

Lumberton ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
400 East Tryon Road, Raleigh, NC 27610
p: 919-779-0700 | f: 919-661-5927 | <http://abc.nc.gov>



ABC
COMMISSION
NORTH CAROLINA

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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

August 23, 2024

CHAIRMAN:
Hank Bauer

Lumberton ABC Board
John Armstrong, Chair
150 Wintergreen Dr
Lumberton, NC 28358

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

David Sherlin
Raleigh

Chairperson Armstrong,

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

LOCATION:
400 East Tryon Road
Raleigh NC 27610

MAILING:
4307 Mail Service Center
Raleigh NC 27699-4307

PHONE: (919) 779-0700
<http://abc.nc.gov/>

Please reach out if you have any questions or require assistance in implementing any of the statute requirements, Commission rules, or other recommendations included in the report. On behalf of the North Carolina ABC Commission, I thank you and your staff for your assistance and cooperation in conducting this periodic review. We appreciate the continued efforts by your board to comply with the performance standards, as well as the board's commitment to increase profitability and reduce expenses.

If we can be of assistance in the future, please do not hesitate to reach out to the Commission staff.

Respectfully,

Michael DeSilva
Deputy Commissioner

OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

In addition to regular and special financial audits, G.S. 18B-705(a) authorizes the NC ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvement.

The audits are designed to ensure that all local ABC Boards comply with established performance standards pursuant to G.S. 18B-203(a)(20). The audit's scope addresses compliance with ABC laws and rules, store appearance, operating efficiency, solvency, and customer service.

To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, and Administrative Policies
- Review applicable reports
- 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

Lumberton is in the south-eastern part of the North Carolina and borders South Carolina. The town was renamed after the Lumber River and is the county seat for Robeson County. The town's population per the 2020 Census was 19,025 residents which was approximately a twelve percent (12%) population decrease since 2010.

The City of Lumberton was authorized to hold a referendum for the creation of an ABC Board by S.L 1967 Chapter 405. A referendum was held June 3, 1986, and passed 2,415 votes for and 1,782 votes against. The first retail sales occurred November 8, 1986. Special legislation in 1988 allowed for mixed beverage sales but was later found to be unconstitutional. A mixed beverage election was held January 11, 2000, and passed 2,857 votes for and 1,560 votes against. *Currently, the Lumberton governing body appoints a chairperson and four (4) additional board members to serve on the ABC board.* Current board members include John Armstrong (Chair), Alan Avant, Alexis Jacobs, Cornell Underwood, and John McArthur.

The Lumberton ABC Board operates two (2) retail stores. The Board is currently one of seven (7) boards in Robeson County. The board currently staffs twenty-one (21) total employees. They have seven (7) full time and fourteen (14) part time employees. The general manager is responsible for all board operations including ordering, scheduling, inventory, deposits, various retail functions, and Human Resources. The finance officer is responsible for bills, budget, payroll, and all things accounting. The store managers (2) are responsible for mixed beverage, stockings, orders, and other duties. All other staff are engaged in customer service, daily operations, floor upkeep, and sales. The board does utilize some contract employees for truck deliveries.

The last performance audit for the Lumberton 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 Wednesday, May 30, 2024, ABC Board Program Analyst Edwin Strickland, and ABC Budget-Audit Manager Quinn Woolard visited the Lumberton ABC Board and interviewed the General Manager, Jan Tedder-Rogers, the Finance Officer, Judy Monroe, and other staff. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



150 Wintergreen Dr. Lumberton



1320 W. 5th St., Lumberton NC.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set goals for determining an effective rate based on the frequency of deliveries. Below are the turnover rates based upon the delivery schedule:

- Once a week deliveries target at 6 times or more per year
- Twice a month deliveries target at 5 times or more per year
- Monthly deliveries target at 4.5 times or more per year

The Lumberton ABC Board received shipments 3 times a month with a target inventory turnover rate of approximately 5.5. The inventory rate in (FY) 2022-2023 was 4.4, somewhat less than the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Lumberton ABC Board had a profit percentage to sales of 4.13%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Lumberton ABC Board's gross sales totaled \$6,682,321, which was an approximate 8.87% increase from the previous fiscal year. The board's sales have grown an impressive 53.7% over the last five completed fiscal years.

Lumberton ABC Board operates two (2) retail store with mixed beverage sales. The operating cost ratio for the board was .77 in FY 2022-2023. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Lumberton ABC Board did not fully 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 2022-2023	FY 2021-2022
Gross Profit on Sales	\$1,293,325	\$1,431,029
Income from Operations	\$275,669	\$495,486

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Lumberton ABC: West Columbus, Whiteville, Fairmont, Maxton, Pembroke, Red Springs, Rowland, and Saint Pauls.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Lumberton ABC Board's cost of goods sold was approximately **57.8%** in FY 2022-2023. *Board and CPA auditor feel there was an error in FY 2022-2023 inventory meaning this finding is unreliable.*
 - *The board has fourteen (14) mixed beverage customers which account for 7.8% of sales in FY 2022-2023.*

BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$6,575,000	\$6,682,321	\$107,321	1.6%
Revenue over or (under) Expenditures		71,136		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were 1.6% above forecast. In addition, the net income change during the fiscal year was \$67,897. *The board's collective net position on June 30, 2023, was \$1,839,868; the net position has steadily increased each year since at least FY-2019.*

DISTRIBUTIONS

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients. Some of these distribution percentages are designated by an official local enabling act (and thus distribution requirements and recipients are subject to vary).*

In FY 2022-2023, Lumberton ABC made other statutory distributions totaling \$207,714 (Net profit distribution recipients received \$190,304 of this). The amount of \$991,448 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Robeson County.

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

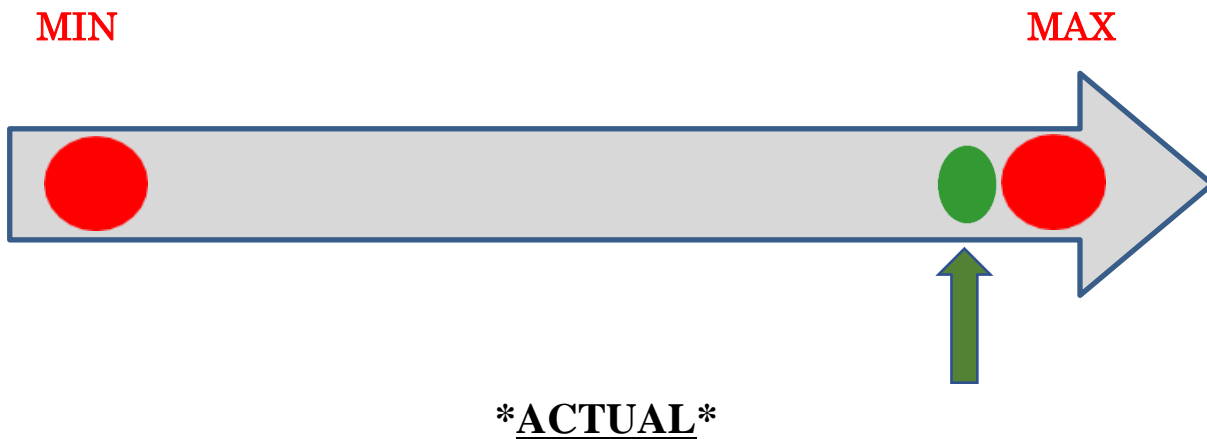
- Lumberton General Fund 65%
- Robeson County General Fund 35%

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 greater than \$1.5M but less than \$50M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2023, the Lumberton ABC Board is required to maintain a minimum working capital of \$198,216 with a maximum working capital amount of \$1,288,401. The Lumberton ABC Board had a working capital balance of \$1,132,466, which is near the maximum allowable to meet Commission requirements for this section (*).

*** FY 2022-2023: Working Capital (WC) graphic**



Under 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Lumberton ABC board has made net profit distributions over the last five (5) fiscal years, exceeding the minimum mandatory distribution those years in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- 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 properly disbursed at or above the standard 7% statute amount for the last five (5) FYs.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Lumberton ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2023	\$85,310	FY-2023	\$190,304
FY-2022	\$176,265	FY-2022	\$176,266
FY-2021	\$177,559	FY-2021	\$556,703
FY-2020	\$146,746	FY-2020	\$368,158
FY-2019	\$125,003	FY-2019	\$125,006

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- The board holds board meetings on the fourth Thursday of each month. They record regular meeting minutes and provide public notification and awareness of these meetings. The meeting minutes are organized by session for review. *The minutes reviewed do not have the conflict-of-interest disclosure statement referenced and did not clarify new and old business. The minutes did approve the previous meeting's minutes, did have policy discussion, and did have the chairperson's signature as required. The minutes did note the date but did not note the time of the meeting.* General Manager maintains audio recordings of all board meetings.
 - Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *One board member completed training at or about the time of the Commission visit.*
 - Board member compensation & General Manager (GM) salary: Board members receive compensation for their services at or below the maximum \$150.00 per meeting. The General Manager will update their salary for Commission records. *Any future salary changes should be relayed to the ABC Commission for record retention.*
 - Board website review: The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note**: As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
 - Board Personnel & Board Members: The general manager and finance officer conjointly prepare, and the general manager provides board members with financial reports for the board's review at meetings including extensive sales and revenue data, monthly profit & loss statements, assets and liabilities, payroll records, and comparisons to previous year's sales and expenditures. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits. Board members have an array of experience in professional services and business.
- POLICIES: The board has an extensive personnel policy, and the Commission has a copy for retention records. Additional policies should be provided to the Commission for record keeping including but not limited to credit card, store policy, sales to underage, price discrepancy, tastings, or any others. *Board's personnel policy does cover many afore mentioned items.* For travel policy, Commission records indicate the board chooses to adhere to the municipal policy. Per discussion with the general manager, board personnel have been operating with a modified travel policy not fully consistent with the state's or appointing authority's. Board should consult 18B 700(g2) for compliance and guidance. If new policy is adopted a copy should be supplied to Commission for record retention. *A mixed beverage policy was provided at visit and is now in Commission records.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **BUDGETS:** In FY 22/23, the board's actual sales were \$107,321 more than budgeted sales. No budget amendment was submitted. *Based on sales trajectory for the current fiscal year with ten months (83%) of the budget year completed, the board is tracking along very well at 82% of annual budgeted sales.* The board has submitted a budget amendment for FY-23/24.
- **FINANCIAL INSIGHT:** All payments including liquor invoices are made via Quick Books by Finance Officer who cuts checks for payment. Checks are signed by finance officer and countersigned by general manager with the Chairperson as an alternat. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid either monthly or quarterly. Full bank reconciliation is completed monthly by finance officer and reviewed monthly by general manager for full oversight. Daily packets for each store are maintained to include sales summary differentiating cash and credit card sales, credit card slips, sales report for each register, mixed beverage sales reports and copies of mixed beverage invoices.
 - Bank deposits are always made each morning after the previous business day except Saturday. Cash monies from both registers are dropped in safe after each shift. Full store deposit is made the following day by the general or store manager.
 - Payroll is biweekly. Store managers provide general manager with time sheets who tallies and verifies correct hours. Finance officer makes payments via quick books.
 - Board members will review financial records at board meeting. Comprehensive data is supplied, to include all financials and more, and board chairperson signs minutes.
 - Employee files are kept locked in board administrative office.
 - The pre-audit certificate is not stamped on the orders at the time they are placed. board's checks do not bear the NCGS 18B-702 disbursement certificate statement. *Please follow statute 18B-702(m)(q) for guidance on statutory requirements for disbursements and payments.*
 - Board does not utilize purchase orders for supplies or other non-liquor purchases. *Board should consider utilizing purchase orders and a template is provided on Commission website.*
 - All board members are each bonded for \$100,000 exceeding the minimum requirement per G.S. 18B-700(i). All employees are bonded in the amount of \$100,000 under a public employees' blanket dishonesty bond exceeding the minimum requirements of G.S. 18B-803(b)(c).
 - Unsaleable merchandise reports are sent quarterly. Board administration has detailed records of unsaleable merchandise reports.
 - The annual CPA audit was received and logged by the Commission on September 29, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely, and they are current to date as well. Submitted reports come from Joe Smith, Lieutenant Detective.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Lumberton Police Department on file with the Commission. *An updated version could be supplied for Commission records.*
- **INVENTORY:** Full store inventory is conducted annually. Spot checks are conducted, and different board personnel participate. All rotations are made for first in first out. The inventory turns over at a 4.4 turnover ratio during the last fiscal year. Staff monitors trends and General Manager orders appropriately. *Board no longer using scanners for inventory and CPA and general manager have indicated the high cost of goods is probably related to an inventory issue.* Board does transfer full cases between stores for inventory maintenance.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ INTERNAL CONTROLS:

- The general manager has extensive retail experience and has been with the board since 2015.
- Finance officer has ample bookkeeping experience and has been with the board since 2015.
- The Board members and Chairperson have extensive professional experience with a good mixture of long tenures and recent appointees. *Board terms are appropriately staggered to have at least one end date each year and no more than two each year.*
- All employees are subject to training and various behavioral standards. Board hosts RASP training and some board personnel and local permittees are invited to attend.
- Board receives three deliveries monthly with two trucks visiting Store #1 (Wintergreen) and one delivery to Store #2 (5th St.). Store #1 has pallets and Store #2 uses a conveyor belt for unloading. Invoices are paid via countersigned checks from finance officer and general manager with Chairperson as alternat.
- Board currently uses checks for supplier payment. Invoices are paid via countersigned checks from finance officer and general manager with Chairperson as alternat. Checks do not have the required disbursement approval and invoices do not have the preaudit approval as required by G.S. 18B-702(m)(q). *See recommended actions.*
- General manager purchases most supplies on-line with a credit card. *No credit card policy on file with Commission.*
- Store manager(s) and the general manager make orders based on pars and the general manager reviews and processes orders for both stores.
- No compliance issues with regard to board members or personnel related to nepotism or other professional conflicts per discussion with general manager.
- The board receives quarterly letters and an annual report from their alcohol education and rehabilitation distribution recipient, Southeastern Regional Health.
- The general manager has supplied an updated code of ethics for Commission records.

➤ EXPENSES:

- Total operating expenses increased around nine percent (9%) from the last fiscal year and are roughly fifteen percent (15%) of total annual sales in FY-22/23.
- Board salaries were approximately seven percent (7%) of total annual sales. Payroll increased by roughly three- and one-half percent (3.5%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 57.8% for the fiscal year with a normal range being 52% to 54%. The board could explore more buy-ins to keep the COGS low.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store #1 located at 150 Wintergreen Dr. has a welcoming appearance and viewable sign. The retail space has a professional retail atmosphere. Shelving is spacious and aesthetically pleasant. Store has some displays and interesting décor. The parking area is somewhat limited, and the mixed beverage pick-up area is small. There is only one ingress-egress for vehicles and general manager states this is challenging for patrons at busy times. *Board has purchased adjacent property with future but not immediate plans to expand or otherwise remedy traffic flow issue in some manner.*

- Store #2 located at 1320 W. 5th St. is a free-standing building with ample parking and ingress-egress. The interior of the store is modern and very aesthetically pleasing. Shelving is spacious and easy for patrons to browse. *Board could consider some upfit for the exterior of the building to perhaps gain attention and for general attractiveness.*
- Outside areas surrounding both stores are well-maintained and free of debris or trash.
- Both stores display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers. *An excellent source for increased sales and customer relations is product knowledge. Recommend the adoption of a product knowledge book or other sources for sales associates.*
- General manager uses a tag system for allocated or limited products. Customers sign up for a specific product and management contacts the customer by telephone in the chronological order of the request date.
- Special requests from customers are ordered if item is listed and inquiries are made if the item is not.
- The board has fourteen (14) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in their daily packet. Board sales system can retrieve invoices for all transactions to satisfy NCAC 15A .1082(b) requirement.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items but three across both stores reflected the current quarterly or monthly SPA price. *The board has very professional labels, stickers, and utilizes supplier displays to indicate special priced items.*
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is maximized. *Some shelf management guidelines were not fully adhered to with some bottles not increasing from left to right in size.*
- General manager indicated price discrepancies are not always handled in the customers favor if the shelf price is lower than the cash register. Board should reference NCAC 15A .1705(b) and a price discrepancy policy could be established and made known to sales staff.
- General manager uses YouTube videos as a resource for educating staff on recipes and product knowledge.
- Board has no plans to conduct tastings.
- The board does not currently have a website. *Board could consider social media or other internet option for marketing or awareness.*
- The board is generally open from 9:00 am until 9:00 pm. They are closed every Sunday and the five (5) required annual holidays.
- Security systems are in place and functional in all designated areas.
 - *Currently sixteen (16) cameras at each store. Store #2 has some functional issues with some of their cameras and the general manager has a plan in place to remedy.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2). *NOTE: As another option the board can alternately adopt the official State of NC government travel policy referenced under G.S. 138-6. This would allow the board an option to eliminate the annual travel policy update requirement by instead formally adopting the state government travel policy at an official board meeting and providing a copy of minutes to the Commission.*
- Board should craft a credit card policy and provide to Commission for record retention.
- The board has a price discrepancy policy as part of their personnel manual that states they would sell to customer at a lower advertised price if there is a discrepancy. *Management should work to make sure staff is fully aware and attends to this policy as stated in NCAC 15A .1705(b).*
- Board meeting minutes should have a conflict-of-interest disclosure statement, the time the meeting is held, and should clarify new and old business for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h).
- To minimize excess spending and to ensure the best price is offered on services, request bids annually from various vendors to get the best rates possible on financial audits, specific utilities, maintenance contracts, and credit card processing fees.
- Ensure each check or draft on an official depository shall bear on its face a certificate signed by the finance officer or a deputy finance officer approved for this purpose by the local board (or signed by the chairman or some other member of the board pursuant to subsection (o) of this section). The certificate shall take substantially the following form "This disbursement has been approved in the manner required by G.S. 18B-702. _____ (Signature of finance officer)." No certificate is required on payroll checks or drafts on an imprest account in an official depository if the check or draft depositing the funds in the imprest account carried a signed certificate. No certificate is required for expenditures of fifty dollars (\$50.00) or less from a petty cash fund, provided the expenditure is accounted for by a receipt for the expended item.
- 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 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.
- Continue with the following to ensure inventory turnover is reaching the goal of 5.5 times per year. Analyzing sales and history reports to determine the bestselling products needed in each store and to avoid overstock, transferring slow movers between stores, watching customer shopping patterns and using the information to optimize product placement.

- Recommend utilizing SPA buy ins as a great means for increasing profits and decreasing COGS.
- Consider adopting or updating any policies to include, but not limited to ACH payments, tastings, credit card, mixed beverage and delivery, store policies, social media, code of ethics, vehicle, or personnel manual. *Update any policies to include current administration where applicable. Law enforcement and mixed beverage ordering have been updated at audit visit.*
- To reduce operating expenses the board could consider ACH payments or consider consolidating some of the supplier payments by paying multiple invoices to the same supplier with the one or two checks. *ACH payments are also an excellent means of reducing fraud.*
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping. *Same document being used at the conclusion of board meetings.*

Previous Performance Audit Findings and Actions (2014)

- Minimize expenses by requesting bids on services. *Board could still consider.*
- Utilize the following to increase inventory turnover: Shelf management plan to analyze shopping patterns, utilize end caps and empty shelf space, move stock in store to increase impulse buys, and eliminate poor performing items. *Board complies but could consider additional ideas for turnover.*
- Replace old signs, replace tags, and reallocate shelf space. *Board complies.*
- Reestablish terms for board members and have GM/FO take required ethics training. Consider additional training such as RASP. *Board fully complies.*
- Obtain annual approval from the appointing authority to adopt the town's travel policy. *Board needs to comply.*
- Adopt a price discrepancy policy. *Board has policy as part of personnel manual and should ensure all staff is aware of stated policy.*
- Have a written policy for cash drawer overages/shortages. *Board should still explore.*
- Establish a regularly scheduled inventory with frequent spot checks. *Board conducts spot checks and one yearly inventory.*
- Audit shelf tags regularly to eliminate price discrepancies. *Board should consider ideas to incorporate tags checks with spot inventory.*
- Require all employees or board members to fill out a reimbursement form for travel expenses. *Board should examine travel policy requirements and re-establish their policy.*
- Complete all monthly delinquent law enforcement reports. *Board fully complies.*
- Use pre-audit stamp with finance officer's signature on orders to LB&B and use purchase orders or order confirmation for other purchases with finance officer's signature. *Board should still address.*

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
 - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Oct 1st.
 - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. *A very tangible way to lower operating costs is to fully maximize monthly special purchase allowance (SPA) liquor products that routinely sell well in the store to lower cost of goods sold (COGS).* ABC Boards can limit the number of personnel travelling to conference and convention events across the state. Other ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and *credit card processing companies.*
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- Shelf management plan should be fully followed to include arranging bottles, so they increase (in size) from left to right of the same item. *15A .1708 (a)(3)*
- Boards must keep full and accurate minutes of all official meetings, including all closed sessions, *referencing G.S. 143-318.10.* Regular minutes should make a general reference to the reason for closed session occurring. Closed sessions minutes could either be kept at the board location secured under lock and key, or with board attorney (or appointing authority attorney) for proper stewardship.
- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.
- Law enforcement reports must be submitted on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). *In cases where law enforcement provides no information in any given month, simply enter "No data provided by law enforcement" in narrative of report. ABC Boards should make sure reports are in a "Final Submitted" status and not just in saved status. For any saved reports, the only transaction necessary to finalize them is to click the preview button and then click the submit button.*

- As a reminder, remove all faded posters and replace with new ones when applicable. Reach out to the Commission to provide fetal alcohol syndrome posters, NC Dept of Labor can provide wage & hour posters, and OSHA can provide some applicable federal posters if any are needed.
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission as well as partnering with other ABC boards on specific areas such as best retail and marketing practices.

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

City of Lumberton ABC Board

July 17, 2024

Edwin Strickland
C/O North Carolina Alcohol Beverage Control Commission
400 East Tryon Road
Raleigh, NC 27610

Re: Compliance letter from the Lumberton ABC Board

We are most grateful for your hard work and for providing us with a detailed audit with recommendations for our Board. This performance audit will currently help us in the areas that we need improvement, and we are grateful for your guidance, recommendations, and advice.

Noted below are our responses to the findings, recommendations, and actions we have taken.

- With reference to item one (1) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees. Attached is a copy of our adopted travel policy in accordance with the provisions of NCGS 18b-700.
- With reference to item two (2) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees. Included and attached hereto is a copy of our credit card policy which was duly adopted by the Lumberton ABC Board, and we provide the Commission for your record retention.
- With reference to item three (3) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees. Recommendations shall be followed, and management will work to make sure staff are fully aware and attend to the policy in the personnel manual regarding price discrepancies.
- With reference to item four (4) of the recommended actions, all recommendations should be followed, and all Board minutes will have the conflict-of-interest disclosure form, the time of the meeting held, and we will seek to clarify new and old business in order to adhere to NCGS 18b-201(f)(k) and referencing NCGS 18b-700(h). Also enclosed for your review is the Lumberton ABC Board meeting template to be used by the individual preparing the minutes from each regular and special called meetings of the Lumberton ABC Board. Moreover, at the beginning of each meeting, the conflict-of-interest disclosure statement shall be read.

- With reference to item five (5) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item six (6) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item seven (7) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item eight (8) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item nine (9) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item ten (10) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item eleven (11) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.
- With reference to item twelve (12) of the recommended actions, all recommendations will be followed by the Lumberton ABC Board and its employees.

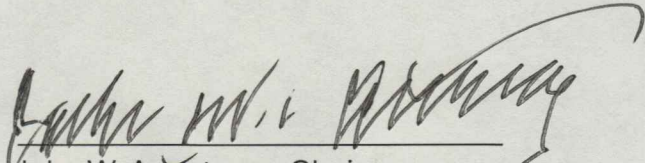
Furthermore, in accordance with the recommendations noted above, we enclose the adopted Code of Ethics for the Lumberton ABC Board signed by all Board members together with a Certificate of Accountability which has been executed by the General Manager, the Financial Officer, and the Chair and all Board members of the Lumberton ABC Board.

In addition, thereto, we enclosed a copy of our memorandum of understanding and contract with the Lumberton Police Department relative to the occasional contract employment of off-duty officers to provide security at our two stores during appropriate times during the year.

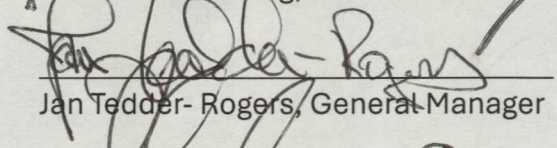
In addition to the foregoing, the Lumberton ABC Board will ensure pre-audit certificates are present on liquor orders to herein NCGS 18b-702().

It is our hope that this letter and the enclosures provide the North Carolina ABC Commission with sufficient responses to the recommended actions in our most recent audit and also, we hope we have provided all documentation requested. If for any reason you need additional information, please do not hesitate to contact the

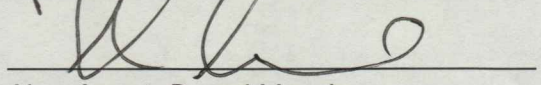
undersigned Chair, General Manager, or Board members. Thank you for your guidance and recommendations.



John W. Armstrong, Chairman

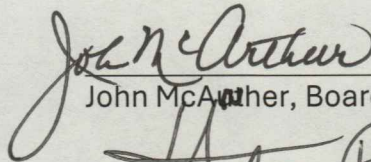


Jan Tedder-Rogers, General Manager

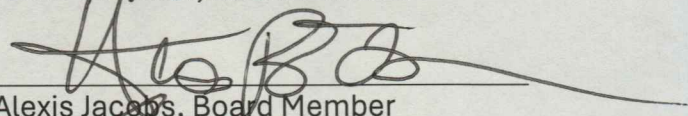


Alan Avant, Board Member

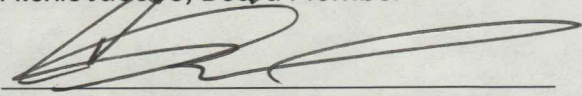
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John McArthur, Board Member



Alexis Jacobs, Board Member



Cornell Underwood, Board Member