

Cherryville ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

August 16, 2024

CHAIRMAN:
Hank Bauer

Cherryville ABC Board
James Beam, Chair
112-A N. Cherry St.
Cherryville NC, 28021

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

David Sherlin
Raleigh

Chairperson Beam,

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 Cherryville 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.

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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 of ABC Boards with similar size and geography
- 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

Cherryville is in the south-central to south-western part of the North Carolina in Gaston County which borders South Carolina. The town, first known as White Pine, was incorporated as Cherryville in 1881. The town's population per the 2020 Census was 6,078 residents which was approximately a five- and one-half percent (5.5%) population increase since 2010.

The City of Cherryville was authorized to hold a referendum for the creation of an ABC Board by S.L 1975 Chapter 114. A referendum was held November 3, 1981, and passed 1,114 votes for and 827 votes against. The first retail sales occurred September 14, 1982. A mixed beverage election was held March 25, 2003, but did not pass. Another mixed beverage election was held May 2, 2006, and passed 725 votes for and 695 votes against. *Currently, the Cherryville governing body appoints a chairperson and four (2) additional board members to serve on the ABC board.* Current board members include James Beam (Chair), Gail Jenkins, and Tim Moss.

The Cherryville ABC Board operates one (1) retail store. The Board is currently one of six (6) boards in Gaston County. The board currently staffs eleven (11) total employees, with one (1) full time and ten (10) part time employees. The general manager is full time and responsible for all board operations including ordering, scheduling, inventory, deposits, various retail functions, billing, payroll, and Human Resources. The finance officer serves similarly to an assistant general manager, and both review all things accounting and operational. All other staff are engaged in customer service, daily operations, floor upkeep, truck delivery, and sales.

The last performance audit for the Cherryville 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 Wednesday, June 5, 2024, ABC Board Program Analyst Edwin Strickland visited the Cherryville ABC Board and interviewed the General Manager, Allen Fraley and the Finance Officer, Jim Beam III. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



112-A North Cherry St., Cherryville 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 Cherryville 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 3.5, somewhat less than the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Cherryville ABC Board had a profit percentage to sales of 6.25%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%. The Cherryville ABC Board's gross sales totaled \$1,651,886, which was an approximate 1.5% increase from the previous fiscal year. The board's sales have grown an impressive 43% over the last five completed fiscal years.

Cherryville ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .73 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. *In FY 2022/2023 the board had one (1) mixed beverage customer who accounted for approximately one tenth (.001) of a percent of their sales.*

Thus, the Cherryville 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	\$410,959	\$407,731
Income from Operations	\$103,224	\$121,282

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Cherryville ABC: Belmont, Bessemer City, Gastonia, Cramerton, Mount Holly, Lincoln County, Lincolnton, Shelby, Catawba County, Mecklenburg County, and Kings Mountain.
- An ABC Board’s average cost of goods sold (COGS) is between 52% & 54% per year. The Cherryville ABC Board’s cost of goods sold was approximately **52.8%** in FY 2022-2023.
 - *The board currently has two (2) mixed beverage customers and two (2) more permittees are planning to open. In FY 2022/2023 the board had one (1) mixed beverage customer who accounted for approximately one tenth (.001) of a percent of sales.*

BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$1,697,540	\$1,651,886	(\$45,654)	(2.7%)
Revenue over or (under) Expenditures		\$57,976		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were 2.7% below forecast. In addition, the net income change during the fiscal year was \$51,156. *The board's collective net position on June 30, 2023, was \$643,167; 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). The enabling legislation from 1975 N.C. S.L. 114 specifies no distributions shall be made for alcoholism and substance abuse education and further specifies that 100% of the distribution shall be paid to the city of Cherryville.*

In FY 2022-2023, Cherryville ABC made other statutory distributions totaling \$54,000 (Net profit distribution recipients received \$45,000 of this). The amount of \$370,905 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Gaston County.

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

- Cherryville General Fund 100%

➤ **STATUTORY DISTRIBUTIONS:**

- **Net Profit Distributions** - The Cherryville ABC board has made net profit distributions over four (4) of the last five (5) fiscal years, below 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 to continue 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. *With respect to S.L. 1975 Chapter 114 and local enabling act, board should consider discussion with the appointing authority and Commission staff before continuing alcohol education distributions.*

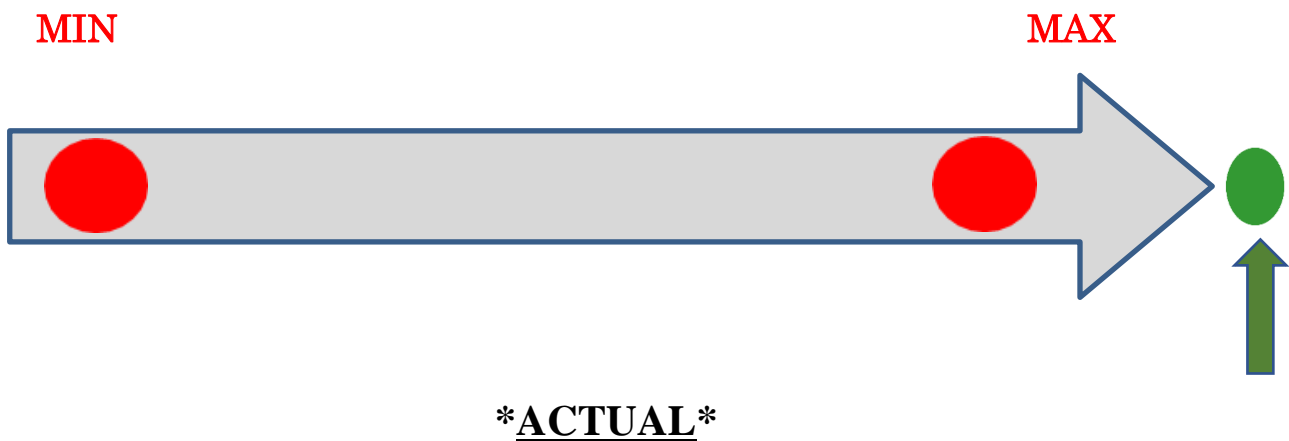
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Cherryville ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2023	\$46,728	FY-2023	\$45,000
FY-2022	\$47,226	FY-2022	\$54,656
FY-2021	\$44,445	FY-2021	\$34,581
FY-2020	\$39,345	FY-2020	\$29,763
FY-2019	\$34,301	FY-2019	\$25,052

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 Cherryville ABC Board is required to maintain a minimum working capital of \$49,270 with a maximum working capital amount of \$320,245. The Cherryville ABC Board had a working capital balance of \$471,940 which is greater 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. *Board should obtain official documentation from appointing authority and provide to Commission for record retention.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- The board holds board meetings on the fourth Wednesday 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. *The minutes reviewed have the conflict-of-interest disclosure statement referenced, approved previous meetings minutes, noted the date and time, and did have the chairperson's signature. Meeting minutes did not clearly distinguish new and old 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. *Board should consider a plan for administering oaths for current and future board members.*
 - Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *One board member recently reappointed is required to complete training in the coming months.*
 - 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 and finance officer conjointly prepare or review, and the general manager provides board members with financial reports for the board's review at meetings including extensive categorical sales data, monthly profit & loss statements, and comparisons to previous year's sales. 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, business, and education.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **POLICIES:** The board has a personnel policy but should consider an update and provide to Commission for record retention. *Board could consider adopting or otherwise referencing the sample policy on Commission website.* Additional policies should be provided to the Commission for record keeping including but not limited to credit card, store policy, sales to underage, price discrepancy, tastings, 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 municipal policy. Board should receive annual approval from appointing authority for use of the municipal travel policy and this should be supplied to Commission for record retention. *An updated travel policy has been forwarded to Commission after periodic audit visit.* With additional mixed beverage customers expected the board should consider updating or reaffirming current mixed beverage and mixed beverage delivery policies.
- **BUDGETS:** In FY 22/23, the board's actual sales were \$45,654 less than budgeted sales. An early budget amendment was submitted but no final budget amendment was submitted. *Based on sales trajectory for the current fiscal year with ten months (83%) of the budget year completed, the board is tracking along very well at 82% of annual budgeted sales.* The board has not submitted a budget amendment for FY-23/24.
- **FINANCIAL INSIGHT:** All payments including liquor invoices are made by General Manager or Finance Officer and both review. Checks are signed by finance officer and countersigned by general manager with the Chairperson as an alternat. Invoice records for recent liquor purchases reflect them as being paid monthly and generally inside of 30 days. Taxes and distributions are paid either monthly or quarterly. Full bank reconciliation is completed monthly by finance officer and general manger.
- Bank deposits are always made each night at conclusion of business and are taken to bank by either two team members or a police escort. At shift end each register is counted to cash register tape and any additional funds are left in till for future discrepancies. Deposit data is input on a spreadsheet which is reviewed by both general manager and finance officer routinely and fully at monthly reconciliation. *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.*
- Safe, tills, and all money is counted twice weekly and separately by general manager and finance officer.
- Payroll is biweekly. General manager inputs hours from timecards into ADP, a payroll service, who dispenses payments. Finance Officer and other staff review time and discuss any variances or unusual adjustments to regular schedule.
- Board members will review financial records at board meeting. Comprehensive data is supplied, to include all financials and more, and board chairperson signs minutes.
- Employee files are kept in board administrative office. *Board should consider keeping locked as often contain sensitive information.*
- The pre-audit certificate is stamped on the orders at the time they are placed, and all are signed by the finance officer.
- All checks and monthly credit card payments have disbursement approval and are signed by the finance officer.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Board does not utilize purchase orders for supplies or other non-liquor purchases. *Board should consider utilizing purchase orders and a template is provided on Commission website.*
 - All board members, General Manager and Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
 - Unsaleable merchandise reports are sent bi-annually according to Commission records. Board administration has detailed records of unsaleable merchandise reports. *Commission requests unsaleable reports be sent quarterly and only by email.*
 - The annual CPA audit was received and logged by the Commission on September 20, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely, and they are current to date as well. Submitted reports come from Kim Lancaster, an administrative assistant with the Cherryville Police Department and are input by general manager.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Cherryville Police Department on file with the Commission. *An updated version could be supplied for Commission records.*
- **INVENTORY:** Full store inventory is conducted twice yearly. Spot checks are conducted, and different board personnel participate. Staff checks products when stocking and adjustments are made frequently. All rotations are not made for first in first out. The inventory turns over at a 3.5 turnover ratio during the last fiscal year. Staff monitors trends and General Manager orders appropriately. *Board could consider price reductions or other means of moving some older stock. Board could contact the association's efficiency committee or other boards for best practices for slow moving stock.*
- **INTERNAL CONTROLS:**
- The general manager has extensive professional experience and has been with the board since 2010. He has previously held the positions within the Cherryville ABC Board of clerk and finance officer and serves on the board of county commissioners.
 - Finance officer was formerly a board member and has valuable work experience inside and outside the ABC system.
 - The Board members and Chairperson have extensive 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 training and various behavioral standards. *Board could consider hosting RASP classes for staff and other local permittees.*
 - General manager makes orders by analyzing recent sales, historical data, and current inventory.
 - Board receives two deliveries monthly. Counts are made by multiple team members and cross-referenced with manifest, order sheet, and off-load. Any variances are recounted, and actual adjustments are reported to LB&B. Unordered product is returned at next delivery if board feels it will not be able to sell.
 - Board currently uses checks for supplier payment. Invoices are paid via countersigned checks from finance officer and general manager with Chairperson as alternat. Checks do have the required disbursement approval and 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 include various items and recurring payments. *No credit card policy on file with Commission.*

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. *General manager and finance officer are first cousins and board keeps an official document from the Commission which states this is not a conflict and permissible.*
- The board receives an annual report from their alcohol education recipient, the Cherryville Shrine Club.
- 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.*
- General manager and finance officer work to reduce controllable expenditures by updating store lighting and HVAC systems to reduce utilities. Both discuss opportunities and are frugal with controllable expenditures.

➤ EXPENSES:

- Total operating expenses increased around seven percent (7%) from the last fiscal year and are roughly eighteen percent (18%) of total annual sales in FY-22/23.
- Board salaries were approximately twelve percent (12%) of total annual sales. Payroll increased by roughly six percent (6%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.8% for the fiscal year with a normal range being 52% to 54%. The 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 in the back area of a large retail store with ample parking. Shelving is condensed but still allows for easy flow for patrons and staff and is overall aesthetically pleasant. Store has some displays and interesting décor.
- Board's warehouse is spacious, organized, and space is well utilized.
- 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 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. *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 uses different methods for allocated or limited products. They have held drawings in the past and currently put on shelf. They sometimes notify frequent bourbon customers.
- Special requests from customers are ordered if item is listed and inquiries are considered if the item is not.
- The board has two (2) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in their mixed beverage file. *Since the board has increased from one (1) mixed beverage account to multiple accounts, board should consider a file for each permittee.*
- Board has a mixed beverage delivery policy on file with the Commission that states they will deliver to their customers at no charge. *Board could consider adding additional verbiage to the policy to specify delivery times or other variables. Board should discuss liabilities or behavioral standards for personnel involved in delivery.*
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items reflected the current quarterly or monthly SPA price. *The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items.*
- 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 adhered to with only minor exceptions noted.*
- General manager indicated price discrepancies are not always handled in the customers favor if the shelf price is lower than the cash register. Board should reference NCAC 15A .1705(b) and a price discrepancy policy could be established and made known to sales staff.
- 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 10:00 am until 8:00 pm. They are closed every Sunday and the five (5) required annual holidays.
- Security systems are in place and functional in all designated areas.
 - *Currently sixteen (16) cameras are operational with monitors in office and mounted from ceiling facing sales counter for staff observation.*
 - *Mirrored glass from office allows for observation while conducting administrative duties.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2). *NOTE: As another option the board can alternately adopt the official State of NC government travel policy referenced under G.S. 138-6. This would allow the board an option to eliminate the annual travel policy update requirement by instead formally adopting the state government travel policy at an official board meeting and providing a copy of minutes to the Commission. **An updated travel policy has been forwarded to Commission before final performance review report submitted.***
- The enabling legislation for the Cherryville ABC Board, from S.L. 1975 Chapter 114, specifies the provisions for former G.S. 18A-17 (including the required 7% distribution for alcohol education and rehabilitation) do not apply to the Cherryville ABC Board. The local act further specifies that 100% of the distribution be made to the General Fund of City of Cherryville. *Board should consult with appointing authority and/or ABC Commission to discuss and clarify distributions being made to the Cherryville Shrine Club.*
- With the boards working capital exceeding the maximum set by NCAC 15A .0902, the board should obtain and provide to the Commission the appointing authority's official approval of the capital improvement plan per G.S. 18B-805(d).
- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Board should consider a plan for administering oaths for current and future board members.*
- Board should consider updating or reaffirming personnel manual and provide copy to Commission for records retention. *Board could consider adopting or modifying personnel manual template from Commission website.*
- Board should craft a credit card policy and provide to Commission for record retention. Additionally, board should utilize purchase orders for supplies and materials.
- The board should craft a 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 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).
- 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.
- Continue with the following to ensure inventory turnover is reaching the goal of 5 times per year. Analyzing sales and history reports to determine the bestselling products needed in each store and to avoid overstock, transferring slow movers between stores, watching customer shopping patterns and using the information to optimize product placement. *Board could consider conferencing with the association's efficiency committee for strategy and could consider price reductions if other options are exhausted.*

- 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, 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. *Same document being used at the conclusion of board meetings.*

Previous Performance Audit Findings and Actions (2013)

- Utilize the following to increase inventory turnover: Shelf management plan to analyze shopping patterns and history reports more closely, utilize end caps and empty shelf space, utilize SPA buy ins and reduce overstocking, and sell slow moving inventory to another board. *Board now does much of this and should continue evaluations.*
- 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 personnel should always monitor and provide information to board members.*
- Request bids annually from various vendors to get the best rates possible on financial audits, specific utilities, maintenance contracts, and credit card processing fees. *Board complies.*
- To increase profitability, consider testing different marketing strategies such as cross-merchandising and modernizing store to increase shelf space and encourage impulse shopping. *Board could consider.*
- Replace old worn signs and eliminate excessive signage. *Board complies.*
- As a reminder, when the television is operating, have the channels set to either the news or weather stations to not distract customers. *Board complies.*
- Provide additional training that will include alcohol education, customer service, and product knowledge. Contact other boards that have a training module(s) in these areas. *Board could still consider.*
- Update policies to include law enforcement, cell phone usage, and employee handbook and submit to Commission. *Board should still consider.*
- Adopt a cash shortage policy and submit. Adopt a credit card policy and reduce number of credit cards in circulation. *Board could still consider.*
- Board Chairperson read conflict of interest statement and at meetings and reference in board minutes. *Board fully complies.*
- Use pre-audit stamp with finance officer's signature on orders to LB&B and use purchase orders or order confirmation for other purchases with finance officer's signature. *Board complies.*
- Approved disbursement not on checks. *Board fully complies.*
- Pay all liquor bills within 30 days. *Board complies.*

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)*
- 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.

CHERRYVILLE ABC BOARD

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

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: All recommendations will be followed and a updated copy already mailed to the Commission.

Item 2: The Cherryville ABC Board was unaware of this legislation and has always given to Alcohol Education to the best of our knowledge. Our Board members are in discussion with the City to see if they are wanting us to continue with this distribution (if the City has the authority to pass a resolution ?) or if the distribution has to stop and 100% go to the City. Please advise?

Item 3: All recommendations being followed and information has been forwarded to the Commission.

Item 4: Recommendation being followed and Board Members plan to take the Oath at our next meeting scheduled for July 24th 2024.

Item 5: Cherryville ABC Board completely updated a new personnel manual and forwarded a copy to the Commission.

Item 6: Recommendations being followed and a copy has been emailed to the Commission.

Item 7: All recommendations will be followed.

Item 8: All recommendations will be followed.

Item 9: All recommendations will be followed.

Item 10: All recommendations will be followed.


Item 11: All items are being discussed and taking into consideration.

Item 12: Recommendation followed and a copy was emailed to the Commission.

Sincerely,


Chairman

7/24/2024


GM

7-24-24