

Johnston County 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 28, 2025

CHAIRMAN:
Hank Bauer

Johnston County ABC Board
Craig Williams, Chair
417 S. Brightleaf Blvd.
Smithfield, NC 27577

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

David Sherlin
Raleigh

Chairperson Williams,

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 Johnston 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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Raleigh NC 27610

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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

Johnston County is in central-eastern North Carolina and is the state's ninth largest county by population. Per the 2020 Census, the county's population was 215,999 residents which was an approximate twenty eight percent (28%) percent increase from 2010 and seventy seven percent (77%) increase since 2000. *Current population estimates exceed 242,000 residents, amounting to a one hundred plus percent (>100%) growth since 2000. North Carolina has experienced a growth rate of approximately thirty seven percent (37%) over the same period.*

The 1937 Act authorized Johnston County to hold an election by referendum. The vote for ABC stores was approved in 1937, rescinded in 1940, and another referendum was held on September 2, 1964. The vote passed 4,495 to 4,324. The first ABC store opened on December 15, 1964. A county-wide mixed beverage election was held on May 6, 1997, and passed 6,175 to 6,074. Mixed beverage sales began on May 28, 1997. Upon election of an ABC store, the county was authorized to create an ABC Board consisting of a chairperson and two members to serve for three-year terms. Current board members are Craig Williams (Chair), Lee Jackson, and Jeffrey Carver.

The Johnston County ABC Board operates nine (9) retail stores and is the only board in the county. The board currently staffs sixty-five (65) total employees, with thirty-five (35) full time, and thirty (30) part time. The finance officer is currently serving as the interim general manager as the previous manager recently resigned. In addition to full operational oversight, their responsibilities include budget balancing, purchase approvals, and financial reporting to board members. The board has three part time office employees who are responsible for human resources, payroll, billing, transfers, and other areas. Each store has a manager and there are two area managers primarily responsible for training, procedures, and store upkeep, with the managers responsible for scheduling, ordering, and deposits. All other store employees are sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.

The last performance audit for the Johnston County ABC Board concluded in 2020. 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, January 7, 2025, ABC Commission Program Analyst Edwin Strickland visited the Johnston County ABC Board and interviewed the interim General Manager and Finance Officer, Shannon Capps, board Chairman Craig Williams, and other personnel. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



417 S. Brightleaf Blvd. Smithfield, N.C.



111 S. Pollock St. Selma, N.C.



12524 NC Hwy 210 Suite 101. Benson, 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 Johnston County ABC Board receives multiple shipments monthly with a target inventory turnover rate of between 5 and 6. The inventory rate in (FY) 2023-2024 was 3.8, which is below the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Johnston County ABC Board had a profit percentage to sales of 9.37%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$10M is 9%.

- The Johnston County ABC Board’s gross sales totaled \$30,716,413, which was an approximate 3% increase from the previous fiscal year.
- The board’s sales have grown an impressive 40% over the last five completed fiscal years.

Johnston County ABC Board operates nine retail stores with mixed beverage sales. The operating cost ratio for the board was .59 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with three or more stores is .63 or less.

- Operating cost ratio is calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).

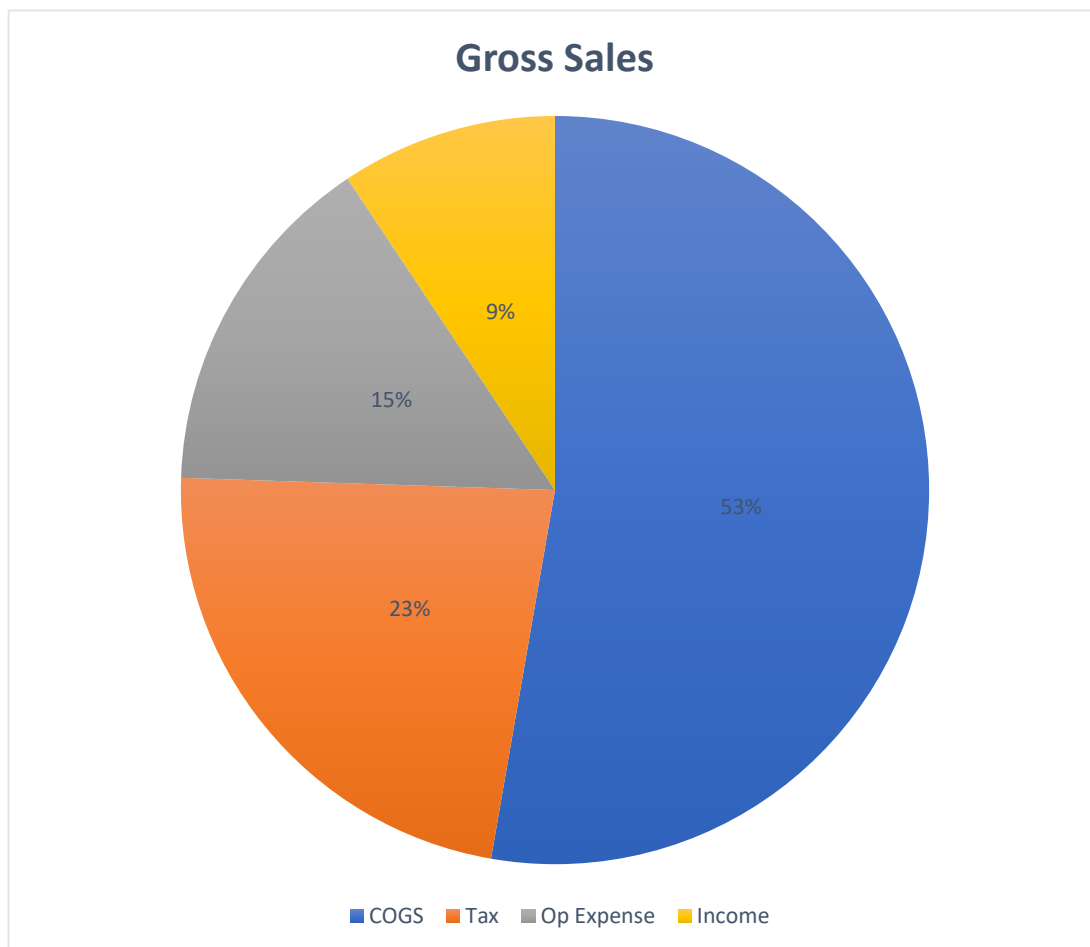
Thus, the Johnston County ABC Board meets both the profitability and the operating cost standards set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$7,546,449	\$7,329,749
Income from Operations	\$2,877,247	\$2,684,041

FINANCIAL ANALYSIS (cont.)

- *Factors affecting sales:*
 - Other ABC boards with stores within a 30-mile radius include Newton Grove, Angier, Dunn, Littleton, Wake County, Wilson County, and Wayne County.
 - A 3.7% unemployment rate in Johnston County in June of 2024 with a .4% increase from the previous year.
 - The board currently has approximately 108 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for nearly 9.5% of gross sales.*

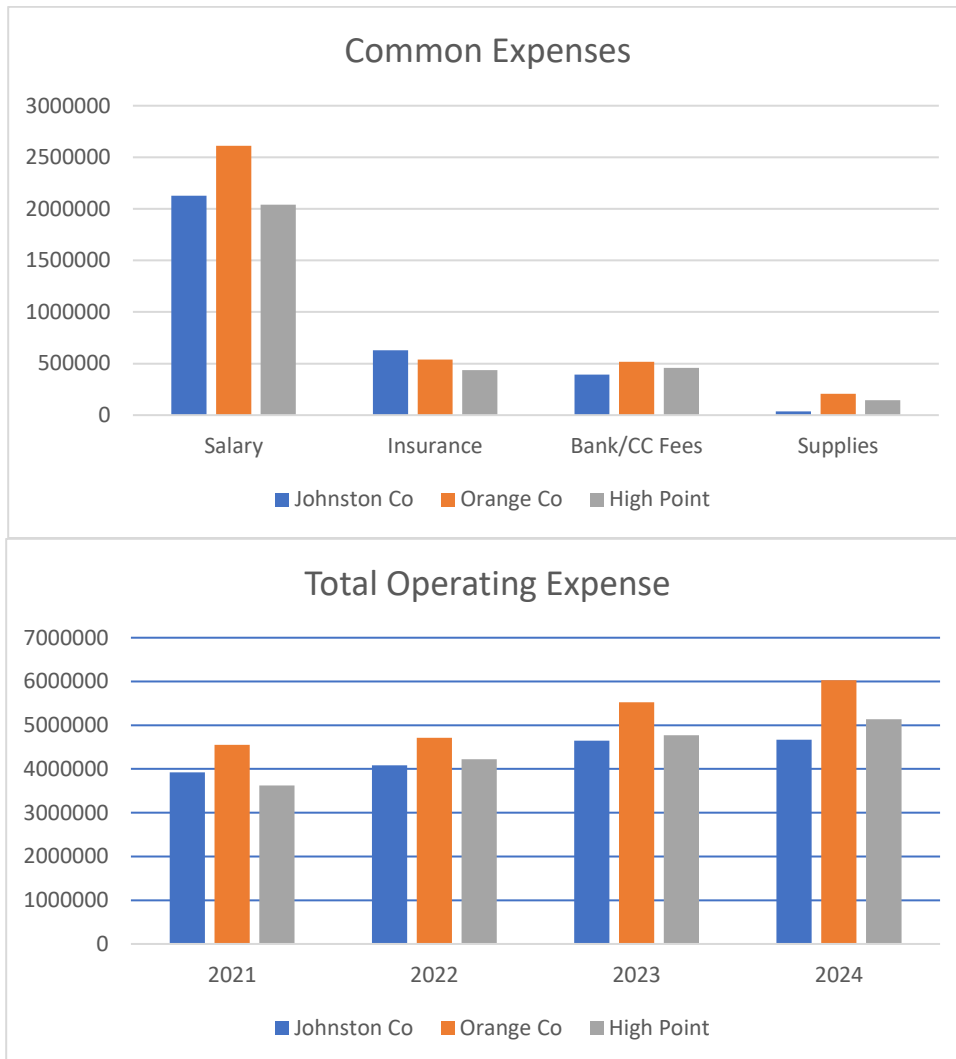
- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, or as additional distributions beyond the minimum requirement.



FINANCIAL ANALYSIS (cont.)

- *Factors affecting expenses:*
 - Total operating expenses increased around one-half percent (.5%) from the last fiscal year and are roughly fifteen percent (15%) 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%.

- An operating expense report and common expense report show the Johnston County ABC Board has similar categorical and mostly lower total operating expenses comparable to other ABC boards within a similar gross sales range. *Common expense report categories can be unreliable as different CPAs may include different expenses in their line items.*



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Total Revenues	\$30,939,711	\$30,747,279	(\$192,432)	(.6%)
Total Expenditures	\$32,916,466	\$28,722,072	\$4,194,394	12.7%
Distributions	\$2,449,745	\$1,407,576	\$1,042,169	42.5%
Revenue over or (under) Expenditures		\$617,631		
After Financing		\$831,099		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were >1% below final budget amendment. In addition, the net income change during the fiscal year was \$1,548,222. *The board's collective net position on June 30, 2024, was \$7,029,459; the net position has increased approximately 383% in the last five (5) fiscal years.*

Based on sales trajectory for the current fiscal year with six months (50%) of the budget year completed, the board is tracking along very well at 53% of annual budgeted sales.

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, Johnston County ABC made other statutory distributions totaling \$1,359,891 (Net profit distribution recipients received \$1,102,315 of this). The amount of \$7,043,785 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Johnston County.

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

- 75% to Johnston County General Fund.
- 25% to all incorporated municipalities on basis of last federal census.

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Johnston County ABC board has made net profit distributions for four (4) of the last five (5) fiscal years 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 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.
 - Board’s local act stipulates a maximum of 5% of remaining profits to be distributed for alcohol education and rehabilitation. Board could consider requesting approval from their appointing authority to reestablish alcohol education and rehabilitation distributions to sync with current distribution schedule or seek further guidance from their legal counsel or CPA regarding disbursement scheduling.

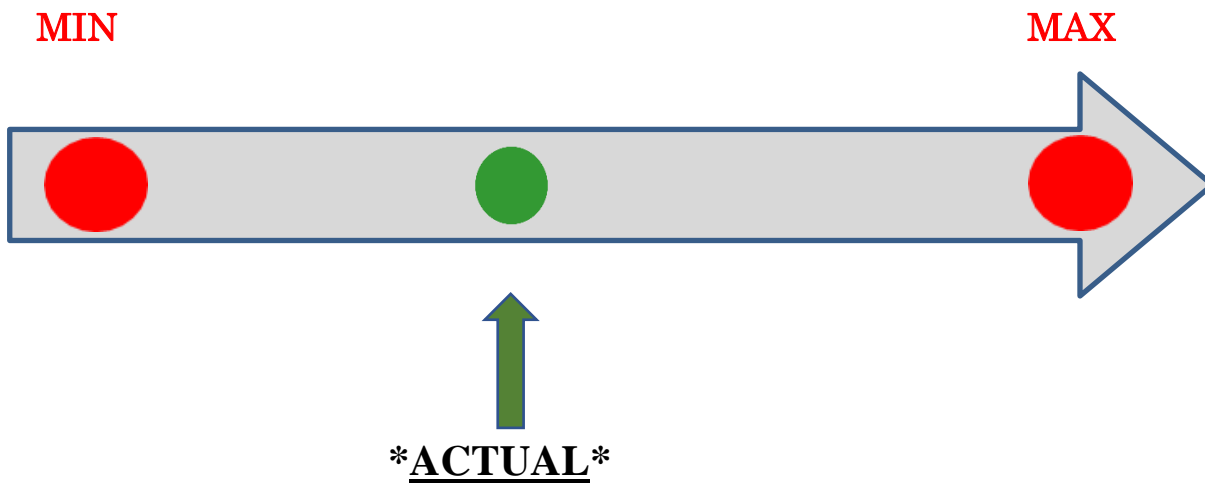
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Johnston County ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$856,601	FY-2024	\$1,102,315
FY-2023	\$829,859	FY-2023	\$657,178
FY-2022	\$736,192	FY-2022	\$997,095
FY-2021	\$727,238	FY-2021	\$1,516,842
FY-2020	\$626,333	FY-2020	\$1,537,449

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 Johnston County ABC Board is required to maintain a minimum working capital of \$910,486 with a maximum working capital amount of \$5,918,157. The Johnston County ABC Board had a working capital balance of \$2,020,857 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 Members

- The board consists of two members and a chairperson, each receiving compensation for their services at the maximum \$150.00 per meeting.
 - Board members are compliant on ethics training with one reappointed member having satisfied the requirement after Commission visit.
- Members have taken an oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths are now available at the board's administrative office.*
- Meetings are generally held the fourth Tuesday of each month.
- Public notice for meetings is posted at board's administrative office.
- Meeting minutes are available to the public and follow the order of proceedings, providing thorough detail of business discussed in a transparent and easily comprehensible manner.
 - Minutes for closed session meetings are kept separately with monitored access.
 - Full financial reports are provided and discussed at meetings with additional contracts or other new and old business.
- Members have professional experience in business, finance, and accounting with two serving in their first term of office and the chairperson in their second term.
- 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

- Interim General Manager is also the finance officer, has been with the board for four years, and has both abc store sales and extensive additional retail sales experience.
- The Human Resource Manager was formerly the finance officer.
- Other board personnel include long tenured, more recently hired, and those with experience at other ABC Boards.
- Employee files are kept in the administrative office and include tax, banking, and medical information and personnel manual acknowledgment form.
- Staff development, product knowledge, and cross-training is handled by the store and area managers, and through human resources in on-boarding.
- Store managers are responsible for scheduling.
- Full time employees are enrolled in LGERS.
- 401(k) opportunities are extended with board contributions.

Law Enforcement

- The board has appointed an internal law enforcement officer, Chief Ronald Daniels.
- Law enforcement reports are submitted to the Commission and provide sufficient detail of activities for accountability.
- Law enforcement activity is discussed at board meetings and are included in the meeting minutes.
- Law enforcement officer provides education on responsible selling to board staff.

Policies

- The board has a thorough employee manual which outlines many personnel policies, job descriptions, and behavioral standards. *An updated copy was provided to Commission staff at visit.*
- Additional policies have been submitted and approved by the Commission including shelf management, price discrepancy, overages and shortages, mixed beverage, and in-store tastings.
- Commission records indicate the board has previously chosen to follow their appointing authority's travel policy. The most recent notification of approval from the county for travel policy submitted to the Commission is from August of 2016. Board should work to comply with G.S. 18B-702(g2) and obtain an annual approval requirement for following their county's travel policy.
 - Some travel related reimbursements reviewed at visit indicate likely excess expenditures for travel which would need to be approved by the board's appointing authority's finance officer. (See recommended actions).
- The board does not currently have a credit card policy but does have four credit cards issued to key personnel. Receipts for usage are retained at the administrative office.
 - Some itemized credit card receipts reviewed were for meals with on-premises alcoholic beverage purchases. *Interim manager indicates reimbursements for these receipts were approved by the former general manager.*
 - Other receipts reviewed cover purchases made that are not included in the board's FY budget, specifically food for employees and restaurant meals.

Financial Insight

- Invoices for liquor are processed per truck for all deliveries. *Invoices reviewed indicate they are paid within the thirty-day requirement.*
- Board's checks have the required disbursement certificate in compliance with 18B-702(m). Checks are signed by the finance officer and general manager or chairperson.
- Pre-audit stamp verification is being properly implemented for purchase agreements and other invoices and contracts; however, pre-audit verification is not being implemented on liquor orders. *This could be most easily accomplished by having the finance officer pre-audit the edit order list before liquor order is placed.*
- Payroll is biweekly and processed through Traverse by the HR manager and verified through time sheets with time clock usage to cross-reference. Pay is issued via direct deposit.
- Deposits are made daily or each weekday depending on the store. Deposit slips are reviewed and matched to corresponding accounts by the finance officer who also completes full month end reconciliation.
- Tills begin at \$100.00, and employees are responsible for discrepancies.
- The annual CPA audit was received by the Commission on September 27, 2024.

Internal Controls

- All board members, General Manager - Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i).
- Board keeps thorough records for unsaleable merchandise reports and emails copies of the claims to the Commission quarterly in compliance with NCAC Rule 15A .1701(c).
- The board receives an annual report describing expenditure of funds from only one of their five alcohol education and rehabilitation recipients.
- Store managers submit liquor order requests to central office and currently make special orders per store. *Board has plans to change some ordering guidelines to include more involvement with their warehouse and administrators.*
- Full inventory is conducted monthly at each store. Multiple personnel participate using scanners.
- Deliveries are made directly to some stores and others are self-distributed from the board's warehouse. Variance reports are reviewed and verified before submission to LB&B.
- No current direct conflicts pertaining to nepotism found and per discussion with interim general manager.
 - Board has a "dating relationship" policy included in their personnel manual. *Board could consider formal documentation of any known relationships for transparency.*
- Board has an approved code of ethics policy on file with the Commission.

STORE INSIGHT & OVERVIEW

- Commission staff visited three of the board's nine stores. All were in busy commercial areas and located on main thoroughfares.
 - The Highway 210 store in Benson is being relocated to a new free-standing building approximately .3 miles away. The new store will allow for more visibility, parking, and be owned by the board rather than leased.
 - Board has plans for an additional new store in Clayton.
- Outside area surrounding the stores are well-maintained and free of debris or trash.
- Showrooms were well lit and organized. They display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price book is available.
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted.
- A shelf management plan was not available for store personnel. The board should establish and provide awareness to associates a shelf management plan which corresponds, when applicable, to NCAC 15A .1708(3); *arrange bottle so they increase in size left to right of the same item.*
- Temporary out of stock signs were often used for shelf gaps. Sales signs from brokers and those created by the board are used to identify products on sale or at a reduced price.
- Sales associate interactions with customers are attentive, courteous, and welcoming, and all are eager to meet the needs of the customers. *Lively and memorable personalities observed.*
- Store personnel were conducting a semi-annual deep cleaning during visit.
- The board has over 100 mixed beverage customers according to Commission records. Board provides an invoice to customer at transaction and retains a file for the account.
- Five stores are designated as mixed beverage outlets.
- The board has a very flexible and accommodating mixed beverage delivery policy.
- Allocated or limited distribution products are prioritized for mixed beverage customers, and otherwise, distributed between the stores based on percentage of sales.
- A sample of approximately 100 items at all three stores visited were selected to determine if uniform pricing is displayed. Of those selected, most items prices were accurate with one store having a little higher rate of inaccurate pricing; notably, the .750ml bottles for one popular vodka brand all displayed a higher sales price.
- General manager indicates price discrepancies are handled in the customers favor if the shelf tag price is lower than the cash register and the customer objects.
- The board's stores are generally open from 10:00 am until 9:00 pm with some stores closing at 7:00 pm Monday through Thursday. They are currently closed every Sunday, the five (5) previously required annual holidays, Martin Luther King Day, Veteran's Day, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *Stores have updated cameras operating with some license plate readers.*
 - *Stores have panic buttons.*
 - *Stores have in person law enforcement presence at certain times.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2).
 - Travel Allowance and Per Diem Rates. – Approved travel on official business by the members and employees of local boards shall be reimbursed pursuant to G.S. 138-6 unless the local board adopts a travel policy that conforms to the travel policy of the appointing authority and such policy is approved by the appointing authority. The local board shall annually provide the appointing authority's written confirmation of such approval to the Commission and a copy of the travel policy authorized by the appointing authority. Any excess expenses not covered by the local board's travel policy shall only be paid with the written authorization of the appointing authority's finance officer. A copy of the written authorization for excess expenses shall be submitted to the Commission by the local board within 30 days of approval.
- All recipient(s) of alcoholism fund or education distributions should 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.*
- Board should craft a credit card policy that clearly defines the purposes for usage of the card(s), people that may use the card(s), and the method for retaining records of usage. In accordance with Rule 15A .1102, the board should send the Commission all rules for approval and record retention.
- Board should work to ensure shelf prices match the cash register price. *Price checks could be completed each quarter or for monthly price changes and could be incorporated in routine inventory spot counts.*
- Local boards shall establish and maintain a shelf management plan per Commission Rule 15A .1708 Shelf Management. While mostly followed, the board could work to rearrange liquor inventory on the shelves to follow shelf management requirements, in particular ensuring bottles increase in size from left to right where applicable.
- In compliance with GS 18B 700(k) and the board's local rules concerning "dating relationships", the board should ensure any existing, future, or perceived incompliance is documented particularly with regards to "positions which requires influence over the other's employment, promotion, salary administration, or other related management or personnel considerations".
- 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.

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 September 30th of each year.
 - 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.*
- Ensure liquor purchase orders include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, "This instrument has been pre audited in the manner required by G.S. 18B-702." Special note: This could be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system before any liquor orders are placed with state warehouse.
- 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.

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

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2020)

- That the local board consider setting aside a portion of their remaining gross receipts as a fund for the following capital improvements
 - a. Set aside funding for the new store construction and upfit expenses (US40/42)
 - b. Set aside funding to update, renovate and equip the current warehouses to accommodate a pallet system, converting to an automated electronic receiving and shipping system that includes scanning guns and utilizing the pallet system which will create more useable warehouse space resulting in the ability to take advantage of SPAs more often.
- Maintain a consistent size flow displaying a pattern from smaller size on the left to the larger sizes on the right.
- Maximize store display management and ensure that proper vender products are not placed on competitor's displays.
- Maintain fronting practices throughout all 9 stores.
- Incorporate multilayered ordering and review process from store Managers to Warehouse Manager to General Manager to maximize product availability and minimize dead/empty shelf space.
- Incorporate uniform practices and equipment related to table tents and out of stock signs in all nine stores.
- Consider utilizing resources that would create a shelf management system that is conducive to industry norms which consider sales history and trends.
- Make corrective changes to price discrepancies noted and verify same for the other store locations. Conduct routine checks of shelf prices along with the register to ensure accuracy. All prices must match what is in the register, the shelf, and in the NC Liquor Quarterly, and/or memorandums. To further strengthen these controls, perform spot checks at random times for inventory control and price management. Refer to the ABC Commission's website to verify product pricing.
- Immediately submit a waiver/exemption request to the NC ABC Commission for their review related to the nepotism issue noted above.
- As a reminder, submit policies to the NC ABC Commission prior to adoption. NCAC 15A .1102 states, "A copy of all rules or amendments thereto that may be adopted by a local board to govern the operation of ABC stores, or the enforcement of the ABC laws shall be submitted to the Commission at least 15 days prior to the date on which it is proposed that those rules or amendments are to become effective."
- To ensure that invoice payments are received by the vendors within the thirty (30) day statutory requirement, continue to move forward with your electronic payment system transition in order to include distilleries in your new bill pay system. Bills paid via the US Post Office should be mailed with enough time for the vender to receive payment on or before the due date.
- Utilization of Bulletin Board for acquisition and distribution of needed stock, reducing dead stock, and assisting in MB orders.
- Holding monthly group meetings with all store managers to discuss current trends, issues and relay best practices to assist in uniformity of service throughout the Board.
 - Meetings will also enable transfer of product.
- Updating warehouse system.
 - Need more warehouse space to incorporate pallet delivery/shipping system.
 - Pallet system decreases labor costs which pays for itself over time.

While having addressed many considerations from previous Commission review (2020), board should still monitor and strive to satisfy previously noted recommended actions.

ABC BOARD

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

2/25/25

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

Item 1: *****

The board has received approval from the board of commissioners to follow the County's travel policy.

Item 2: *****

All recommendations will be followed. The board is discussing how reports will be received from perspective distribution recipients.

Item 3: ****

A credit card policy has been established and provided to the ABC Commission for approval.

Item 4: ****

All recommendations will be followed. Board will ensure shelf price tags are correct.

Item 5 ****

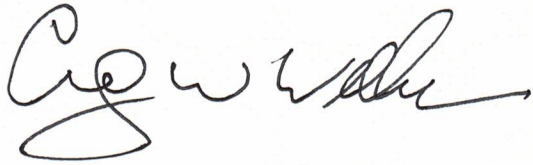
The board has approved and provided the ABC Commission a shelf management plan. Management will make sure all employees are aware of the plan.

Item 6****

All recommendations will be followed. The board has submitted a letter to the ABC Commission pertaining to the recommended action.

Item 7****

All recommendations will be followed. The board will provide the ABC Commission a signed certificate of accountability attestation form.

A handwritten signature in black ink, appearing to read "Craig Williams". The signature is fluid and cursive, with a large initial "C" and "W".

Sincerely,

Craig Williams, Chairman / GM
Johnston County ABC Board