

Hertford County ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

February 13, 2025

CHAIRMAN:
Hank Bauer

Hertford County ABC Board
Charles Simmons, Chair
1373 E. Memorial Dr.
Ahoskie, NC 27910

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

David Sherlin
Raleigh

Chairperson Simmons,

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 Hertford County ABC Board. The report consists of an overview of the objectives & background summary, financial analysis and findings, and a summary of actions recommended based upon your board's performance and related findings. Additional considerations are listed as well to provide further guidance and enhance awareness to promote ABC board success.

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

Hertford County is in northeastern North Carolina bordering Northampton, Bertie, Chowan, and Gates Counties and sharing its northern border with Virginia. The county seat is Winton, and the largest community is Ahoskie. The county's population per the 2020 Census was 21,552 residents which was an approximate (12.6%) percent decrease from 2010.

Chapter 493 of the 1935 Pasquotank Act authorized Hertford County to hold an election. The referendum was held on July 10, 1965 and passed 1,403 to 990. A mixed beverage election held on May 5, 1992, passed 432 to 325. Upon election of an ABC store, Hertford County Commissioners were authorized to create an ABC Board consisting of a chairman and two members to serve for three-year terms. The county has since increased the number of board members from three to five. Current board members are Charles Simmons (Chair), William Mitchell (Vice), Lonnie Simmons, Roy Barnes, and Jeri Pierce.

The Hertford County ABC Board operates two (2) retail stores and is the only board in Hertford County. The board currently staffs twelve (12) total employees, with six (6) full time, and six (6) part time. The general manager is full time and responsible for the oversight of all daily operations pertaining to the system, inventory management, ordering, human resources, and implementation of other administrative decisions for the board. Both stores have a manager who is responsible for day-to-day operations including scheduling and cash management. The warehouse has a manager who is responsible for ordering and transfers between stores. All store employees are primarily responsible for providing friendly customer service, general store upkeep, and stock maintenance. The board utilizes an accounting service, listed as their finance officer, who handles billing, payroll, bank reconciliation, financial reports, and other financial help.

The last performance audit for the Hertford County 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 Tuesday, October 22, 2024, ABC Commission Program Analyst Edwin Strickland visited the Hertford County ABC Board and interviewed the General Manager, Clarence Jordan, and spoke with other board personnel. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



1373 E. Memorial Dr. Ahoskie, N.C.



912-B W. Main St. Murfreesboro, N.C.

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 Hertford County ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2023-2024 was 3.7, which is below the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Hertford County ABC Board had a profit percentage to sales of 5.63%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Hertford County ABC Board's gross sales totaled \$3,523,258, which was an approximate 2% decrease from the previous fiscal year. The board's sales have grown an impressive 23% over the last five completed fiscal years.

Hertford County ABC Board operates two retail stores with mixed beverage sales. The operating cost ratio for the board was .74 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Hertford County ABC Board, very narrowly, did not meet 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.

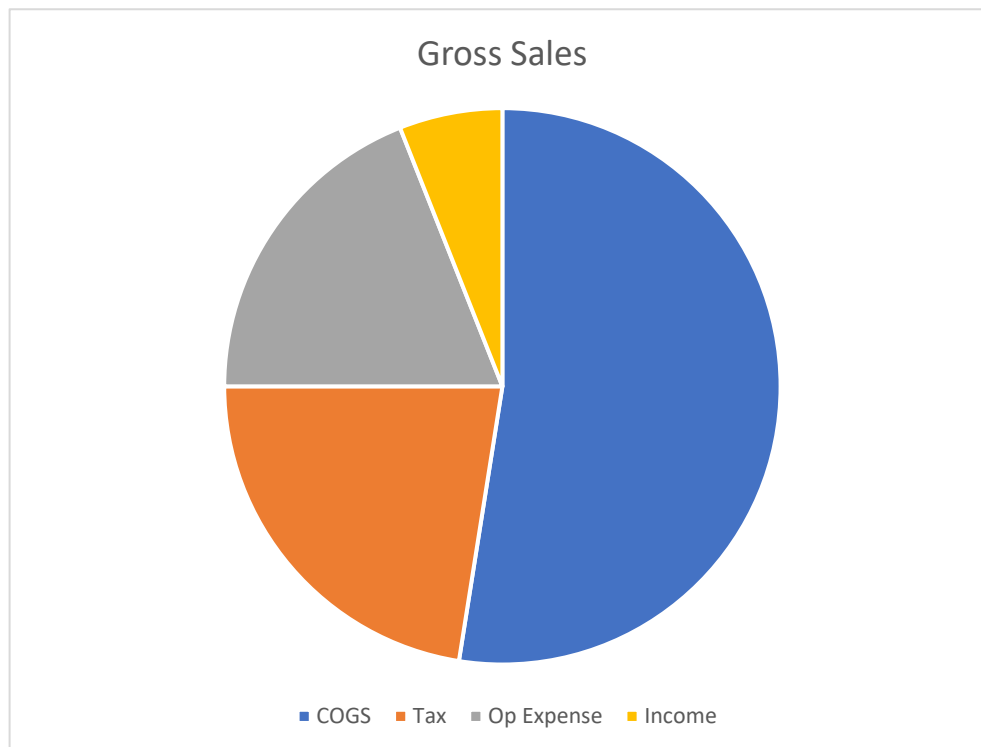
	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$876,053	\$875,606
Income from Operations	\$198,347	\$217,842

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting sales and profitability include:*

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Hertford County ABC: Northampton County, Bertie County, and Gates County.
- A 5.7% unemployment rate in Hertford County in June of 2024 with a .7% increase from the previous year.
- The board currently has eight (8) active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for approximately three (3%) percent of sales.*
- Cost of Goods Sold (COGS) was roughly 52.5% for the fiscal year with a normal range being 52% to 54%.
- Board currently paying note on Murfreesboro store.

- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy five percent (75%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, or as additional distributions beyond the minimum requirement.



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Sales	\$3,565,000	\$3,523,258	(\$41,742)	(1.1%)
Revenue over or (under)				
Expenditures		(\$108,396)		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 1.1% below final budget amendment. In addition, the net income change during the fiscal year was \$125,865. *The board’s collective net position on June 30, 2024, was \$1,097,425; the net position has increased approximately 113% in the last five (5) fiscal years.*

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 2023-2024, Hertford County ABC made other statutory distributions totaling \$126,998 (Net profit distribution recipients received \$101,218 of this). The amount of \$798,223 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Hertford County.

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

- 60% to Hertford County General Fund
- 40% to municipalities on basis of population

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Hertford County ABC board has made net profit distributions over four (4) of the last five (5) fiscal years at or above the minimum mandatory distribution in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been properly disbursed at or above the standard 5% statute amount for four (4) the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for four (4) last five (5) FYs.

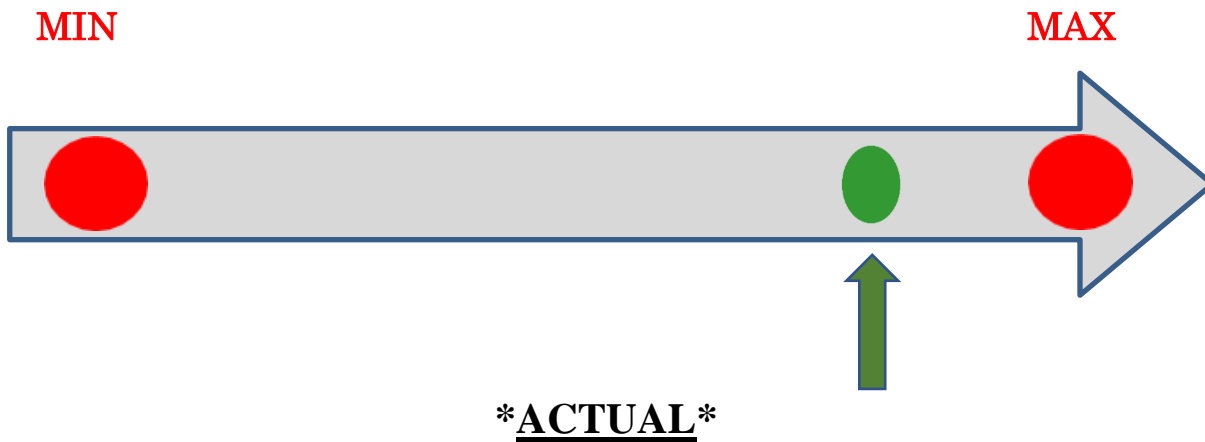
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Hertford County ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$101,218	FY-2024	\$101,218
FY-2023	\$103,935	FY-2023	\$103,935
FY-2022	\$104,817	FY-2022	\$104,816
FY-2021	\$99,409	FY-2021	\$99,408
FY-2020	\$83,674	FY-2020	\$54,987

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 as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Hertford County ABC Board is required to maintain a minimum working capital of \$104,809 with a maximum working capital amount of \$681,526. The Hertford County ABC Board had a working capital balance of \$514,803 which is greater than the minimum and less than the maximum Commission requirements for this section (*).

*** FY 2023-2024: 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:

- **Board meetings:** The board generally holds meetings the second Monday of each month. They record regular meeting minutes and provide public notification and awareness for these meetings. The meeting minutes are organized by session and kept in a book. Board meeting minutes were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired. Board member terms are appropriately staggered with no more than two term end dates per year.
- **Oaths of Office:** Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths should be available at the board's administrative office.*
- **Training records review:** Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b), with one reappointed member and one recently appointed member needing to complete training soon.
- **Board member compensation:** Board members receive compensation for their services above the maximum \$150.00 per meeting. In 2010 the board provided the Commission with an approval from their appointing authority to increase member salaries, however, the current salary schedule for members does not reflect the previous approval. *Board should provide the Commission the required approval from their appointing authority in compliance with GS 18B-700(d).*
- **General Manager (GM) salary:** The General Manager has updated their salary for Commission records and the salary is well below the maximum. *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:** Board personnel provide financial reports for the board's review at meetings including P&L, balance sheets, budget to actual, and amendments. 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.
- **POLICIES:** The board has a personnel handbook, and the Commission has a copy in record retention.
 - Board has a mixed beverage sales and delivery policy in Commission records and a price discrepancy policy.
 - Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings and employee tastings, overage and shorts, social media, lotteries, or any others.
 - For travel policy, the board adheres to their county's policy but have not received approval from their appointing authority since 2023.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **BUDGETS:** In FY 23/24, the board's actual sales were 1.1% less than the final amended budgeted sales. *The board submitted to the Commission a final budget amendment for FY-23/24.*
- **FINANCIAL INSIGHT:** Invoices for liquor are processed by the finance officer with checks being cut by their bank. Other payments, taxes and distributions are paid either monthly or quarterly by the finance officer. Full bank reconciliation is completed monthly by the finance officer. Bailment and surcharge are paid via ACH. The general manager sometimes issues a check for instances involving breakage or other special circumstances.
 - All checks have the required disbursement approval and are signed by the finance officer and general manager and board member(s) are alternates.
 - General manager sends full liquor order to finance officer when placed for preaudit verification stamping.
 - Bank deposits are currently being made each night by the store manager or applicable personnel. Staff have either police escort or other team member escort to deposit drop area. General Manager and finance officer review and verify deposit slips to bank statement. *The board's FY 23/24 audit referenced noncompliance regarding daily deposits and the board management has worked to reinforce compliance and the establishment of a change fund for both board stores.*
 - Board uses a form of positive pay with the finance officer or general manager approving disbursements on-line.
 - Tills start with \$100.00, and loans are given from change fund. An additional \$200 is kept for petty cash with the general manager only, having access.
 - Payroll is twice monthly and processed by the finance officer. Time sheets are reviewed by the general manager and employees are paid via direct deposit.
 - Employee files are kept in a locked portion of their administrative office and include some medical information, policy acknowledgment signatures, and tax information.
 - All board members, General Manager - 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).*
 - Petty cash (200\$) is kept in locked administrative office. General manager has only access and supplies receipts for any usage.
 - Board keeps thorough records for unsaleable merchandise reports and sends reports to the Commission. *Commission requests unsaleable reports be sent quarterly and by email.*
 - The annual CPA audit was received and by the Commission on September 11, 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Hertford County Sheriff's Department on file with the Commission.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are not being submitted routinely, with the last submitted report dated December 2018. *Board should work with law enforcement to reestablish reporting or consider alternative law enforcement agencies.*
- **INVENTORY:** Full inventory is conducted monthly with multiple staff members participating. Final discrepancies are reviewed by general manager and adjustments are made. Additional spot checks are conducted. Warehouse manager makes transfers between stores and general manager reviews and adjusts. Board's strategies for slow moving stock include moving stock between stores and price reductions.

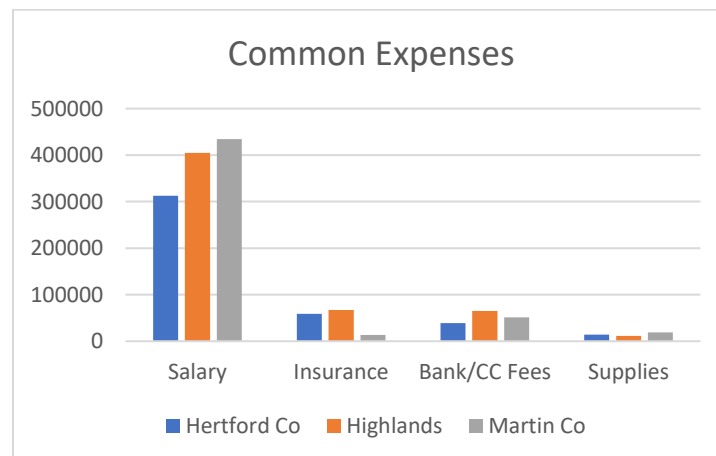
PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ INTERNAL CONTROLS:

- The general manager has worked for the board for approximately thirty-five years, assuming the position of general manager in 2010.
- The Board members and Chairperson have extensive professional experience in fields including, government, education, finance, law enforcement and ABC Board management. The board has a mixture of long tenures and a recent appointee.
- The board does not receive an annual report describing expenditure of funds from their alcohol education and rehabilitation recipient, Hertford County. *Board should contact county board of commissioners for said report and retain in board records for the year.*
- Some employees have been to RASP training. Administration has quarterly meeting to discuss statutes pertaining to alcohol sales and personnel or employee concerns.
- Full time employees are enrolled in LGERS and OPEB.
- Warehouse manager makes liquor order by analyzing recent monthly sales and current inventory, while adjusting for length between trucks, holidays, and pricing.
- Board receives two deliveries monthly at their warehouse behind the Ahoskie store. Counts are made using load sheets and any variances are recounted, and actual discrepancies are reported to LB&B. Transfers to store #2 are facilitated by warehouse manager.
- Board has credit cards to include one for the general manager and another kept locked in the board office. The finance officer is responsible for the credit card account reconciliation.
- No conflicts pertaining to nepotism found and per discussion with general manager.
- Board has a code of ethics policy on file with the Commission.

➤ EXPENSES:

- Total operating expenses increased around three percent (3%) from the last fiscal year and are roughly nineteen percent (19%) of total annual sales in FY-23/24.
- Board salaries were approximately seven percent (7%) of total annual sales. Salaries and benefits increased by around six percent (6%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.5% for the fiscal year with a normal range being 52% to 54%.
- A common expense report shows Hertford County ABC Board has mostly lower expenses comparable to other ABC boards in similar sales ranges.



STORE INSIGHT & OVERVIEW

- Board's store # 2 in Ahoskie is a free-standing building owned by the board. The store is in the town's commercial strip. It has good exterior signs, ample parking, and the interior is well lit. Retail space is approximately 2,500 sq. ft. The warehouse area is large, well organized, and provides easy access for deliveries. The space is approximately 4,000 sq. ft. and well organized.
- Board's store # 1 in Murfreesboro is also in that town's commercial area. The store has a good signage and parking. The interior is well lit and aesthetically pleasant. The retail space is approximately 1,500 sq. ft. and the warehouse area is around 1,000 sq. ft.
- Outside area surrounding the stores are well-maintained and free of debris or trash.
- The store displays 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.
- 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. While shelf management practices were often followed, some shelves had bottles decreasing in size from left to right.
- Product knowledge growth is accomplished through literature from brokers and discussed at quarterly staff meetings.
- Store managers take special order requests and board orders.
- Board offers mixed beverage customers limited or allocated products. They also take names and numbers for inquiries and will shelve remaining product.
- The board does not have a web page.
- 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 on file for each account. Store # 2 is the mixed beverage outlet. A mixed beverage delivery policy is on file with Commission, but board has had no requests.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items across both stores reflected the current quarterly or monthly SPA price.
- A random sample of approximately 20 items was selected to verify accurate current inventory. All items actual quantities matched with system data correctly.
- General manager indicates price discrepancies are handled in the customers favor if the shelf price is lower than the cash register and the customer objects. *Price discrepancy policy is on file with the Commission.*
- The board's stores are generally open from 10:00 am until 7:00 pm Monday through Saturday. They are currently closed every Sunday, the five (5) previously required annual holidays, a second day at Christmas, Martin Luther King Jr Day, Easter Monday, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *Currently fifteen cameras operating at Store #1 and panic buttons behind the registers and in office. Board hires law enforcement at certain times for in store presence.*

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. *A written account of the oaths should be available at board administration.*
- The recipient(s) (*Hertford County*) of alcoholism fund or education distributions must provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h). *The board may want to consider obtaining documentation before the funds are officially awarded / transmitted to any recipients.*
- The board shall submit a copy of the law enforcement report to the appointing authority and the Commission by the 5th business day of each month per G.S. 18B-501(f1). If current law enforcement agencies are not completing ABC enforcement law activities on behalf of the board, it is recommended for the board to consider entering a contract with a different agency such as Alcohol Law Enforcement (ALE) state agency or local municipal police departments.
- In accordance with G.S. 18B-700(g), the board should provide documentation to the Commission from the appointing authority approving and specifying the per board meeting compensation amount for the Chairperson and other board members. *While a previous approval is on file in Commission records, it does not reflect current salary schedule and approved compensation is lower than current compensation.*
- Board should reestablish and maintain a shelf management plan to include arranging bottles, so they increase (in size) from left to right of the same item referencing NCAC 15A .1708 (a)(3). *Once established, board administration should keep a copy at each store and, upon request, provide a copy to Commission representatives.*
- In FY 2023/2024 the board's CPA audit disclosed noncompliance with G.S. 159-32 and NCAC 15A .0905 regarding daily deposits and the establishment of a change fund for daily store operations. *The board has now established a change fund for their Murfreesboro Store #1 and is following the afore mentioned statute and administrative code.*
- 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.

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

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.*
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) in a prompt manner and before the twelve (12) month mandate. *The board currently has two members, one recently appointed and another reappointed, who should expedite their ethics training requirement when able.*
- 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.*
- OPEB expenses will continue to rise. It may be beneficial to contact CPA for advice on the benefits vs. cost implication of continuing this incentive program.
- Continue with the following to ensure inventory turnover is reaching the goal of 5 times (2 monthly deliveries) per year. Analyzing sales and history reports to determine the bestselling products needed and to avoid overstock, watching customer shopping patterns and using the information to optimize product placement, and price reductions. *Board could contact other boards or the association's efficiency (internal controls) committee for additional ideas and options.*
- 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 Education Outreach as well as partnering with other ABC boards or the Association of ABC Boards on specific areas such as best retail and marketing practices.

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2013)

- *To further improve inventory turnover, consider the following:*
 - *Exploring alternative marketing strategies for eliminating slow-moving products by increasing transfers between stores that may have a greater demand and creating more displays within stores to encourage impulse shopping,*
 - *Encouraging sales staff to acquire more product knowledge to assist with sales.*
 - *Analyzing sales history reports carefully to avoid overstocking.*
- 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.
- Request bids annually from various vendors to get the best rates possible on financial audits, specific utilities, maintenance contracts, and credit card processing fees.
- OPEB expenses will continue to rise. It may be beneficial to contact CPA for advice on the benefits vs. cost implication of continuing this incentive program.
- Improve sales strategies by developing new marketing techniques and continue to upgrade stores to present a more modern, appealing look. Refer to recommendations addressed under inventory turnover.
- Have a specific capital improvements plan that specifies the projects that will be completed on a yearly basis using the funds set aside.
- Provide additional training that will include alcohol education, customer service, and product knowledge. Contact the Commission for RASP training and other boards that have a training program in other areas.
- Although understood by all employees, have a written price discrepancy policy. Having written procedures will allow future employees to be knowledgeable about current practices.
- Have an agreed upon law enforcement contract and submit to the Commission. All local boards are required to have an agreement, even if the agreement results in no enforcement activity without pay.
- Consider reducing the number of credit cards in circulation by having the general manager make travel arrangements for board members on official board business.
- Adopt a written credit card usage policy. Include a maximum limit allowed for purchases before a board member is notified for approval. A board member is to be notified of all purchases over the limit. Once adopted, submit a copy to the Commission.
- Have the board chairman read the conflict-of-interest statement to all board members at the start of each meeting.
- If board members are going to accept mileage reimbursement for attending special meetings, formally adopt a policy and record in minutes of meeting.
- Update bonding insurance policy to have the general manager, all board members, and finance officer covered under a blanked bond for \$50,000.
- Place the pre-audit certificate with the finance officer's signature on the order to LB&B. Authorization should occur before the transaction takes place.
- Audit all shelf tags in the stores and the cash register for correct pricing on a regular basis. To ensure accurate pricing in the future, incorporate a shelf tag audit (by section) into a weekly inventory count.

While having addressed most considerations from previous Commission review (2013), board should still monitor and strive to satisfy previously noted recommended actions.

HERTFORD COUNTY ABC BOARD

Post Office Box 374, Ahoskie, North Carolina 27910 Phone (252) 332-4408 Est. July 10, 1965

<i>Clarence M. Jordan</i> General Manager	<i>Jeri Pierce</i> Winton, NC	<i>Charles Simmons</i> Chairman, Ahoskie, NC	<i>Roy T. Barnes</i> Ahoskie, NC	<i>Lonnie Simmons</i> Murfreesboro, NC	<i>William F. Mitchell</i> Vice-Chair Ahoskie, NC
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North Carolina ABC Commission

400 E. Tryon Rd.

Raleigh, NC 27610

February 6, 2025

The Hertford County ABC Board thank you for your support and recommendations from the audit that was performed. We are sure this audit will help us in identifying and rectifying any areas that need improvement. Please find below our responses to your findings and recommendations.

Item #1: Oath of Office

The Board has researched this and followed up with the Commission as to the proper way to carry this out and will immediately implement your suggestion in accord with G.S. 11-7.

Item #2: Annual documentation from the County describing activity for which alcoholism funds and education distributions were spent per G.S. 18B-805(h)

All recommendations will be followed.

Item #3: Monthly submission of the law enforcement report

The County Sheriff's office has been notified, and the Board will see that this is implemented going forward per G.S. 18B-501(f1).

Item #4: Per Board meeting compensation amount -G.S. 18B-700(g)

The Board has reached out to its appointing authority for documentation in compliance with the above statute.

Item #5: Maintaining a shelf management plan

HERTFORD COUNTY ABC BOARD

Post Office Box 374, Ahoskie, North Carolina 27910 Phone (252) 332-4408 Est. July 10, 1965

<i>Clarence M. Jordan</i> General Manager	<i>Jeri Pierce</i> Winton, NC	<i>Charles Simmons</i> Chairman, Ahoskie, NC	<i>Roy T. Barnes</i> Ahoskie, NC	<i>Lonnie Simmons</i> Murfreesboro, NC	<i>William F. Mitchell</i> Vice-Chair Ahoskie, NC
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The above recommendation shall be followed henceforth.

Item #6: Compliance regarding daily deposits

The board has established a change fund for its Murfreesboro Store#1 in immediate response to the results of the CPA audit and is now in compliance with NC G.S. 159-32 and NCAC15A.0905.

Item #7: Certificate of Accountability attestation

The Board will provide such documentation following its February meeting.

Sincerely,



Charles Simmons, Chairman



Clarence M. Jordan

Clarence M. Jordan, General Manager

Hertford County ABC Board