ABC Board’s gross sales totaled \$8,123,253, which was an approximate 4% increase from the previous fiscal year. The board’s sales have grown 36% over the last five completed fiscal years.

Beaufort County ABC Board operates six retail stores with mixed beverage sales. The operating cost ratio for the board was .76 in FY 2022-2023. The NC ABC Commission standard for ABC Boards with three or more stores and mixed beverage sales is .63 or less.

Thus, the Beaufort County ABC Board did not meet the profitability standard, or the operating cost standard set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2022-2023	FY 2021-2022
<b>Gross Profit on Sales</b>	\$2,015,674	\$1,938,791
<b>Income from Operations</b>	\$390,850	\$515,171

*Factors affecting profitability and cost include:*

- Surrounding counties with other ABC Boards operating stores within an approximate thirty (30) mile range of Beaufort County ABC: Pitt County, Martin County, Pamlico County, Washington County, and Craven County.
- A 5.3% unemployment rate in Beaufort County in June of 2023, a 3.4% decrease from the previous year.
- An ABC Board’s average cost of goods sold (COGS) is between 52% & 54% per year. The Beaufort County ABC Board’s cost of goods sold was approximately **52.2%** in FY 2022-2023.
  - *The board currently has thirty-two (32) mixed beverage customers per commission’s database. In FY 2022/2023 mixed beverage accounted for approximately nine (9%) percent of sales.*



## BUDGET ANALYSIS

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	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$8,976,271	\$8,123,253	(\$853,018)	(9.5%)
Revenue over or (under) Expenditures		\$204,710		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were nine and one half (9.5%) percent below forecast. In addition, the net income change during the fiscal year was \$95,953. *The board's collective net position on June 30, 2023, was \$3,069,684; the net position has increased 29% in the last five (5) fiscal years.*

## DISTRIBUTIONS

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G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients. Some of these distribution percentages are designated by an official local enabling act (and thus distribution requirements and recipients are subject to vary).*

In FY 2022-2023, Beaufort County ABC made other statutory distributions totaling \$296,249 (Net profit distribution recipients received \$229,512 of this). The amount of \$793,410 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Beaufort County.

*Per the local enabling act, the distribution formula for recipients of net profits is as follows:*

- 100% to Beaufort County General Fund -board of county commissioners are authorized to pay Washington, Belhaven, Bath, an Aurora an amount not to exceed 20% of their store's profits.

**DISTRIBUTIONS (cont.)**

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➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Beaufort County ABC board has made net profit distributions over the last five (5) fiscal years which meet the minimum mandatory distribution those years in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been properly disbursed above the standard 5% statute amount for the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for the last five (5) FYs.

<b>NC GENERAL STATUTE: 18B-805 (c)(1)</b>			
<b>Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients</b>		<b>Beaufort County ABC Board Net profit distribution made annually by fiscal year</b>	
<i>Note: Referencing CPA Audit Reports</i>			
<b>Calculated Amount</b>		<b>Total paid to recipient(s)</b>	
FY-2023	\$229,512	FY-2023	<b>\$229,512</b>
FY-2022	\$221,394	FY-2022	<b>\$221,394</b>
FY-2021	\$216,757	FY-2021	<b>\$216,757</b>
FY-2020	\$201,027	FY-2020	<b>\$201,027</b>
FY-2019	\$172,663	FY-2019	<b>\$172,663</b>

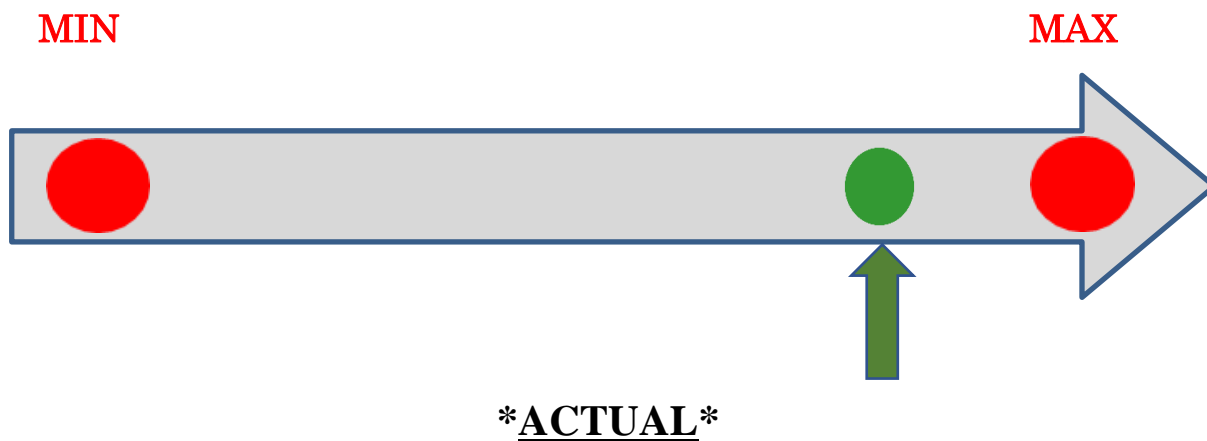
## WORKING CAPITAL

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G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital maximum standard for boards with annual gross sales greater than \$1.5M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2023, the Beaufort County ABC Board is required to maintain a minimum working capital of \$240,762 with a maximum working capital amount of \$1,564,956. The Beaufort County ABC Board had a working capital balance of \$1,366,458 which is less than the maximum Commission requirements for this section (\*).

### **\* FY 2022-2023: Working Capital (WC) graphic**



Under 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE**

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*The findings for personnel, operational & administrative compliance are as follows:*

- **Board Meetings:** The board generally holds board meetings on the third Monday of each month. They record regular meeting minutes and provide public notification and awareness of these meetings. The meeting minutes are organized by session and kept in a book for review. The minutes reviewed did indicate the date and time, did review and approve old minutes, did have conflict of interest statement, and did discuss new policies. *Meeting minutes reviewed were not signed by the Chairperson.*
- **Oaths of Office:** Board members take an oath before taking office or before the execution of the office per G.S. 11-7 and written copies of oaths are kept in board's office.
- **Training records review:** Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b).
- **Board member compensation & General Manager (GM) salary:** Board members receive compensation for their services at or below the maximum \$150.00 per meeting. *Any future salary changes should be relayed to the ABC Commission for record retention.*
- **Board website review:** The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note:** As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
  - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- **Board Personnel & Board Members:** The general manager provides board members with financial reports for the board's review at meetings including sales and comparison with last year, mixed beverage sales, and bottle numbers. The board's law enforcement officer reports on their duties and activities. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits. Board members have an array of experience in business, government, and counseling.
- **POLICIES:** The board has a robust personnel policy and has provided a copy to the Commission. Additional policies could be considered and provided to the Commission for record keeping including but not limited to, mixed beverage and delivery, tastings, overage and shorts, social media, lotteries, or any others. *Board's personnel policy may cover many afore mentioned items.* For travel policy, Commission records indicate the board chooses to adhere to the state travel policy. *The board's personnel manual also discusses their travel policy and finance officer indicates a travel stipend is included in payroll when employees work at stores other than their commonly worked store.*
- **BUDGETS:** In FY 22/23, the board's actual sales were nine and one half (9.5%) percent less than budgeted sales. In FY 23/24 the board's actual sales were almost five (5%) percent less than budgeted sales. *The board has not submitted a final budget amendment for FY-22/23 or FY-23/24.*

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

- **FINANCIAL INSIGHT:** Payments for liquor are made by the finance officer who makes checks which are counter-signed by the general manager with chairperson as alternat. Copies of the check stub and invoices are retained at the board's administrative office. All checks have the required disbursement approval. Invoice records for recent liquor purchases reflect them as being paid monthly and inside of 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by finance officer, who is also responsible for full bank reconciliation.
  - Bank deposits are not made each day. Registers are balanced against cash register receipts and reviewed by store managers. Board's law enforcement officer takes deposits to the bank weekly. *Board could request approval from the Commission for a different deposit schedule than is required by NCAC 15A .0905.*
  - The board does not receive an annual report describing expenditure of funds from their alcohol education and rehabilitation recipients. The CPA audit for the FY 22/23 indicates Beaufort County, District Two Recovery Court, Coastal Pregnancy Center, and Boys and Girls Club of the Coastal Plain as recipients of funds. *Board should request said report and retain at board administrative office.*
  - The board keeps \$600.00 in petty cash in the finance officer's office.
  - The finance officer has the board's only credit card. *No credit card policy on file with Commission.*
  - Payroll is processed twice monthly through Traverse with Finance Officer obtaining hours from Timesheets.
  - The pre-audit certificate is stamped on all bills including liquor orders.
  - All board members, General Manager, Finance Officer, and all store managers are each bonded for \$50,000 per G.S. 18B-700(i) and G.S. 18B-803(b)(c).
  - Board keeps thorough records for unsaleable merchandise reports and routinely sends these reports to the Commission. *Commission requests unsaleable reports be sent quarterly and only by email. If there are no unsaleable reports for a quarter, please email indicating no reports for the quarter.*
  - The annual CPA audit was received and logged by the Commission on September 23, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely and are current to date. Submitted reports come from the board's law enforcement unit and are entered by Officer Radcliff. The board is currently hiring and training a new full time law enforcement officer.
- **INVENTORY:** Full inventory is conducted monthly at all stores and the warehouse using scanners, and weekly categorical inventory is also conducted. *General manager indicates the board will be separating the warehouse from the Carolina Avenue store in their system to help streamline inventory.*

## PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

### ➤ INTERNAL CONTROLS:

- The interim general manager has worked for the board many years and has returned until a new manager is found.
- The finance officer has been with the board over three years and has previous experience with financial institutions.
- The board members and Chairperson have extensive professional experience in business, local government, and other areas, and have a good mixture of longer tenures and some more recent appointees.
- Employee files are kept in a locked portion of their administrative office and include tax information, training certificates, vacation requests, and other documents.
- All employees are subject to training and various behavioral standards and the board holds RASE classes quarterly.
- General manager makes orders by analyzing recent sales, historical data, and current inventory. *GM indicates board will be reinstating the warehouse as a store number for inventory purposes.*
- Board receives two deliveries monthly. Counts are made using scanners by multiple team members and cross-referenced with manifest, order sheet, or off-load. Any variances are recounted, and actual discrepancies are reported to LB&B.
- Invoices for liquor are paid per order and checks are made by the finance officer. Both the general manager and finance officer sign checks with the chairperson as an alternat.
- No compliance issues verified regarding board members or personnel related to nepotism or other professional conflicts per discussion with board members and personnel.
- The board's previous general manager resigned one month prior to Commission visit. The former manager's resignation letter described significant interference from certain board members, a hostile and unproductive work environment and communications from said members, and directives for unethical behavior associated with hiring and the exclusion of items in board minutes.
- Interviews with select board personnel and members revealed inconsistencies between perceived or recollected accusations and occurrences. Board members interviewed did not agree with the former general manager's accusations in his resignation letter and fully denied claims of inappropriate or unethical behavior by the board.
- Board has a code of ethics policy on file with the Commission.

### ➤ EXPENSES:

- Total operating expenses increased around fourteen percent (14%) from the last fiscal year and are roughly twenty percent (20%) of total annual sales in FY-22/23.
- Board salaries were approximately six percent (6%) of total annual sales. Salaries and benefits increased by around nine percent (9%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.2% for the fiscal year with a normal range being 52% to 54%.



## STORE INSIGHT & OVERVIEW

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*The findings for store insight & overview are as follows:*

- Two of the board's six stores were visited by Commission personnel. The 750 Carolina Avenue store is a free-standing building owned by the board and located adjacent to the board's administrative offices. The store has ample parking, well maintained exterior, and the interior is well lit. Shelving is spacious and allows for easy flow for patrons and staff and is overall aesthetically pleasant.
- The 821 John Smalls store is located in a free-standing building approximately 1.5 miles from the administrative office. The store has ample parking and is well lit and spacious.
- Board's warehouse, located behind the Carolina Avenue store, is large and well organized. Inventory was appropriate for an inspection between truck delivery weeks.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- The stores visited displayed the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price books were available.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers with a focus on treating everyone equally.
- No product knowledge materials are utilized by the board. *An excellent source for increased sales and customer relations is product knowledge.*
- Full time employees are enrolled in LGERS.
- General manager reserves portions of limited or allocated products for their mixed beverage customers. Other methods for distribution include lotteries in the holiday season and shelving distributed to all board's stores.
- The board has thirty-two (32) mixed beverage (MXB) customers according to Commission records. Board provides an invoice to customer at transaction and retains an invoice on file in a box for each account. In addition to the board's main warehouse, mixed beverage sales are also picked up at their Belhaven store. These orders are picked and packed at the main warehouse and delivered to the Belhaven store for permittee pick up. *The board does not currently do mixed beverage delivery and no policy for delivery on file with Commission.*
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items across both stores reflected the current quarterly or monthly SPA price.
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is maximized. *Shelf management guidelines were fully followed at time of Commission visit.*
- General manager indicates price discrepancies are always handled in the customers favor if the shelf price is lower than the cash register. *Price discrepancy policy is included in the board's personnel manual.*
- The board's store hours vary per location with some changing per day of the week. They are closed every Sunday, the five (5) previously required annual holidays, and Memorial Day.
- Security systems are in place and functional in all designated areas.
  - *16 cameras are operational at board office with monitors in store offices.*
  - *Panic and alarm buttons are located at registers and tested routinely.*

## RECOMMENDED ACTIONS

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- Boards must keep full and accurate minutes of all official meetings, including all closed sessions, *referencing G.S. 143-318.10*. Regular minutes should make a general reference to the reason for closed session occurring. Closed sessions minutes could either be kept at the board location secured under lock and key, or with board attorney (or appointing authority attorney) for proper stewardship.
- Board could consider audio, video, or other transcription service alternative to aid in board meeting minutes tracking and to establish transparency.
- The recipient(s) of alcoholism fund or education distributions should provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h). *The board may want to consider obtaining documentation before the funds are officially awarded / transmitted to any recipients.*
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. When forecasted annual sales are exceeded or budget expenditures are exceeded, a budget amendment is necessary. Ensure budget amendments are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the FY 2024-2025 period.
- Daily cash bank deposits should be conducted or a waiver request from the Commission should be sought in compliance with NCAC 15A .0905 (a)(d). *Request received before final report submitted.*
- Board meeting minutes should be signed by chairperson, for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h).
- Board could consider adopting or updating any policies to include, but not limited to, tastings, credit card, store policies, social media, vehicle, or others. *Personnel manual may cover some of the afore mentioned suggested policies or could be updated to include.*
- To improve operating cost ratios, the board can request bids annually from various vendors to get the best rates possible on financial audits, specific utilities, maintenance contracts, and credit card processing fees. In addition, closely monitor and take advantage of monthly special purchase allowances (SPAs) to reduce the cost of goods sold on any applicable items that will sell well in the store.
- Continue with the following to ensure inventory turnover is reaching the goal of 5 times (2 monthly deliveries) per year. Analyzing sales and history reports to determine the bestselling products needed and to avoid overstock, watching customer shopping patterns and using the information to optimize product placement, and price reductions. *Board could contact other boards or the association's efficiency committee for additional ideas and options.*
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.

## **ADDITIONAL CONSIDERATIONS & GUIDANCE ....**

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- The Commission's primary focus for ABC board members:
  - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Oct 1<sup>st</sup>.
  - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. *A very tangible way to lower operating costs is to fully maximize monthly special purchase allowance (SPA) liquor products that routinely sell well in the store to lower cost of goods sold (COGS).* ABC Boards can limit the number of personnel travelling to conference and convention events across the state. Other ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and credit card processing companies. *Board could also consider ACH payments as a means of reducing expenses and eliminating fraud.*
- As a reminder, remove all faded posters and replace with new ones when applicable. Reach out to the Commission to provide fetal alcohol syndrome posters, NC Dept of Labor can provide wage & hour posters, and OSHA can provide some applicable federal posters if any are needed.
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission as well as partnering with other ABC boards on specific areas such as best retail and marketing practices.

**Please network with the ABC Commission whenever needed for guidance and assistance to support local ABC board mission and success.**

DONALD SADLER  
Chairman of Board

SHANNON L. O. RUSSELL  
General Manager

**BEAUFORT COUNTY**  
**Alcoholic Beverage Control Board**  
770 Carolina Avenue, P.O. Box 2552  
Washington, N.C. 27889

October 14, 2024

ABC Commission  
400 E. Tryon Rd.  
Raleigh, NC 27610

RE: Beaufort County Alcoholic Beverage Control Board Performance Audit Response

We truly appreciate your support and recommendations from the performance audit recently performed. This performance audit will help us with the areas that need improvement and ensure we maintain statutory compliance. The Beaufort County ABC Board hired Shannon L. O. Russell as General Manager effective September 30, 2024.

Ms. Russell has been working with Interim General Manager, Jo Kay Smith to prepare an informed written response to the Performance Audit Report received August 15, 2024 based upon August 8, 2024 visit. Please find below our responses to the findings and recommendations.

**Item 1: Boards must keep full and accurate minutes of all official meetings, including all closed sessions, referencing G.S. 143-318.10. Regular minutes should make a general reference to the reason for closed session occurring. Close sessions minutes could either be kept at the board location secured under lock and key, or with board attorney (or appointing authority attorney) for proper stewardship.**

The closed sessions minutes will be kept at board location secured under lock and key. The Board will implement additional practices to ensure record keeping transparency in regular minutes.

**Item 2: Board should consider audio, video, or other transcription service alternative to aid in board meeting minutes tracking and to establish transparency.**

The Board is considering these suggestions to enhance recording keeping transparency.

**Item 3: Recipient(s) of alcoholism fund or education distributions should provide annual documentation to the board describing activity for which these awarded funds are spent per G.S. 18B-18805(h).**

Following the August 19, 2024 Beaufort County ABC Board regular meeting, the Interim General Manager made requests for activity reports from all recipients of alcoholism funding.



The September 16, 2024 Beaufort County ABC Board proposed minutes reflect update to the Board in terms of actions taken to received reports from recipients. As of the date of this correspondence the General Manager has received responses from all recipients except for Beaufort County Government. General Manager will continue to communicate with Beaufort County Government for report.

**Item 4: ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the Board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. When forecasted annual sales are exceeded or budget expenditures are exceeded, a budget amendment is necessary. Ensure budget amendments are submitted to the ABC Commission as required per G.S. 18B-702(h), to include a final reconciliation budget amendment for the FY 2024-2025 period.**

All recommendations will be followed for the FY 2024-2025 period.

**Item 5: Daily cash bank deposits should be conducted or a waiver request from the Commission should be sought in compliance with NCAC 15A .0905(a)(d).**

The Board requested a waiver for daily cash bank deposits prior to the filing of the Commission's visit report. Board received notice the daily cash bank deposit waiver was approved by the Commission on August 13, 2024.

**Item 6: Board meeting minutes should be signed by chairperson, for proper adherence to G.S. 18B-201(f)(k) and referencing 18B-700(h).**

The Board implemented this recommendation for the August 19, 2024 meeting minutes and will continue the practice of Chairperson signed minutes going forward.

**Item 7: Board could consider adopting for updating any policies to include, but not limited to, tastings, credit card, store policies, social media, vehicle and others.**

During the August 19, 2024 meeting the Board approved credit card policy, annual leave policy, and store deposits policy. Additionally, the Board has updated the Personnel Manual which will be provided to the Commission as an addendum to this correspondence.

**Item 8: To improve operating cost ratios, the board can request bids annually from various vendors to get the best rates possible on financial audits, specific utilities, maintenance contracts, and credit card processing fees. In addition, closely monitor and take advantage of monthly specials purchase allowances (SPAs) to reduce the cost of goods sold on any applicable items that will sell well in the store.**

The Board will consider the recommended strategies to improve operating cost ratios and utilize SPAs to reduce costs.

**Item 9: Continue with the following to ensure inventory turnover is reaching the goal of 5 times (2 monthly deliveries) per year. Analyzing sales and history reports to determine the bestselling products needed and to avoid overstock, watching customer shopping patterns and using the information to optimize product placement, and price reductions.**

The Board will work to ensure ideal inventory turnover is reached by consulting with other

Boards and the association's efficiency committee for additional ideas and options.

**Item 10: In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to the Commission personnel for recordkeeping.**

Board members and applicable personnel will sign a Certificate of Accountability attestation form and provide an electronic copy to Commission personnel for recordkeeping.

The Beaufort County ABC Board Personnel Manual, approved August 19, 2024 Board minutes and *proposed* September 16, 2024 Board minutes are attached for reference and demonstration of the action taken by the Board since the Performance Audit was completed. The Beaufort County ABC Board will continue to implement the recommended actions as well as the additional considerations and guidance provided by the Commission.

Respectfully,



Donald Sadler, Chairman



Shannon L. O. Russell, General Manager

Attachments

Beaufort County ABC Board Meeting Minutes, August 19, 2024

Beaufort County ABC Board Meeting *Proposed* Minutes, September 16, 2024

Beaufort County ABC Board Personnel Manual, Revised 2024