

Burnsville ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

August 2, 2024

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Hank Bauer

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Burnsville ABC Board
Jamie McMahan, Chair
752 W US 19-E Bypass
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Chairperson McMahan,

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Burnsville 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.

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, and Administrative Policies
- Review applicable reports and studies
- 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

Burnsville is in the north-western part of the North Carolina in Yancey County. The town was chartered in 1834 and is named after Otway Burns, a War of 1812 naval hero. The town is the only incorporated town in the county and serves as the county seat. The town's population per the 2020 Census was 1,614 residents which was approximately a five percent (5%) population decrease since 2010.

G.S. 18B-601(c) authorized the Town of Burnsville to hold an election upon either a written request for an election from the city governing body or a petition signed by at least thirty-five percent of registered voters. A referendum was held April 6, 2010, and passed 404 votes for and 367 votes against. The first retail sales occurred October 9, 2010. A mixed beverage election was held April 6, 2010, and passed 412 votes for and 362 votes against. *Currently, the Burnsville town council appoints a chairperson and two (2) additional board members to serve on the ABC board.* Current board members include Jamie McMahan (Chair), William (Bill) Wheeler, and Erica Deaton.

The Burnsville ABC Board operates one (1) retail store. The Board is currently the only board in Yancey County. The board currently staffs eight (8) total employees, with one (1) full time and seven (7) part time employees. The general manager is full time and responsible for all board operations including scheduling, inventory, deposits, billing, floor management, and Human Resources. The finance officer serves similarly to an assistant manager, is the lead on ordering and inventory, and reviews financials. The Board also utilizes a third-party bookkeeping service for some of their accounting and administrative needs. All other staff are engaged in customer service, daily operations, stocking, floor upkeep, truck delivery, and sales.

The last performance audit for the Burnsville ABC Board occurred in 2013. 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, June 20, 2024, ABC Board Program Analyst Edwin Strickland visited the Burnsville ABC Board and interviewed the General Manager, Linda McDowell and the Finance Officer, Dain Gordon. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



752 W US-19 Bypass, Burnsville, NC.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

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 Burnsville 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 4.2, which is somewhat less than the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Burnsville ABC Board had a profit percentage to sales of 9.16%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Burnsville ABC Board's gross sales totaled \$2,272,469, which was an approximate 1% increase from the previous fiscal year. The board's sales have grown an impressive 63% over the last five completed fiscal years.

Burnsville ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .60 in FY 2022-2023. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Burnsville ABC Board meets both the profitability standard and 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
Gross Profit on Sales	\$510,032	\$535,002
Income from Operations	\$194,974	\$257,153

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO (cont.)

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Burnsville ABC: Spruce Pine, Woodfin, Weaverville, and Asheville.
- A 3.3% unemployment rate in Yancey County in June of 2022 down 3.3% from the previous year.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Burnsville ABC Board's cost of goods sold was approximately **53.3%** in FY 2022-2023.
 - *The board currently has eight (8) mixed beverage customers. In FY 22/23 mixed beverage accounted for approximately seven (7%) percent of sales.*

BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$2,318,000	\$2,272,469	(\$45,531)	(2%)
Revenue over or (under)				
Expenditures		\$96,456		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were 2% below forecast. In addition, the net income change during the fiscal year was \$147,764. *The board's collective net position on June 30, 2023, was \$865,561; the net position has steadily increased each year since at least FY-2019.*

DISTRIBUTIONS

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, Burnsville ABC made other statutory distributions totaling \$47,209 (Net profit distribution recipients received \$32,692 of this). The amount of \$628,105 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Yancey County.

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

- Burnsville General Fund 100%

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Burnsville ABC board has made net profit distributions over three (3) of the last five (5) fiscal years at 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.** Board should obtain and provide to the Commission official documentation from the appointing authority before making distributions which are less than the minimum.
- Law Enforcement Distributions: Have been properly disbursed at or 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.

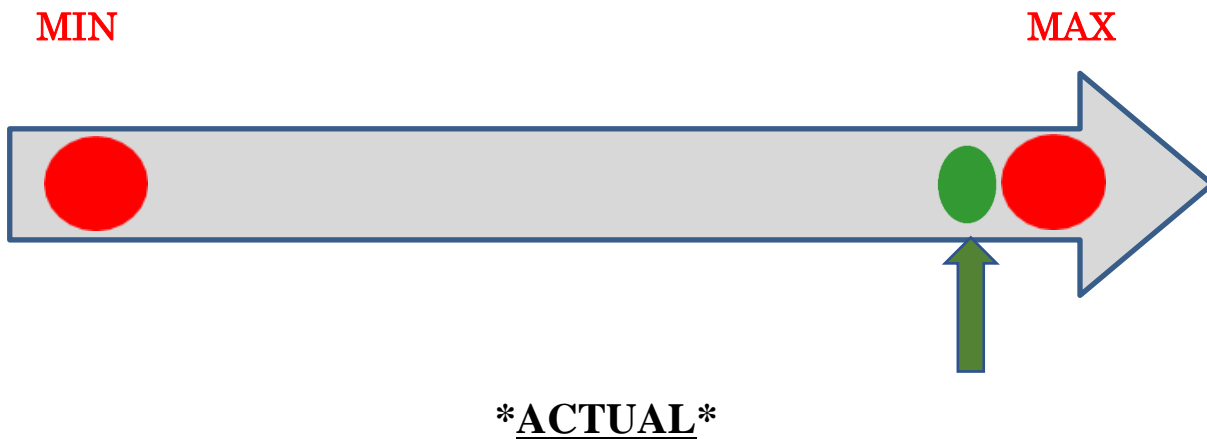
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Burnsville ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2023	\$58,375	FY-2023	\$32,692
FY-2022	\$58,928	FY-2022	\$58,928
FY-2021	\$55,603	FY-2021	\$55,603
FY-2020	\$44,566	FY-2020	\$44,566
FY-2019	\$37,334	FY-2019	\$0

WORKING CAPITAL

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 but less than \$50M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2023, the Burnsville ABC Board is required to maintain a minimum working capital of \$63,113 with a maximum working capital amount of \$410,232. The Burnsville ABC Board had a working capital balance of \$390,023 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

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

- The board generally holds board meetings on the third Tuesday of each month. They record regular meeting minutes and provide public notification and awareness of these meetings. The meeting minutes are organized by session for review and kept in a book for review. The minutes reviewed did indicate the date and time, did review and approve old minutes, did have the conflict-of-interest statement, and were signed by the Chairperson and manager. *The minutes reviewed did not fully distinguish old business although they did, sometimes, reference new business.*
 - Oaths of Office: Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *General manager indicates oaths have been or were likely taken and will obtain copies at board for record retention or facilitate the oaths.*
 - 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. The General Manager will update their salary for Commission records. *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 profit & loss statements, comparisons to previous year's sales, and current account and asset statements. 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 professional services.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **POLICIES:** The board has a personnel policy and has provided a copy to the Commission. The personnel policy utilized by the board is very similar to the sample policy provided on the Commission website and is, therefore, very thorough and covers many areas of operations and behavioral standards. The board has provided many additional policies for Commission records to include credit card, job description, price discrepancy, mixed beverage sales, nepotism, sales to underage or intoxicated, shortage/overage, and special order. Additional policies should be considered and possibly provided to the Commission for record keeping including but not limited to, tastings, 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.
- **BUDGETS:** In FY 22/23, the board's actual sales were \$45,531 less than the budgeted sales. *Based on sales trajectory for the current fiscal year with eleven months (92%) of the budget year completed, the board is tracking along at 81% of annual budgeted sales.* The board has not submitted a budget amendment for FY-23/24.
- **FINANCIAL INSIGHT:** Most payments including liquor invoices are made by the general manager and reviewed by the financial officer. Checks are signed by the general manager and finance officer, with the Chairperson or other board members as an alternat. Checks have the disbursement approval as required by G.S. 18B 702(n). Invoice records for recent liquor purchases reflect them as being paid monthly and inside of 30 days. Taxes and distributions are paid either monthly or quarterly. Full bank reconciliation is completed monthly by the board's third-party accounting service and reviewed by general manger.
- Bank deposits are almost always made each morning from the previous day with Saturday's deposit made Monday morning. Deposit is made by either the general manager or finance officer. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board should utilize a locked fireproof safe for integrity of funds that remain at the board at any given time.*
- Store generally operates two tills starting at \$150.00 daily. Deposit slips, register receipt, and checkout report are completed by closing clerk and verified by GM. An additional \$900.00 is kept for petty cash and as the change fund.
- Payroll is biweekly and processed by the third-party accounting firm. The general manager provides hours and rates, and payment is via direct deposit. *Board should consider having the finance officer verify employee work hours and rates also, before sending info to bookkeeper.*
- Board members will review financial records at board meeting. General Manager provides financial reports for the board's review at meetings including profit & loss statements, comparisons to previous year's sales, and current account and asset statements. General manager and Chairperson sign meeting minutes.
- Employee files are kept in the office separate from other office files. These files contain direct deposit information, applications, criminal background checks, fingerprints, and pay stubs for the year.
- The pre-audit certificate is not stamped on the orders at the time they are placed. *Board should reference G.S. 18B-702(m) for guidance.*
- Board does not utilize purchase orders for supplies or other non-liquor purchases. These orders should be pre-audited by the finance officer. *Board should consider utilizing purchase orders and a template is provided on Commission website.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- All board members are each bonded for \$50,000 per G.S. 18B-700(i). All store employees who have access to funds, including the General Manager and Finance officer are bonded for \$50,000 per G.S. 18B-803(b)(c).
 - Since 2022 the board not sent unsaleable merchandise reports to the Commission for record retention. Board administration has detailed records of unsaleable merchandise reports. *NCAC 15A-1701(c) requires quarterly unsaleable merchandise (breakage) reports to be sent to the Commission who requests unsaleable reports be sent 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 August 29, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely, and they are current to date as well. Submitted reports come from Burnsville Police Department Chief MB Buchanan.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Burnsville Police Department on file with the Commission.
- **INVENTORY:** Full store inventory is conducted yearly. Spot checks are conducted on occasion and by different staff members. General manager and finance officer indicated inventory practices have been somewhat sidelined since their store's relocation. *Board should consider re-establishing routine inventory and spot checks. Board could contact the association's efficiency committee or other boards for best practices for slow moving stock.*
- **INTERNAL CONTROLS:**
- The general manager has solid professional experience and has been with the board since 2022. She has previously worked as a finance officer in a different industry and manages or helps manage the finances and administrative aspects for her husband's business.
 - Finance officer has worked with the board for around two years and has been the finance officer for about one year.
 - The board uses a third-party accounting firm conducts some of the board's financial record keeping including payroll and bank reconciliation.
 - The Board members and Chairperson have a variety of professional experience with a good mixture of longer tenures and some more recent appointees. *Board terms are appropriately staggered to have one term end date each year.*
 - All employees are subject to initial training and various behavioral standards. *Board could consider hosting RASP classes for staff and other local permittees.*
 - The finance officer makes orders by analyzing recent sales, historical data, and current inventory. *General manager and other employees could participate in ordering as a means of cross-training.*
 - Board receives two deliveries monthly. Counts are made by team members and cross-referenced with manifest, order sheet, or off-load. Any variances are recounted, and actual discrepancies are reported to LB&B.
 - Board currently uses checks for supplier payment. Invoices are paid via countersigned checks by general manager and co-signed by either assistant manager or finance officer with Chairperson as alternat. Checks do have the required disbursement approval, but invoices do not have the preaudit approval as required by G.S. 18B-702(m)(q). *Board indicates they would consider ACH payments with guidance.*
 - General manager makes some purchases with credit card to for supplies. *Board is encouraged to utilize pre-audited purchase orders for supplies or other non-liquor purchases.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- No compliance issues regarding board members or personnel related to nepotism or other professional conflicts per discussion with general manager.
 - The board's alcohol rehabilitation and education fund recipient is the Partners Aligned Toward Health. *The board should request an annual report from the recipient per G.S. 18B-805(h).*
 - Board has a code of ethics policy on file with the Commission from 2010. *Board could consider an updated policy with signatures from current board members and applicable personnel.*
- EXPENSES:
- Total operating expenses increased around ten percent (10%) from the last fiscal year and are roughly thirteen percent (13%) of total annual sales in FY-22/23.
 - Board salaries were approximately sixteen percent (16%) of total annual sales. Salaries and benefits increased by roughly twenty three percent (23%) from the previous fiscal year.
 - Cost of Goods Sold (COGS) was roughly 53.3% for the fiscal year with a normal range being 52% to 54%. *With additional warehouse space from new store, board could explore more buy-ins to keep the COGS low.*

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Board's store is a freestanding building on the main thoroughfare in Burnsville and is located near the downtown area. The store, recently opened in March 2024, has a great appearance and ample parking. Shelving is spacious and allows for easy flow for patrons and staff and is overall aesthetically pleasant. Retail space is approximately 3,000 sq. ft. with some displays and interesting décor.
- Board's warehouse is relatively large, approximately 1,800 sq. ft., and well organized. Truck deliveries are made via pallets and the building has easy access for deliveries. *With additional space board should consider more buys-ins for SPA's.*
- Outside area surrounding the store is well-maintained and free of debris or trash.
- The store display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price book is available.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- General manager educates staff on products at the time of initial employment. *An excellent source for increased sales and customer relations is product knowledge. Recommend the adoption of a product knowledge book or other sources for sales associates.*
- General manager indicates they do not generally shelf limited or allocated products. They reserve ten percent (10%) for mixed beverage customers and work to insure other high demand products are reserved for local and repeat customers.
- Board orders requests from customers when they feel the product requested will sell. If the product is expensive or they feel it will not sell well, they may ask the customer to purchase the case.
- The board has eight (8) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in files for each customer behind the sales counter.
- Board does not have a mixed beverage delivery policy on file with the Commission but states no customers have requested deliveries. *Board could discuss the possibility of deliveries if they feel this will increase sells or benefit the board or local system.*

STORE INSIGHT & OVERVIEW (cont.)

- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, more than a few did not reflect the current quarterly or monthly SPA price. The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items. *Board should work to eliminate incorrect sticker prices and could consider frequent spot checks for pricing during slower periods of the day.*
- 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 generally followed at time of Commission visit with minor instances of bottle sizes not increasing in size from left to right.*
- General manager indicates price discrepancies are not always handled in the customers favor if the shelf price is lower than the cash register. *Price discrepancy policy is on file with the Commission and board should work to make sure all staff is familiar with the policy.*
- The board does not currently have a website. *Board could consider social media or other internet option for marketing or awareness.*
- The board is generally open from 9:00 am until 9:00 pm. They are closed every Sunday, the five (5) required annual holidays, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *Currently nineteen (19) cameras are operational with monitors in office. Cameras cover parking lot, stock room, and retail area.*
 - *There is a panic button in the office and behind the sales counter.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *If oaths have been taken board should retain written records of oaths at board.*
- Board should work to ensure shelf prices match the cash register price. *Price checks could be completed each quarter or for monthly price changes and could be incorporated in routine inventory spot counts.*
- The board should follow their price discrepancy policy that adheres to NCAC 15A .1705(b). *Management should work to make sure staff is fully aware and attends to this policy.*
- Board should craft and provide to the Commission a policy covering the duties of the third-party accounting firm. The policy should clarify what services are provided by the firm and specifically who provides the services. *This is needed to establish compliance with G.S.18B-702(s).*
- When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years. *If no reports are available for a full quarter, please email Commission for awareness.*
- Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, “*This instrument has been pre audited in the manner required by G.S. 18B-702.*” Special note: This could be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system before any liquor orders are placed with state warehouse.
- Board should consider utilizing purchase orders for non-liquor goods and services and have them pre-audited. *A template is available on the Commission website.*
- The recipient(s) (Partners Aligned Toward Health) of alcoholism fund or education distributions must provide annual documentation to the board reporting 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.*
- Board should utilize the employee acknowledgment form from their personnel manual with newly hired team members.
- Consider adopting or updating any policies to include, but not limited to ACH payments, tastings, credit card, mixed beverage and delivery, store policies, social media, allocated product. code of ethics, vehicle, or personnel manual. *Consider updates to any policies to include current administration where applicable.*
- 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.

Previous Performance Audit Findings and Actions (2013)

- Analyze shopping patterns and history reports to plan orders and to take advantage of special purchase allowances. *Board should continue this practice.*
- Utilize caps and shelf space as much as possible to highlight slow moving or new products. *Board complies and could always re-evaluate slow moving stock.*
- Cross merchandise or move stock in the store to increase visibility and to encourage impulse shopping. *Board complies but could always evaluate.*
- Sell slow moving inventory to another board or request price reductions. *Board could explore these options when applicable.*
- Request bids annually from various vendors to get the best rates possible on financial audits, professional fees, specific utilities, maintenance contracts, and credit card processing fees. *Board could still consider.*
- Monitor budget frequently and more closely to ensure that actual expenses do not exceed budgeted amounts. Provide year-to-date reports to board members detailing how much has been spent. *Board complies.*
- Improve sales strategies by developing new marketing techniques. Refer to recommendations addressed under inventory turnover. *Board could always consider.*
- Analyze expenses more closely to increase profits by monitoring budget closely and reducing costs where possible. *Board complies and should continue to consider.*
- Prepayments must be paid for spouse attendance to conferences. State travel policy prohibits the board from paying registration fees and other expenses for a spouse to attend a conference even when reimbursement is expected. *Board complies.*
- Supplies are often ordered using the board credit card. The Commission strongly recommends purchases of more than \$50 receive written authorization. *Board could still consider.*

ADDITIONAL CONSIDERATIONS & GUIDANCE

- 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 1st.
 - 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.*
- 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 at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- Shelf management plan should be fully followed to include arranging bottles, so they increase (in size) from left to right of the same item. *15A .1708 (a)(3)*
- Board meeting minutes should clarify new and old business for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h).
- 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.
- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.

- Law enforcement reports must be submitted on the Commission’s board website by the 7th of each month referencing G.S. 18B-501(f1). *In cases where law enforcement provides no information in any given month, simply enter “No data provided by law enforcement” in narrative of report. ABC Boards should make sure reports are in a “Final Submitted” status and not just in saved status. For any saved reports, the only transaction necessary to finalize them is to click the preview button and then click the submit button.*
- 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.

BURNSVILLE ABC BOARD

752 West US Hwy 19E Bypass
PO Box 1127 Burnsville, NC 28714

phone: (828)682-4880
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ABC Commission
400 E. Tryon Road
Raleigh, NC 27610

7/31/2024

We truly appreciate your support and recommendations from the audit recently performed. This performance audit will help us with the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1: Board members should take an oath before taking office or before the execution of the office.

All recommendation will be followed.

Item 2: Board should work to ensure shelf prices match the cash register price.

All recommendations will be followed.

Item 3: The board should follow their price discrepancy policy that adheres to NCAC 15A

All recommendations will be followed.

Item 4: Board should craft a provide to the Commission a policy covering the duties of the third-part accounting firm.

All recommendations will be followed.

Item 5: When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly.

All recommendation will be followed.

Item 6: Ensure all purchase orders to include obligations evidence by a contract agreement requiring the payment or money, shall include or bear a certificate stating that the instrument (or)order has been pre audited to ensure compliance with G.S 18B-702(m) with a signature by the finance officer.

All recommendations will be followed.

Item 7: Board should consider utilizing purchase order for non-liquor goods and services and have them pre-audited.

All recommendations will be followed.

Item 8: The recipients Partners Aligned Toward Health of alcoholism fund or education distributions must provide annual documentation to the board reporting the activity for which these awarded funds are spent.

All recommendations will be followed.

Item 9: Board should utilize the employee acknowledgment form from their personnel manual with newly hired team members.

All recommendation will be followed.

Item 10: Consider adopting or updating any policies to include, but not limited to ACH payments, tasting, credit card, mixed beverage and delivery, store policies, social media, allocated product. Code of ethics, vehicle, personnel manual.

All recommendations will be followed.

Item 11: Pre-audit certificate.

The Board will ensure pre-audit certificates are present on liquor orders to adhere to NCGS 18B-702(m).

Item 12: Certificate of Accountability.

The board has signed and submitted a COA form

Sincerely, Linda McDowell General Manager
Burnsville ABC Board