

Madison 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

March 24, 2025

CHAIRMAN:
Hank Bauer

Madison ABC Board
Ted Capel, Chair
216 W. Academy St.
Madison, NC 27025

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

David Sherlin
Raleigh

Chairperson Caple,

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

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

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

Respectfully,

Michael DeSilva
Deputy Commissioner

OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

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

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

To achieve the objectives of the audit, auditors:

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

Madison is a town in northcentral North Carolina in Rockingham County. The town's population per the 2020 Census was 2,132 residents which was an approximate five percent (5%) percent decrease from 2010. The town is the fifth largest community in the county and borders the town of Mayodan whose population in 2020 was 2,411 residents.

Chapter 832 of the 1969 Session Law authorized the Town of Madison to hold an election for an ABC store based upon a written petition of at least twenty-five percent (25%) of registered voters. The referendum was held on September 16, 1969, and passed 353 to 272. The first sale occurred on November 24, 1969. A mixed beverage election was held on July 20, 2004, and passed 166 to 143. In May of 2014 Rockingham County passed mixed beverage sales for the whole county. Upon election of an ABC store, the town board of alderman was authorized to create an ABC Board consisting of a chairperson and two members to serve for three-year terms. Current board members are Ted Caple (Chair), Micky Silvers, and Sharon Scott.

The Madison ABC Board operates one (1) retail store and is one of three (3) boards in Rockingham County. The board currently staffs eight (8) total employees, with three (3) full time, and five (5) part time. The board sometimes has contract help for truck deliveries. The general manager is full-time and responsible for all board operations and oversight. The assistant manager is full-time and learning to take on more responsibilities of the day-to-day board operations. The finance officer is part-time and handles many accountings related obligations and compiles financial reports. All other store employees are primarily responsible for providing friendly customer service, general store upkeep, and stock maintenance.

The last performance audit for the Madison ABC Board concluded in 2015. 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 Friday, December 6, 2024, ABC Commission Program Analyst Edwin Strickland visited the Madison ABC Board and interviewed the General Manager, Claudine McCullough and Assistant Manager, Shannon Craig. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



216 W. Academy St., Madison, 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 Madison ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2023-2024 was 2.5, which is below the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Madison ABC Board had a profit percentage to sales of 8.5%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Madison ABC Board's gross sales totaled \$2,741,296, which was an approximate 2.5% increase from the previous fiscal year. The board's sales have grown an impressive 46% over the last five completed fiscal years.

Madison ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .63 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

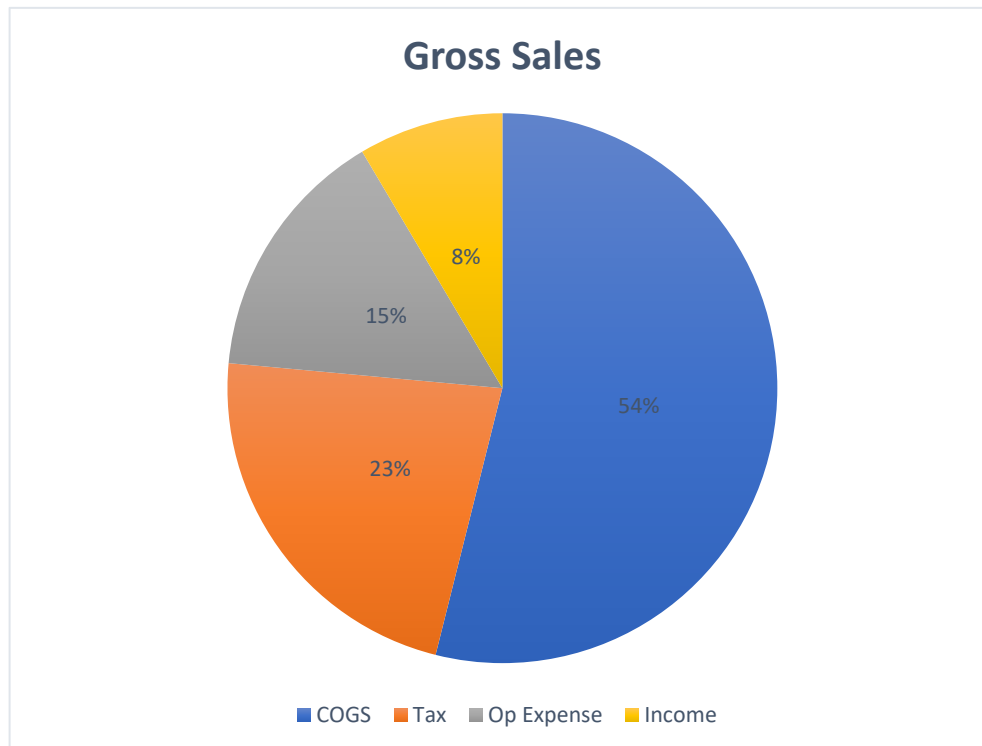
Thus, the Madison ABC Board meets both the profitability and the operating cost standards set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$640,737	\$661,215
Income from Operations	\$231,772	\$272,151

FINANCIAL ANALYSIS (cont.)

- *Factors affecting sales and profitability include:*
 - Rockingham County has two (2) ABC boards in addition to Madison ABC. Other boards with stores within a 30-mile radius include Eden, Reidsville, Stokes Municipal, Triad, and Greensboro.
 - Virginia is less than 15 miles from the store with additional spiritous liquor outlets.
 - A 4.4% unemployment rate in Rockingham County in June of 2024 with a .2% increase from the previous year.
 - The board currently has nine (9) mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for approximately six percent (6%) of sales.*
 - Cost of Goods Sold (COGS) was roughly 53.8% for the fiscal year with a normal range being 52% to 54%.
 - Board owns their store and administrative office.

- 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.



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Gross Sales	\$2,685,000	\$2,741,296	56,296	2%
Total Expenditures	\$2,507,970	\$2,486,903	\$21,067	.8%
Distributions	\$325,210	\$97,710	(\$227,500)	(70%)
Interest - Accrual		20,712		
Revenue over or (under) Expenditures		135,971		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 2% above final budget amendment. In addition, the net income change during the fiscal year was 135,971. *The board’s collective net position on June 30, 2024, was \$774,789; the net position has increased approximately 43% in the last five (5) fiscal years.*

DISTRIBUTIONS

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

In FY 2023-2024, Madison ABC made other statutory distributions totaling \$97,710 (Net profit distribution recipients received \$76,474 of this). The amount of \$542,551 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Rockingham County.

- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 83% to Madison General Fund
 - 7% to Rockingham County General Fund
 - 5% to Rockingham County Library Fund
 - 2.5% to Annie Penn Memorial Hospital
 - 2.5% to Morehead Memorial Hospital

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

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

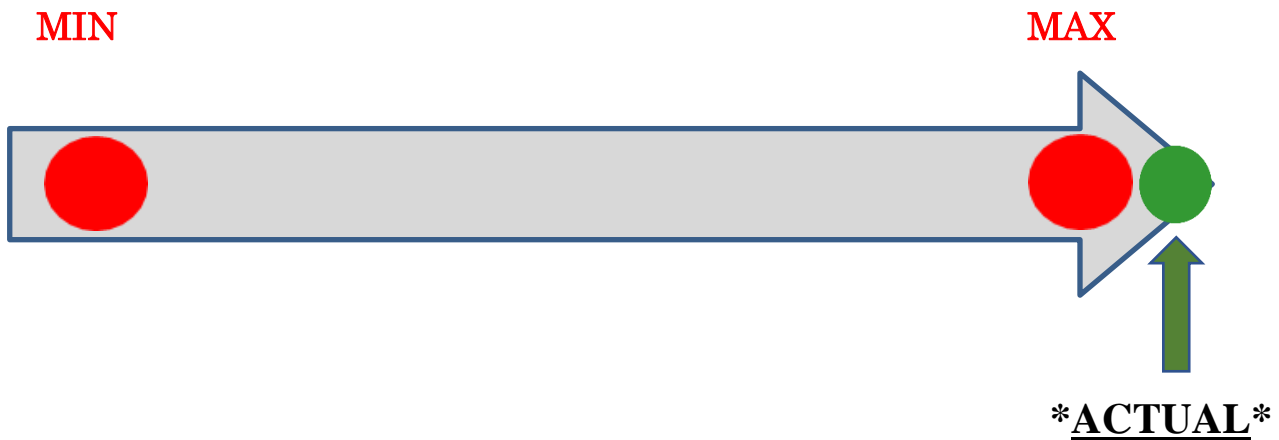
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Madison ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$76,326	FY-2024	\$76,474
FY-2023	\$74,679	FY-2023	\$290,905
FY-2022	\$79,447	FY-2022	\$166,995
FY-2021	\$66,513	FY-2021	\$244,276
FY-2020	\$54,994	FY-2020	\$54,995

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 Madison ABC Board is required to maintain a minimum working capital of \$81,414 with a maximum working capital amount of \$529,185. The Madison ABC Board had a working capital balance of \$574,342 which is greater 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. *Approval from the appointing authority to retain working capital for improvements was provided at Commission visit and is currently in records retention.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- **Board meetings:** The board generally holds meetings the third Wednesday of each month and provide public notice of the meetings. The board keeps meeting minutes which are organized by session and kept for review. Board meeting minutes were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired. *Meeting minutes should include time meeting begins.*
- **Oaths of Office:** Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths should be available at the board's administrative office.*
- **Training records review:** Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *With a pending reappointment expected, the reappointed member will need to complete the training in the coming months.*
- **Board member compensation & General Manager (GM) salary:** Board members receive compensation for their services below the maximum \$150.00 per meeting. The General Manager has updated their salary for Commission records. *Any future salary changes should be relayed to the ABC Commission for record retention. Board members terms are appropriately staggered with one term ending date annually.*
- **Board website review:** The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note:** As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- **Board Personnel & Board Members:** Board personnel provide financial reports for the board's review at meetings including balance sheets, credit card sales, comparisons to previous year, and sales for other boards. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- **POLICIES:** The board has a personnel handbook, and the Commission has a copy in record retention. Other policies on file with the Commission include price discrepancy, mixed beverage, and credit card usage.
 - Additional policies could be considered and provided to the Commission for record keeping including tastings and employee tastings, social media, or any others.
 - The board chooses to adhere to the state's travel policy.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **BUDGETS:** In FY 23/24, the board's actual sales were 2% more than the final amended budgeted sales. *Based on sales trajectory for the current fiscal year with five months (41.6%) of the budget year completed, the board is tracking well at 40% of annual budgeted sales*
- **FINANCIAL INSIGHT:** Invoices for liquor are processed per truck by the finance officer. Invoice records for recent liquor purchases reflect them as being paid within 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by the finance officer and management. Full bank reconciliation is completed monthly by the finance officer.
 - First quarter FY 23/24 distributions were verified as having been paid.
 - Checks have the required disbursement approval and to comply with GS 18B-702(q). Checks are currently being signed by the general manager and chairperson with the finance officer and other board members as alternates. *The disbursement certificate should include the finance officer's signature.*
 - Pre-audit stamp is properly implemented on liquor orders.
 - Bank deposits are generally made each night by the closing clerk with police escort. When unavailable, the deposits are kept in a safe and taken to the bank on the following day. General manager and assistant manager review and verify deposit slips to bank receipts routinely.
 - General manager reviews credit card charges daily to eliminate any duplicate charges.
 - Board operates two registers daily. Drawers are counted at opening and recounted at shift change or end of day. General manager or assistant manager conduct frequent change fund counts.
 - Payroll is bi-monthly and processed by the general manager using quick books. Hours and rates are reviewed, and checks are issued with dual signatures.
 - Employee files are kept in the general manager's office and include application, tax, medical documents, and other financial information.
 - Board keeps thorough records for unsaleable merchandise reports but does not send reports to the Commission. *Commission requests unsaleable reports be sent quarterly and by email.*
 - The annual CPA audit was received by the Commission on September 18, 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has an active law enforcement contract with the Madison Police Department from 2011.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely by H. Martin of the Madison Police Department, are current to date, and contain statistical data applicable to their enforcement contract.
- **INVENTORY:** Full inventory is conducted approximately quarterly. Multiple staff members participate using scanners and final discrepancies are reviewed by general manager before adjustments are made. Board's strategies for slow moving stock include moving to the front of the store's last chance section. Management has previously done price reductions.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

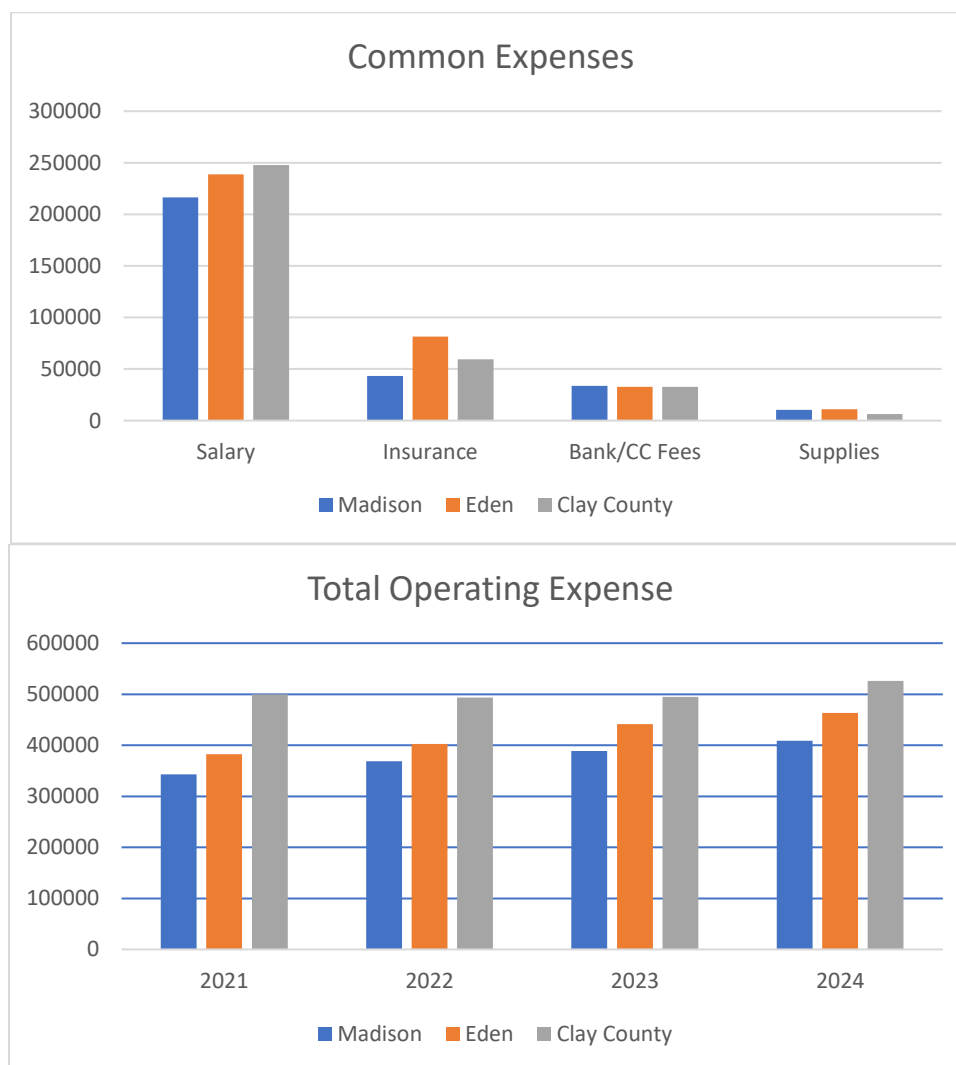
➤ INTERNAL CONTROLS:

- The general manager has worked for the board for over thirty years and has served as the manager for a substantial portion of this time. The assistant manager is working towards proficiency for many responsibilities previously administered by the general manager.
- The board members and chairperson have a variety of professional experience including other boards and governmental agencies. All board members have served multiple terms.
- The finance officer provides a full quarterly financial compilation.
- All board members, General Manager, and Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i).
- The board does not receive reports describing expenditure of funds from their alcohol education and rehabilitation recipient, REMMSCO Inc.
- All employees are subject to training on other various behavioral standards. Some longer tenured staff members have received RASP training.
- Full time employees are enrolled in LGERS.
- Both managers work together to make the liquor order. Monthly sales are run and compared to current inventory for each code.
- Board receives two liquor deliveries monthly on the first and third Mondays of each month. Each case is scanned and compared with offload sheets with multiple staff involved. Variances are recounted and verified by management and discrepancies are reported to LB&B.
- Board has a debit card in the possession of the general manager sometimes used for supplies or travel. Credit/debit card policy is on file and followed. *Commission suggests consideration for keeping a log or other records of transactions to be routinely reviewed by finance officer and board members.*
- Board does not use change fund for petty cash.
- Board uses pens for bills to prevent counterfeit exchanges.
- No conflicts pertaining to nepotism found and per discussion with general manager.
- Board has a code of ethics policy on file with the Commission.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ EXPENSES:

- Total operating expenses increased around five 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 eight percent (8%) of total annual sales. Salaries and benefits increased by around eight percent (8%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 53.8% for the fiscal year with a normal range being 52% to 54%.
- An operating expense report and common expense report shows the Madison ABC Board has similar categorical and 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.*



STORE INSIGHT & OVERVIEW

- Board's store is a free-standing building on a commercial thoroughfare near the downtown area. It has an exterior sign and ample parking connecting with a neighboring parking lot. The board's administrative office is in the building with an exterior door but interior access to the warehouse.
- The showroom is well lit, organized, aesthetically pleasant, and displays many point-of-sale advertisements. The warehouse area is divided into two well organized spaces.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price book is available.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is well utilized and corresponds with shelf management requirements.
- Product knowledge growth is accomplished through information and discussions between team members, management, and broker reps.
- The board has nine (9) mixed beverage (MXB) customers according to board records. Board provides an invoice to the customer representative at transaction and retains one on file for the account.
- The board holds lotteries for allocated items and shelves others at different times.
- The board does not have a website.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. All items reflected the current quarterly or monthly SPA price.
- A random sample of approximately 20 items was selected to verify accurate current inventory. Of those selected all but 2 or 3 items actual quantities matched with system data correctly.
- 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. *Price discrepancy policy is in board and Commission records retention.*
- The board's store is generally open from 10:00 am until 7:00 pm Monday through Saturday. They are currently closed every Sunday, the five (5) previously required annual holidays, Easter Monday, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *Currently ten (10) cameras operating and panic buttons behind registers, in office, and warehouse area.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *A written account of the oaths should be available at board administration.*
- When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years.
- While the board's checks do have the disbursement certificate as required by 18B-702(q), the finance officer should be signing the certificate on each disbursement. Alternately, the board could consider a deputy finance officer to facilitate in the absence of the finance officer.
- The 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.*
- 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 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.*
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) in a prompt manner and before the twelve (12) month mandate. *The board expects to have a reappointment at the town board's next meeting.*

- The board supplied a copy of their appointing authority's approval to exceed working capital at Commission visit. The board should ensure any future capital improvement plan approvals are provided to the Commission at the time of approval.
- 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.
- While already understood by personnel, board should establish and maintain a shelf management plan to comply with NCAC 15A .1708 (a)(3), specifically having bottles arranged so they increase in size from left to right. *Once established, board administration should keep a copy at their store and, upon request, provide a copy to Commission representatives.*
- 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.
- 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 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 (2015)

- 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.
- Consider the following to increase inventory turns:
 - Incorporating a shelf management plan that analyzes sales data to targeted shopping patterns.
 - Utilizing end caps and empty shelf space as much as possible to highlight slow moving and new products.
 - Moving stock within the store to increase visibility and to encourage more impulse shopping.
 - Splitting cases with other boards or taking advantage of the Special Purchase Allowance and the Boutique collections to increase variety.
 - Eliminating poor performing items to drive category sales and increase shopper satisfaction.
- Have all newly appointed board members complete the ethics requirement within 12 months of appointment.
- Consider additional training opportunities through the Commission and other ABC boards on specific areas such as customer service, best retail and marketing practices, etc. The NC ABC Officers Association offers ABC inspection training for local law enforcement officers.
- As a reminder, request approval annually from appointing authority to adopt the town's travel policy.
- Adopt these policies that incorporate customer friendly practices. Once adopted, communicate to all employees should the need arise. *Travel, Price Discrepancy*.
- To ensure strong segregation of duties on inventory, have someone other than the person(s) responsible for that inventory count the inventory on a monthly basis. When this is not possible, have a board member perform spot checks.
- Begin to work on a plan to designate someone other than the general manager as finance officer. The intent is to generate stronger internal controls and checks and balances.
- To save time, eliminate stamping and signing each invoice; place the pre-audit certificate on the order to LB&B. Authorization should occur before the transaction takes place.

While having addressed most considerations from previous Commission review (2015), board should still monitor and strive to satisfy previously noted recommended actions.

**MADISON ABC BOARD
216 WEST ACADEMY STREET
MADISON, NC 27025**

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

March 2025

Please find below our responses to the findings and recommendations from the recent performance audit.

Item 1: Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. A written account of the oaths should be available at board administration.

Notarized Oaths of Office are on file. Copies have also been provided to the appointing authority.

Item 2: When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years.

Recommendations will be followed.

Item 3: While the board's checks do have the disbursement certificate as required by 18B-702(q), the finance officer should be signing the certificate on each disbursement. Alternately, the board could consider a deputy finance officer to facilitate in the absence of the finance officer.

Recommendation will be considered.

Item 4: The 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.

Documentation was obtained from the alcohol education recipient for the calendar year 2024. A policy has been established to ensure this information is provided every calendar year going forward.

Item 5: 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.

The performance review audit was presented to the board at the January 15, 2025 meeting. The Certificate of Accountability attestation form was reviewed and signed by board members and applicable personnel at that board meeting and is on file. A copy of the form accompanies this letter.

Regards,

A handwritten signature in black ink, appearing to read "Claudine McCullough". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Claudine McCullough, General Manager
Madison ABC Board