

Indian Trail ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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ABC COMMISSION NORTH CAROLINA

Alcoholic Beverage Control

February 25, 2025

CHAIRMAN:
Hank Bauer

Indian Trail ABC Board
David Cohn, Chair
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Indian Trail, NC 28079

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

David Sherlin
Raleigh

Chairperson Cohn,

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 Indian Trail 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.

Indian trail, N.C. is a suburban town located in Union County. It is also known as a part of the Charlotte N.C. metropolitan area. Indian Trail has grown rapidly in the 21st century, going from 1,942 residents in 1990 to 39,997 in 2020. Founded on March 12, 1861, Indian trail holds a history of trading travelers along the "Indian Trail" which ran from Petersburg Virginia to the Waxhaw Indians and gold mining areas. Indian Trail was first a farming community; however, German, Irish and Scottish settlers began to move into the area due to its geographical location.

The election of the Indian Trail ABC board was authorized by the Town council of Indian trail to hold an election for an ABC store. The referendum was held November 3, 2009, and the vote passed 1347 to 684. *Currently, the Town of Indian trail appoints a chairperson and two (2) additional board members and a General Manager to serve on the ABC board.*

The Indian Trail ABC Board currently operates one (1) retail store. The board staffs thirty-one (31) total personnel. These include seven (7) full-time employees and twenty (24) part-time personnel. The general manager is responsible for the daily store operations including supervising personnel, inventory management, and various retail functions.

The board has a general manager “Jeff Sullivan” and Laura Helms serves as the finance officer. The general manager provides the board with fiscal management, administrative support, and oversees routine operations of the ABC stores. Sales associate responsibilities include selling products, daily stocking, and floor upkeep & maintenance.

The last performance audit for the Indian Trail ABC Board occurred in 2014. 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 Monday, December 10, 2024, ABC Board Program Analyst Eric McClary, visited the Indian Trail ABC Board and interviewed Jeff Sullivan (General Manager & Finance Officer). Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.

FINANCIAL ANALYSIS

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2024, the Indian Trail ABC Board had a profit percentage to sales of 10.25%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales more than \$2M yet less than \$10M is 6.5%. The Indian Trail ABC Board's gross sales totaled \$9,767,286 in FY 2024, which was a 12.1% increase from the previous fiscal year.

The operating cost ratio for the Indian Trail ABC Board was 0.53 in FY 2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

The Indian Trail ABC Board did meet the profitability standard and met 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	\$2,462,590	\$2,204,742
Income from Operations	\$1,001,224	\$909,559

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores is Mecklenburg ABC, Albemarle ABC, and Concord Cabarrus ABC which are all within a 25-mile radius.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Indian Trail ABC Board's cost of goods sold was approximately **51.8%** in FY 2023-2024.
- *There are currently 90 mixed beverage customers.*

BUDGET ANALYSIS

	FY 2023-2024 Budget Projections	FY2023-2024 Actual	Variance	Variance %
Sales	\$10,494,597	\$9,767,286	(\$727,311)	6.9%
Revenue over Expenditures		\$ 776,725		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues sales revenues were below forecasted projections. *Because budgeted sales were overstated or over budgeted with the actual revenue being less than what they budgeted.*

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, Indian Trail ABC made a total of \$2,246,628 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), NC Department of Health & Human Services (NCDHHS), and the county commissioners of Union County.

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

- One Hundred Percent (100%) to Indian trail General Fund

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 standard for boards with annual gross sales less than \$1.5M an amount equal to four (4) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Indian Trail ABC Board is required to maintain a minimum working capital of \$289,568 with a maximum working capital amount of \$1,882,195. The Indian Trail ABC Board had a working capital balance of \$1,437,619 which falls within the 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:

- The board holds board meetings the third Thursday of each month at 6:00 PM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized in a folder for review.
 - Training records review: Board members and personnel are compliant on ethics training.
 - General Manager (GM) Salary and Board Member compensation: GM salary fully adheres to 18B-700(g1) statute requirements. However, the Indian Trail has approved the \$250 per meeting board member compensation, and the Commission has an approval copy on file.
 - 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 better 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 monthly sales information and previous year's applicable sales and operational concerns. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The Commission does have a copy of the personnel policy manual. The board adheres to the state travel policy.
- BUDGETS: In FY-23/24, there was a 20% increase from the previous year, 2023. The board also submitted a budget amendment.
- FINANCIAL INSIGHT: Invoices are processed monthly by the Finance Officer. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid in a routine and timely manner. The board uses QuickBooks for routine journal entries.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Bank deposits are currently being made two (2) times per week per review of bank Statements and discussion with the finance officer. These deposits are conducted at night at the banks deposit drop box. For safeguard measures and adherence to *Commission rule 15A .0905 Daily Deposits*, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.
- All board members and applicable personnel are each bonded for \$50,000 per G.S. 18B-700(i).
- The annual CPA audit was received and logged by the Commission on September 23, 2024.
- Law Enforcement (LE) Contract: The board has an active contract on file however they have ceased a partnership with the NC ALE. The board has a new partnership with the Union County Sheriff’s office. The board also has not been submitted LE reports since July 2024. A new contract will be submitted by the board.

STATUTORY DISTRIBUTIONS:

- Net Profit Distributions - The Indian Trail ABC board has routinely made the minimum mandatory distributions to the designated recipients over the last several years referencing NCGS 18B-805(c)(1). **The table below references distributions calculated by CPA on the left and total net profit distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been properly disbursed at the regular 5% statute amount over the last five (5) fiscal years.
Alcohol Education Distributions: Have been properly disbursed at the regular 7% statute amount. Over the last five (5) fiscal years, this distribution category has been increased moderately annually.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Indian Trail ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
CPA Calculated Amount		Total paid to recipient(s)	
FY-2024	\$251,335	FY-2024	\$275,000
FY-2023	\$243,384	FY-2023	\$251,447
FY-2022	\$202,799	FY-2022	\$207,774
FY-2021	\$179,025	FY-2021	\$184,000
FY-2020	\$148,004	FY-2020	\$149,681

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **LAW ENFORCEMENT (LE) REPORTS:** Reports have not been submitted online routinely since July 2024. After discussion with the GM, it was determined that the police department has not routinely been providing enforcement & regulatory data to the board due to a change in agency. Indian Trail will soon be contracted with the Union County Sherriff's Department. The GM will submit a copy of the new contract to the ABC commission.
- **LAW ENFORCEMENT (LE) CONTRACT:** The Commission does have a current electronic copy of a law enforcement contract on file that reflects the current contracted agency.
- **INVENTORY:** Full store inventories are conducted two (2) times annually. In addition, inventory spot checks in certain categories are conducted at random intervals.

- **INTERNAL CONTROLS/FINANCIAL INSIGHT:**
 - The board has a full-time employee to support the general manager.
 - The board has 5 tills, The tills contain \$50.00 before they get their loan. The opening manager gets loan out of the safe for the clerk. The manager will then gauge how much and what change is required.
 - Invoice information is entered into QuickBooks, cash requirements are printed for the truck shipments.
 - Board members review financial statements and monthly reconciliations.
 - After the store closes, the manager compiles all monies collected and stores the monies deposit bag and placed in the safe.
 - Bank deposits are made at least two times a week by management. The Finance Officer compares the deposit slips with bank statements.
 - Personnel review deposits and the general manager compares deposit slips with bank statements and a board member reviews at monthly reconciliation. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.*

- **EXPENSES:**
 - Total operating expenses increased approximately thirteen percent (13%) from the last fiscal year.
 - Board salary was approximately 6.4% of total annual sales. Payroll increased approximately 7.5% from the previous fiscal year.
 - Cost of Goods Sold (COGS) was 51.8% for the fiscal year which represents a slight increase for the previous fiscal year.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store has a modern layout, good ergonomics for shoppers, and plenty of inventory on the shelves.
- Sales associate interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers. The board has around ninety (90) MXB customers as of December 18, 2024. The customers are offered delivery options. The delivery fee is \$ 0.00. All delivered accounts are serviced from Store 2, Sun Valley location.
- Thus, the board has requested and received an approval waiver from the Commission for a delivery service policy - Referencing Rule 15A. 1903 Delivery of MXB Permittee Orders.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, every item reflected the correct quarterly or monthly SPA price. *The board has professional label, stickers, and utilizes supplier displays to indicate special priced items.*
- Besides closing on the two (2) required annual holidays and every Sunday, the board may opt to continue closing on New Year's Day, July 4th, and Labor Day annually.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808. A new poster was provided to replace the older one.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf. Some occurrences were found with various bottle sizes of the same products increasing appropriately from left to right. Some other areas had bottle sizes of the same products decreasing in size from top to bottom, with larger bottles placed at the top. Bottles were fronted and dusted. Bottles are also organized from top to bottom on some shelves, to increase the possibility of sales.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.
 - *Sixteen (16) cameras work to cover the property footprint with eight outside and sixteen interior cameras.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. 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.*
- Please ensure all newly adopted policies or any updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. A Credit Card Policy is recommended to established authorized use (sample copy forwarded for consideration).
- Law enforcement reports must be submitted on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). Reports should include as applicable the number of arrests made for ABC law, number of agencies assisted with ABC law, and other metrics for ABC law contribution such as compliance checks and alcohol education classes presented. 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 is to click the preview button and then click the submit button for the reports.
- Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with *G.S. 18B-702(m)* with a signature by the finance officer. The specific statement should read, "*This instrument has been pre audited in the manner required by G.S. 18B-702.*" *Special note:* This would be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system *before* any liquor orders are placed with state warehouse.
- 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). The LEO system is provided for municipalities to capture this data as a good option. Otherwise, the ABC boards would have to submit the required data on the board log in website.

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 Sept 30th.
 - 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*.
- 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.
- 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.
- NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise (breakage) and retain original copies for three (3) years. *All breakage reports should only be transmitted via email submission to Commission staff; copies should not be mailed.*
- 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.
- 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.



Indian Trail

Alcoholic Beverage Control Board

David Cohn
Board Chairman
General Manager
Jeff Sullivan

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Board Members:
Judith Silberquit
David Lucarelli

ABC Commission
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February 20, 2025

Dear Mr. Eric McClary

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 our responses to the findings and recommendations below.

Item 1: Budget Amendments

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.

All recommendations will be followed per NCGS.

Item 2: Credit Card Policy

Credit Card Policy is recommended to established authorized use. NCAC 15A.1102.

All recommendations will be followed.

Item 3: Signed Law Enforcement Contract with the Union County Sheriff's Department provided to the Commission per G.S.18B-501(f).

A signed copy was sent to the Commission 1/14/2025.

Item 4: Law Enforcement reports must be submitted on the Commission's board website by the 7th of each month G.S. 18B-501(f)(1)

All recommendations will be followed.

Item 5: Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring payment has been stamped stating it has been pre-audited to ensure compliance with G.S. 18B-702(m). Best practice would be most reasonably accomplished by signing & stamping the summary total of the Order Edit List.

All recommendations will be followed.

Item 6: The board shall submit a copy of the Law Enforcement Report to the appointing authority and the Commission per G.S. 18B-501(f1). This can be accomplished by using the board's web portal or the LEO system provided for municipalities. All recommendations will be taken under advisement.

Item 7: The Commission's primary focus for ABC board members: Boards are encouraged to keep term begin dates & term end dates updated on the Commission's board login website as well as Indian Trail ABC Website. Keep the Commission informed of any new appointments to the board and terms ending by way of resigning early. This is important to the recordkeeping efforts of the Commission All recommendations will be followed.

Item 8: 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. All recommendations will be taken under advisement.

Item 9: NCAC Rule 15A.10701 requires quarterly reports be submitted for any unsaleable merchandise (breakage) and retain the original for three years. This is accomplished by emailing the Commission. All recommendations will be followed.

The board has signed and submitted a COA form.

Sincerely,

David Cohn, Chairman, Indian Trail ABC Board
Jeff Sullivan, General Manager, Indian Trail ABC Board