

# Gibsonville 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

# TABLE OF CONTENTS

---

ABC Commission Statement (for final draft).....	3
Objective, Purpose & Background Information.....	4
Financial Analysis, Observations & Findings .....	6
Recommended Actions & Additional Considerations.....	17-20
Appendix A -Gibsonville ABC Board Response Letter .....	21-23



# ABC

COMMISSION  
NORTH CAROLINA

## Alcoholic Beverage Control

September 17, 2024

CHAIRMAN:  
Hank Bauer

Gibsonville ABC Board  
Paul Koonts, Chair  
112 Piedmont Ave.  
Gibsonville, NC 27249

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

David Sherlin  
Raleigh

Chairperson Koonts,

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 Gibsonville 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, 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

Gibsonville is in the north-central part of the North Carolina in Guilford County. The town, originally a railroad stop known as Gibson Station, was chartered as Gibsonville in 1871. The town evolved from the railroad to also be an agricultural and mining center, and later a textile mill hub. The town's population per the 2020 Census was 8,971 residents which was approximately a forty percent (40%) population increase since 2010.

G.S. 18B-601(c) authorized the Town of Gibsonville 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 October 4, 1988, and passed 207 votes for and 184 votes against. The first retail sales occurred June 1, 1989. A mixed beverage election was held November 7, 1989, and passed 220 votes for and 180 votes against. *Currently, the Gibsonville town board appoints a chairperson and two (2) additional board members to serve on the ABC board.* Current board members include Paul Koonts (Chair), Howard Hendricks, and Caryn Richmond.

The Gibsonville ABC Board operates one (1) retail store. The Board is currently one of four (4) boards with stores in Guilford County. The board currently staffs eight (8) total employees, with two (2) full time and six (6) part time employees and one contract employee. The general manager is full time and responsible for all board operations including ordering, scheduling, inventory, deposits, billing, payroll, building maintenance and Human Resources. The assistant manager is full time and assists the general manager with many of their responsibilities and provides various retail functions. Both managers review all things accounting and operational. The finance officer is a contract employee who assists with some of the accounting obligations. All other staff are engaged in customer service, daily operations, floor upkeep, truck delivery, and sales.

*The last performance audit for the Gibsonville 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 12, 2024, ABC Board Program Analyst Edwin Strickland visited the Gibsonville ABC Board and interviewed the General Manager, Rodney Paul Jr. and the Assistant Manager, Eric Richmond. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**112 Piedmont Ave., Gibsonville, 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 Gibsonville ABC Board received shipments 4 times a month with a target inventory turnover rate of approximately 6. The inventory rate in (FY) 2022-2023 was 7.1, which is above the goal.

### **PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO**

---

In fiscal year (FY) 2022-2023, the Gibsonville ABC Board had a profit percentage to sales of 12.3%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Gibsonville ABC Board's gross sales totaled \$3,049,284, which was an approximate 0.9% increase from the previous fiscal year. The board's sales have grown an impressive 160% over the last five completed fiscal years.

Gibsonville ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .44 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 Gibsonville 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.

	<b>FY 2022-2023</b>	<b>FY 2021-2022</b>
<b>Gross Profit on Sales</b>	\$744,491	\$737,402
<b>Income from Operations</b>	\$375,020	\$412,150

## 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 Gibsonville ABC: Liberty, Ramseur, Caswell County, Alamance County, Orange County, and Greensboro.
- A 4.2% unemployment rate in Guilford County in June of 2023 down .2% from the previous year.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Gibsonville ABC Board's cost of goods sold was approximately **52.9%** in FY 2022-2023.
  - *In FY 2022/2023 the board had ten (10) mixed beverage customer who accounted for approximately three and one-half (3.5) percent of sales.*

## BUDGET ANALYSIS

	<b>FY 2022-2023 Budget Projections</b>	<b>FY2022-2023 Actual</b>	<b>Variance</b>	<b>Variance %</b>
<b>Sales</b>	\$2,727,500	\$3,049,284	\$251,284	9.0%
<b>Revenue over or (under) Expenditures</b>		(\$138,328)		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were 9% above forecast. In addition, the net income change during the fiscal year was \$251,340. *The board's collective net position on June 30, 2023, was \$1,501,183; 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, Gibsonville ABC made other statutory distributions totaling \$118,516 (Net profit distribution recipients received \$85,992 of this). The amount of \$692,519 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Guilford County.

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

- Gibsonville General Fund            100%

## DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Gibsonville 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 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.

<b>NC GENERAL STATUTE: 18B-805 (c)(1)</b>			
<b>Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients</b>		<b>Gibsonville 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	\$85,922	FY-2023	<b>\$85,992</b>
FY-2022	\$85,381	FY-2022	<b>\$10,000</b>
FY-2021	\$72,670	FY-2021	<b>\$10,000</b>
FY-2020	\$47,368	FY-2020	<b>\$10,000</b>
FY-2019	\$34,072	FY-2019	<b>\$10,000</b>

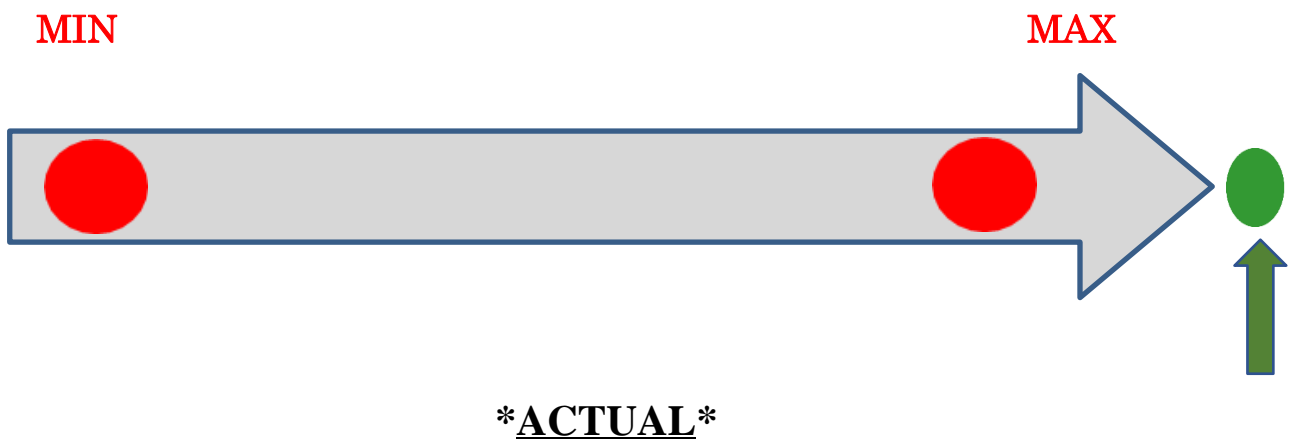
## WORKING CAPITAL

---

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 Gibsonville ABC Board is required to maintain a minimum working capital of \$90,582 with a maximum working capital amount of \$588,789. The Gibsonville ABC Board had a working capital balance of \$669,231 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 generally holds board meetings on the third Friday 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, with the last couple of years' meeting minutes kept electronically. The minutes reviewed did indicate the date and time, did review and approve old minutes, did distinguish new and old business, and did discuss new policies. *The minutes reviewed did not have a conflict-of-interest statement and were only electronic and, therefore, the chairperson's signature was not available.*
- 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 taken and will obtain copies at board for record retention.*
- 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 do not receive compensation for their services and, therefore, are 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 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, law, and education.
- POLICIES: The board has a personnel policy but has not provided a copy to the Commission. Board should consider an update and provide to Commission for record retention. Board could consider adopting or otherwise referencing the sample policy on Commission website. Board currently has provided to the Commission copies of several policies including gift policy, credit card, mixed beverage delivery, sale to intoxicated, sale to underage, mixed beverage, cash drawer, and price discrepancy. Additional policies should be 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 \$251,284 more than the final amended 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 very well at 92.5% of annual budgeted sales. The board has not submitted a budget amendment for FY-23/24.

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

- FINANCIAL INSIGHT: All payments including liquor invoices are made by the general manager and reviewed by the assistant manager or financial officer. Checks are signed by the general manager and assistant manager or finance officer, with the Chairperson as an alternat. 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 general manger and reviewed by the assistant manager.
  - Bank deposits are always made each morning from the previous day with Saturday's deposit made Monday morning. Deposit is made by either the general manager or assistant manager. *Board should consider taking deposits at different times of the day or having different staff members available to take deposits. 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.*
  - Tills are counted each night and each morning. Store generally operates one till starting at \$100.00 daily. An additional \$200.00 is kept for petty cash and \$800.00 kept in change. Board does have a second register that is usually used for looking up items but is sometimes used for credit card only sales on busy occasions.
  - Payroll is biweekly and processed by the general manager via quick books. The assistant manager verifies hours and rates before direct deposit drafts are issued.
  - Board members will review financial records at board meeting. Comprehensive data is supplied, to include financials and more. General manager indicates chairperson signs minutes, but only electronic copies retained at the board for the last two years.
  - Employee files are kept in a locked room with other office files. These files contain tax information, applications, and some other administrative data. *Some staff have taken ethical training courses and their certificates are on file.*
  - The pre-audit certificate is stamped on the orders at the time they are placed, and all are signed by the general manager, assistant manager, or finance officer.
  - All checks and other have disbursement approval and are signed by board personnel.
  - Board does not utilize purchase orders for supplies or other non-liquor purchases but does have pre-audit certificate on most invoices. *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).*
  - Since 2022 the board has only sent two unsaleable merchandise reports to the Commission for record retention. Board administration has detailed records of unsaleable merchandise reports. *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 29, 2023.
- LAW ENFORCEMENT (LE) REPORTS: Reports are being submitted routinely, and they are current to date as well. Submitted reports come from Gibsonville Police Department Chief Ron Parish and are input by general manager.
- LAW ENFORCEMENT (LE) CONTRACT: The board has a law enforcement contract with the Gibsonville Police Department on file with the Commission. *An updated version could be supplied for Commission records.*

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

- **INVENTORY:** Full store inventory is conducted twice yearly. Spot checks are conducted, and different board personnel participate. Staff checks products when stocking, ordering, and for other various reasons. The inventory turns over at a 7.1 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 solid professional experience and has been with the board since 2013. He has previously held the positions of clerk and worked with the previous general manager to modernize record keeping and administrative processes. He has been the general manager since 2020.
  - Finance officer is a contract employee and is not routinely at the board's office. *The board is currently working to reestablish this position.*
  - 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 deliveries weekly. Counts are made by multiple team members and cross-referenced with manifest, order sheet, and 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 and invoices do not have the preaudit approval as required by G.S. 18B-702(m)(q).
  - Board utilizes ACH payments for some recurring payments.
  - General manager makes some purchases with credit card to for supplies. *Board is encouraged to update credit card policy on file with Commission.*
  - No compliance issues regarding board members or personnel related to nepotism or other professional conflicts per discussion with general manager.
  - The board receives an annual report from one of their alcohol education recipients, Residential Treatment Services of Alamance. Board also distributes alcohol education funds to the Gibsonville Police Department and should obtain an annual report from the department describing how these funds are used.
  - 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 fourteen percent (14%) from the last fiscal year and are roughly twelve percent (12%) of total annual sales in FY-22/23.
  - Board salaries were approximately seven percent (7%) of total annual sales. Salaries and benefits increased by roughly twenty percent (20%) from the previous fiscal year.
  - Cost of Goods Sold (COGS) was roughly 52.9% 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 downtown Gibsonville. The store has ample parking and receives foot traffic from surrounding businesses and residents. 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 to include barrel picks.
- Board's warehouse is relatively small but well organized. Inventory of liquor was low at Commission visit. *Inspection of warehouse was conducted the afternoon before a morning truck delivery.*
- Shelf space was not fully utilized with some empty skews. Inspection of the retail area was conducted only several business hours before a truck delivery. *Board should address and evaluate options to help eliminate empty space. Board could consider reaching out to LB&B concerning getting own truck or other options or contacting the Association of ABC Boards for advice.*
- 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 new products and use the internet for product knowledge. He uses social media to monitor trends with the local university. *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 and reserves some for mixed beverage customers. Staff staggers shelving throughout the day and has done lotteries in December.
- Board orders all requests from customers.
- The board has ten (10) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in their daily packet. Board sales system can retrieve invoices for all transactions to satisfy NCAC 15A .1082(b) requirement.
- Board has a mixed beverage delivery policy on file with the Commission but states no customers have requested deliveries. *Board should discuss liabilities or behavioral standards for personnel involved in delivery and consider addressing in an updated policy if delivery is requested.*
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all but one item reflected the current quarterly or monthly SPA price. *The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items.*

## **STORE INSIGHT & OVERVIEW (cont.)**

---

- 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 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 on file with the Commission.*
- 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 Juneteenth.
- Security systems are in place and functional in all designated areas.
  - *Currently forty-two (42) cameras are operational with monitors in office and behind and below sales counter for staff observation. Board has a long shot camera in parking lot which can read license plates.*
  - *Board has a motion detector and glass breakage sensors.*
  - *Employees have cards instead of keys to access different rooms which retains entry data.*



## **RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)**

---

- Board should designate an official finance officer or consider requesting a waiver from the Commission allowing the general manager to also be the finance officer in accordance with G.S. 18B-702(j).
- 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). This improvement plan should have specific verbiage addressing the appointing authority's permission to limit distributions with regards to G.S. 18B-805(c)(1)
- 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 meeting minutes must have a conflict-of-interest disclosure statement, for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h). *Copies of minutes should be available at board with Chairperson's signature.*
- 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.* See 14B NCAC 15A-1006 for guidance.
- 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.*
- 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.*
- 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)

---

- Continue to analyze shopping patterns and history reports more closely.
  - *Board complies should continue evaluations.*
- Consider relocating store to a more visible location.
  - *Board could still consider or discuss the feasibility of a second store.*
- Provide additional training to include alcohol education, customer service, and product knowledge.
  - *Board should always consider.*
- Adopt written policies to include mixed beverage, price discrepancy, cash shortage/overage, and debit/credit card.
  - *Board has these policies on file with the Commission but should consider any necessary updates and provide to Commission.*
- Consider replacing debit card with credit card to reduce fraud.
  - *Board complies.*
- Hold regular board meetings monthly.
  - *Board complies.*
- Pay all liquor bills within 30 days of receipt.
  - *Board complies with all liquor invoices paid within 30 days.*

## 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 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.*
- 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.*
- Board should consider strategies to eliminate empty shelf space. *Board could consider options to include reallocating shelf and warehouse space from declining categories or brands to those showing growth. Board could consider consulting the association, other boards, or LB&B for possible options.*
- 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.

- 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.**

**Official Response to the Performance Audit:**

**Town of Gibsonville Alcoholic Beverage Control Board**

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

September 3, 2024

Dear Mr. Strickland,

I hope this message finds you well. I am writing to express our sincerest gratitude for your unwavering support and invaluable recommendations regarding the comprehensive audit recently conducted. Your guidance is truly appreciated, and we are fully committed to leveraging the findings of this performance audit to drive substantive improvements within our organization.

The thoroughness of the audit has provided us with a detailed understanding of the areas where enhancement is required. We are determined to utilize these insights to refine our processes, elevate our performance, and ensure that our operations are aligned with the highest standards of excellence.

Please find our meticulous responses to the specific findings and well-considered recommendations outlined in the audit report enclosed with this message. We have taken a systematic approach to addressing each point in detail, outlining our plans for implementation and the projected impact on our overall performance.

Your continued support and expertise are integral to our improvement journey, and we sincerely appreciate your guidance. We look forward to informing you of our progress as we implement the recommended changes.


Thank you once again for your commitment to our organization's advancement.

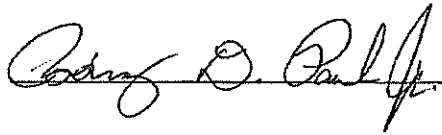
- I. The board should designate an official finance officer or consider requesting a waiver from the Commission allowing the general manager to also be the finance officer in accordance with G.S. 18B-702(j).
  - a. *Interview internal candidates for the finance officer position. If no suitable candidates are identified, the Board will request a special waiver from the North Carolina ABC Commission to authorize the general manager to assume the role. **To be completed by November 2024.***
- II. With the board's 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). This improvement plan should have specific verbiage addressing the appointing authority's permission to limit distributions with regards to G.S. 18B-805(c)(1).

- a. *Produce documentation demonstrating the authorization by the Gibsonville Board of Aldermen for the Gibsonville ABC to make an annual payment of \$10,000 to fulfill the capital improvement plan outlined in G.S. 18B-805(d). **Completed August 2024.***
  
- III. 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.*
  - a. *The board will ensure the archiving of each member's oath of office and will maintain physical copies at the board office for public access. **Completed August 2024.***
  
- IV. Board meeting minutes must have a conflict-of-interest disclosure statement, for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h). *Copies of minutes should be available at board with Chairperson's signature.*
  - a. *The board will ensure that all board meeting minutes contain a conflict-of-interest disclosure statement and bear the signature of the board chairperson. Furthermore, the board will systematically archive meeting minutes and agendas in physical format at the board office to facilitate public access. **Completed August 2024.***
  
- V. 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. See 14B NCAC 15A-1006 for guidance.*
  - a. *The board will commit to proactively initiating the modernization of the personnel manual and providing the NC ABC Commission with a copy for records retention. **To be completed by February 2025.***
  
- VI. 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.*
  - a. *The board will employ the purchase order template provided by the NC ABC Commission to ensure that both the board and the financial officer conduct a pre-audit of all non-liquor goods and services. **Completed September 2024.***
  
- VII. 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.*
  - a. *The Gibsonville Alcoholic Beverage Control Board management will be responsible for ensuring the regular submission of S-108 reports. In the event that no unsaleable merchandise is present within a quarter, it will be incumbent upon the Gibsonville ABC management to notify the North Carolina ABC Commission. **Completed August 2024.***
  
- VIII. 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.*
  - a. *The Gibsonville ABC Board will convene to conduct a comprehensive review of all existing board policies, aiming to identify and address any outdated policies that need updating to reflect the values of the current board administration and appointing authority. The board will ensure that all policy documents are appropriately endorsed with board signatures. **To be completed by April 2025.***
  
- IX. 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.*

- a. The Gibsonville ABC Board, along with designated store personnel, will be responsible for signing and electronically submitting a certificate of accountability attestation form to the NC ABC Commission for the purpose of recordkeeping. Completed September 2024.*

 Board Chairman

 General Manager

**Town of Gibsonville Alcoholic Beverage Control Board**