

# Marshville 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 12, 2025

CHAIRMAN:  
Hank Bauer

Marshville ABC Board  
Stephanie Baumer, Chair  
201 W. Main St.  
Marshville, NC 28103

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

David Sherlin  
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Chairperson Baumer,

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 Marshville 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

Marshville is a town in southcentral North Carolina near its border with South Carolina. It is best known as the birthplace of singer Randy Travis. The town's population per the 2020 Census was 2,522 residents which was an approximate five percent (5%) percent increase from 2010.

G.S. 18B-601(c) authorized the Town of Marshville to hold an election for an ABC store upon a petition signed by at least thirty-five (35%) percent of registered voters. The referendum was held on November 5, 2013, and passed 167 to 96. The first retail sale occurred on November 17, 2018. A mixed beverage election was held on November 5, 2013, and passed 167 to 94. Upon election of an ABC store, the town council was authorized to create an ABC Board consisting of a chairperson and four members to serve for three-year terms. Current board members are Stephanie Baumer (Chair), Isabelle Gillespie, Teresa Chambers, and Amber Mink with one current vacancy.

The Marshville ABC Board operates one (1) retail store and is one of five (5) boards in Union County. The board currently staffs seven (7) total employees, with two (2) full time, and five (5) part time. The general manager is full time and has been approved to serve as the dual role finance officer. He is responsible for all board operations and general accounting duties. The second full time employee is an assistant manager and in addition to customer service, helps and reviews the general manager with inventory, stocking, and ordering. All other store employees are part time and primarily responsible for providing friendly customer service, general store upkeep, and stock maintenance.

*The last performance audit for the Marshville ABC Board concluded in 2019.* The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.

# **OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS**

On Monday, November 25, 2024, ABC Commission Program Analyst Edwin Strickland visited the Marshville ABC Board and interviewed the General Manager/Finance Officer, Maurice Caple. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**201 W. Main St., Marshville, N.C.**

## FINANCIAL ANALYSIS

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### INVENTORY TURNOVER

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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 Marshville 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 5.1, which is above the goal.

### PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

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In fiscal year (FY) 2023-2024, the Marshville ABC Board had a profit percentage to sales of 5.7%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Marshville ABC Board's gross sales totaled \$2,463,433, which was an approximate 7.6% decrease from the previous fiscal year. The board's sales have grown an impressive 136% over the last five completed fiscal years.

Marshville ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .69 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.

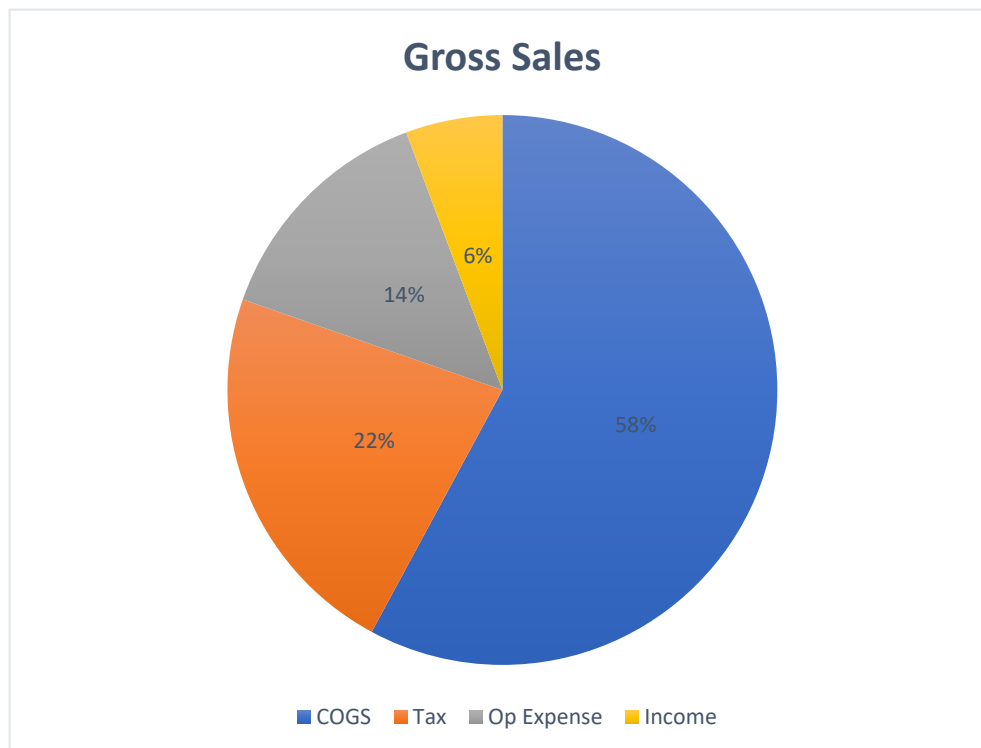
Thus, the Marshville ABC Board does not meet the profitability standard but does meet the operating cost standard set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
<b>Gross Profit on Sales</b>	\$483,820	\$558,182
<b>Income from Operations</b>	\$140,606	\$249,923

## FINANCIAL ANALYSIS (cont.)

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- *Factors affecting sales and profitability include:*
  - Union County has four (4) ABC boards in addition to Marshville ABC. Other boards within a 30-mile radius include Wadesboro, Locust, Norwood, and Mecklenburg County.
  - South Carolina is less than 15 miles from the store with additional spiritous liquor outlets.
  - A 3.8% unemployment rate in Union County in June of 2024 with a .6% increase from the previous year.
  - The board currently has one (1) active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for less than one percent (>1%) of sales.*
  - Cost of Goods Sold (COGS) was roughly 57.8% for the fiscal year with a normal range being 52% to 54%.
  - Board rents 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

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	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
<b>Gross Sales</b>	\$2,808,000	\$2,462,300	(\$345,700)	(12.3%)
<b>Total Expenditures</b>	\$2,525,153	\$2,315,463	\$209,710	8.3%
<b>Distributions</b>	\$278,847	\$213,694	\$65,153	23.3%
<b>Revenue over or (under) Expenditures</b>		(\$66,857)		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 12.3% below budget with no amended budget. In addition, the net income change during the fiscal year was (\$9,348). *The board’s collective net position on June 30, 2024, was \$424,712; the net position has increased approximately 540% in the last four (4) fiscal years.*

## DISTRIBUTIONS

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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, Marshville ABC made other statutory distributions totaling \$149,934 (Net profit distribution recipients received \$139,851 of this). The amount of \$554,712 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Union County.

- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
  - 100% to Marshville General Fund

**DISTRIBUTIONS (cont.)**

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➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions – The Marshville 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 four (4) of the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for four (4) of the last five (5) FYs.

<b>NC GENERAL STATUTE: 18B-805 (c)(1)</b>			
<b>Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients</b>		<b>Marshville ABC Board Net profit distribution made annually by fiscal year</b>	
<i>Note: Referencing CPA Audit Reports</i>			
<b>Calculated Amount</b>		<b>Total paid to recipient(s)</b>	
FY-2024	\$68,605	FY-2024	<b>\$139,851</b>
FY-2023	\$63,760	FY-2023	<b>\$63,760</b>
FY-2022	\$70,498	FY-2022	<b>\$0</b>
FY-2021	\$41,391	FY-2021	<b>\$0</b>
FY-2020	\$30,721	FY-2020	<b>\$0</b>

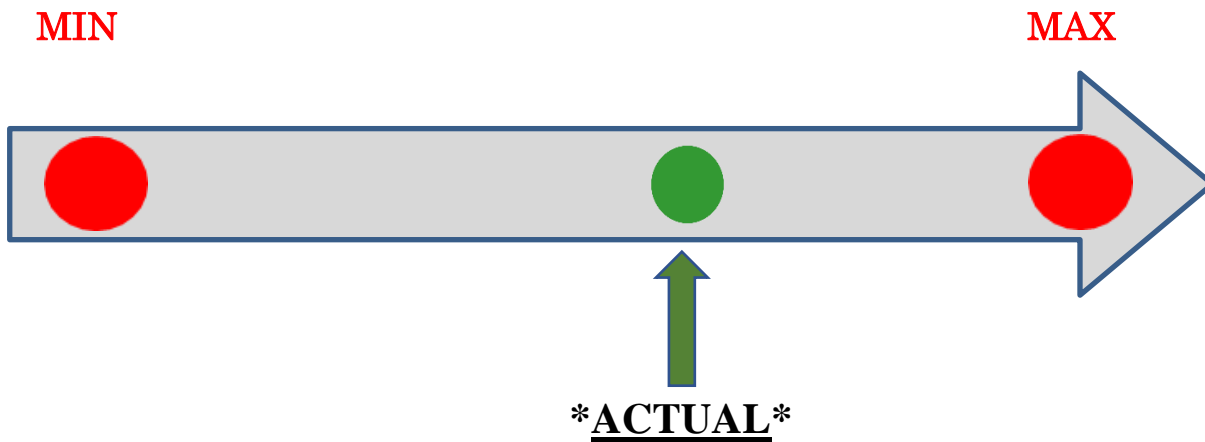
## WORKING CAPITAL

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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 Marshville ABC Board is required to maintain a minimum working capital of \$94,703 with a maximum working capital amount of \$615,575. The Marshville ABC Board had a working capital balance of \$374,248 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**

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

- **Board meetings:** The board generally holds meetings the fourth Tuesday of each month but do not 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 did not always include review and approval of the previous meeting's minutes and should be signed by the chairperson. Board member terms should be staggered so that there are no more than two term end dates per year.*
- **Oaths of Office:** Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths should be available at the board's administrative office.*
- **Training records review:** Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b), with two of three recently appointed members needing to complete training in the coming months. *Additionally, the board currently has a vacancy and should expedite training for that appointee once the position is filled.*
- **Board member compensation:** Board members currently do not receive compensation for their services, but the general manager indicates the board is considering initiating board member compensation. *During consideration, board should consult GS 18B-700(g) regarding maximum compensation and other guidance.*
- **General Manager (GM) salary:** The General Manager has updated their salary for Commission records and the salary is below the maximum. *Any future salary changes should be relayed to the ABC Commission for record retention.*
- **Board website review:** The board's login website was updated by the Commission for board member term tenure information (*begin dates & end dates*).
  - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- **Board Personnel & Board Members:** Board personnel provide financial reports for the board's review at meetings including P&L, balance sheets, budget projections, 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. Personnel manual covers many common board policies including, overages and shorts, price discrepancies, mixed beverage accounts, and sales to underage.
  - Additional policies could be considered and provided to the Commission for record keeping including tastings and employee tastings, social media, credit card, or any others.
  - For travel policy, the general manager is not sure if the board follows state or their municipality's policy. *If board should choose to follow their local policy they will need annual approval from their appointing authority.*

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

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- **BUDGETS:** In FY 23/24, the board's actual sales were 12.3% less than the budgeted sales. The board did not submit a final budget amendment for FY 23/24. *Based on sales trajectory for the current fiscal year with four months (33.3%) of the budget year completed, the board is tracking along very well at 30% of annual budgeted sales*
- **FINANCIAL INSIGHT:** Invoices for liquor are processed monthly by the general manager. 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 general manager. Full bank reconciliation is completed monthly by the general manager with guidance and review from the board's chairperson.
  - Checks do not have the required disbursement approval and do not comply with GS 18B-702(q). Checks are currently being signed by the general manager and chairperson with other board members as alternates.
  - Pre-audit stamp verification is not being properly implemented on liquor orders. *With dual role manager and finance officer board could consider a deputy finance officer for pre-audit purchase order verification.*
  - Bank deposits are currently being made each weekday by the general manager or assistant manager in their absence. General manager reviews and verifies deposit slips to bank receipts routinely, and again at monthly reconciliation with their chairperson.
  - Tills start at \$400.00 daily with two registers generally operating. Drawers are verified at shift change. At shift end the tills are counted back to \$400.00 and the remainder is put in a bank bag for each, with the general manager marrying bags for deposit.
  - Payroll is bi-weekly and processed by the general manager who verifies hours and rates.
  - Employee files are kept in the general manager's office and include application, RASP training certificate, tax, banking, and medical documents, and other training acknowledgments.
  - 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 and logged by the Commission on September 25, 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has an active law enforcement contract with the Marshville Police Department from 2020.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely by Lt. Fultz of the Marshville Police Department, are current to date, and contain statistical data applicable to their enforcement contract.
- **INVENTORY:** Full inventory is conducted approximately three to four times yearly. 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 or making displays.

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

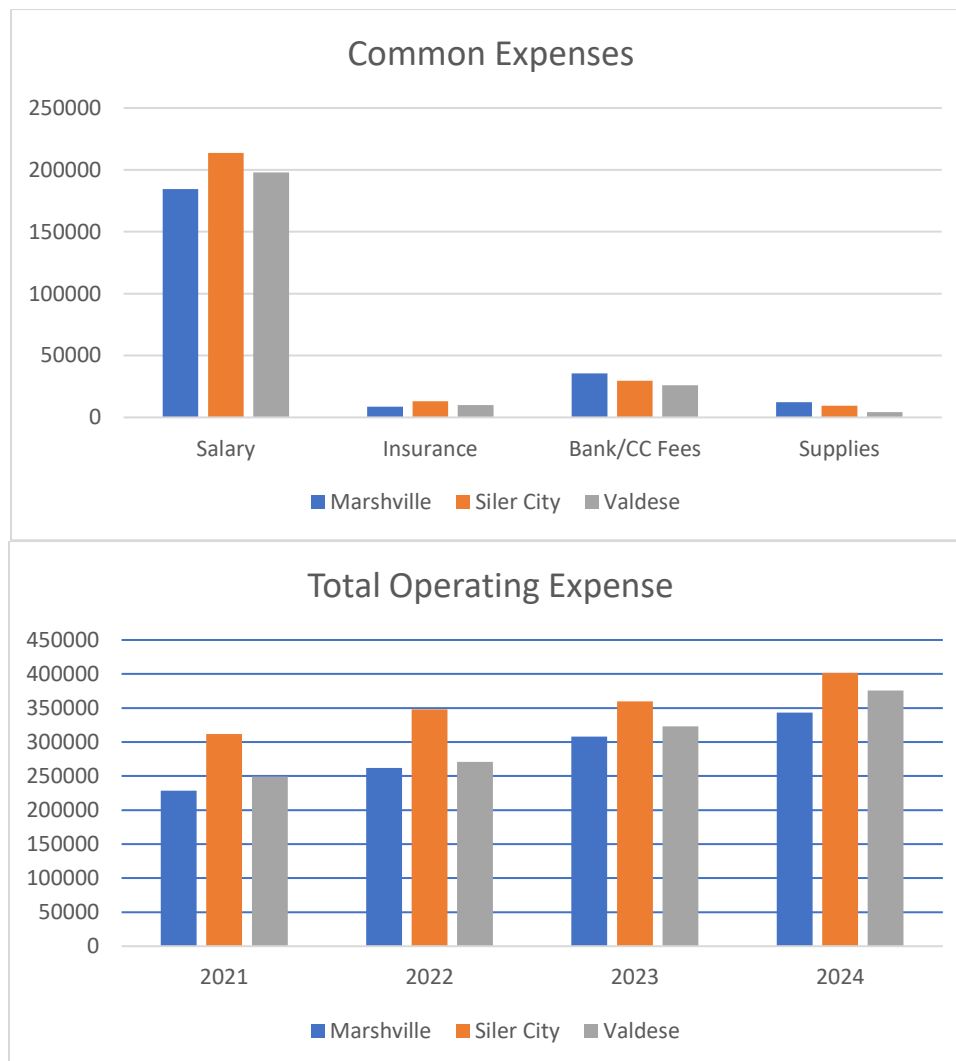
### ➤ INTERNAL CONTROLS:

- The general manager has worked for the board for approximately six years, has been the general manager for more than four years, and serves as the finance officer. Beginning in the fourth quarter of 2024 (*before January 31, 2025*), the board is obligated to provide the Commission quarterly audits to satisfy the dual role approval for a general manager – finance officer.
- The board members and chairperson have a variety of professional experience. The chairperson has served on the board since its inception and all other members are recently appointed with one current vacancy.
- All board members, General Manager - 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.
- All employees are subject to RASP training and other various behavioral standards. The assistant manager and others work with newly hired employees for traineeship.
- Full time employees are not currently enrolled in LGERS. *Board is considering participating in the NC 457 for full time employees.*
- General manager makes the liquor order by reviewing suggested sales and analyzing current inventory for adjustments. The assistant manager is involved with order review and provides suggestive guidance.
- Board receives two liquor deliveries monthly on the first and third Tuesdays of each month. Each case is scanned and physically carried into the store through the front door with only the walk-up window available for sales. Variances are recounted and verified discrepancies are reported to LB&B.
- Board has a credit card in the possession of the general manager. All receipts are kept, and a monthly log was available for review at Commission visit. The general manager pays the account balance monthly via check with chairperson's signature.
- Board does not keep petty cash.
- Board uses pens and bill scanners to combat counterfeit money.
- 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 eleven percent (11%) from the last fiscal year and are roughly fourteen percent (14%) of total annual sales in FY-23/24.
- Board salaries were approximately seven and one-half percent (7.5%) of total annual sales. Salaries and benefits increased by around eighteen percent (18%) 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%.
- An operating expense report and common expense report shows the Marshville 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

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- Board's store is a free-standing building leased from their appointing authority and was previously the town hall and a bank. The building has a walk-up window initially used during the pandemic lockdown period. Currently pedestrians or customers who have parked their vehicles can access the window, which also serves as the store's only sales option while truck deliveries are being unloaded. The building's backside faces the town's major commercial thoroughfare. It has ample parking and some exterior signage with one sign attached to the back of the building having recently been removed.
- The core interior of the building is well lit, organized, and aesthetically pleasant; however, the perimeter walls in some areas are used for stock overflow and yield a somewhat clustered or unorganized perception. *The board is currently working to upfit shelving to allow for more product space and help eliminate the afore mentioned appearance.* The warehouse space is unconventional, divided into four different rooms, and the board uses additional areas of the building for stock overflow.
- 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. *Some products were arranged so that they did not increase in size left to right. Board should establish a shelf management plan and work to ensure all staff members are familiar with their plan.*
- The store has separate shelving for 375ml bottles.
- Product knowledge growth is accomplished through information and discussions with broker reps and other staff members.
- The board has one (1) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains a file for the account.
- The general manager shelves allocated or limited products each Wednesday following truck delivery. The board's mixed beverage customer has not requested these products.
- The board does not have a website but does utilize some social media platforms.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all but two items reflected the current quarterly or monthly SPA price.
- A random sample of approximately 10 items was selected to verify accurate current inventory. About half the 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. The board's personnel manual describes their price discrepancy policy for reference.
- The board's store is generally open from 9:00 am until 9:00 pm Monday through Saturday. They are currently closed every Sunday, the five (5) previously required annual holidays, Martin Luther King Jr. Day, and Memorial Day.
- Security systems are in place and functional in all designated areas.
  - *Currently ten (10) cameras operating and panic buttons behind the registers.*



## **RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)**

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- 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.*
- In accordance with G.S. 143-318.11 the board should provide public notice of board meetings. This could be accomplished by advertising the meetings at the store or town administration building.
- 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.
- 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.*
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when annual forecasted sales or expenditures will differ significantly from budgeted. Ensure budget amendment copies are submitted to the ABC Commission and the board's appointing authority as required per GS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- While the board does provide appropriate oversight with the Finance Officer cutting and signing checks, the board should re-establish compliance with GS 18B-702(q) disbursement approval certificate to take substantially the following form on checks, "This disbursement has been approved in the manner required by GS 18B-702".
- 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.*
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.

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

## ADDITIONAL CONSIDERATIONS & GUIDANCE ....

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- 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 30<sup>th</sup>.
  - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) in a prompt manner and before the twelve (12) month mandate. *The board currently has two recently appointed members who should complete their ethics training requirement when able.*
- If continue selling at window, recommended to maintain awareness to avoid limitations when screening potential intoxicated customers.
- Board should work towards more frequent inventory counts or install other practices to help lower liquor costs and for general control. *Board could consult the board association's internal support committee for best practices.* Additionally, board personnel could incorporate shelf tag audits while conducting spot inventory checks.
- In conjunction with recent board approval for the general manager to continue serving in the dual capacity of both general manager and finance officer, the board should begin preparation for quarterly audits and ensure these reports are submitted to the Commission by the end of the month following the end of this quarter. *NOTE:* The second quarter of the year does not require a quarterly audit as the FY audit would cover requested data and other information.
- While mostly followed at Commission visit, board should establish and maintain a shelf management plan to comply with NCAC 15A .1708 (a)(3). *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.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission Education Outreach as well as partnering with other ABC boards or the Association of ABC Boards on specific areas such as best retail and marketing practices.

## **PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2019)**

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- Submit policies to the NC ABC Commission before adoption procedures takes place. NC AC 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.”
- Adopt a personnel manual and/or policies that incorporate board practices. The ABC Commission encourages ABC boards to model personnel policies and procedures after those of the appointing authority. However, certain ABC procedures must be clearly presented in the employee manual. Include steps the board will take in the event employees were to sell to a minor.
- Pay all liquor vendor invoices within thirty days of receipt. NCAC 02R .1407 (c) states, “Local boards shall remit full payment of the distiller’s invoice within thirty (30) days of delivery of the liquor.”
- As a reminder, board members who have been newly appointed or reappointed must complete the required ethics training within one year of appointment status.
- Conduct a routine check 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. Refer to the ABC Commission’s website to verify product pricing.
- All ABC Boards are required to adopt a travel policy that conforms to the appointing authority or the Office of State Budget and Management. If the board elects to adopt a travel policy that conforms with the appointing authority, the board must submit a copy of the appointing authority’s written minutes as to the travel policy and the board’s travel policy annually. G.S. 18B-700(g2) states, “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.”
- Submit a written request to the NC ABC Commission allowing the general manager to serve as the finance officer. G.S. 18B-702(j) states, “The Commission, for good cause shown, may grant a waiver to allow the general manager of a board also to be the finance officer. Good cause includes, but is not limited to, the fact that the board operates no more than two stores, and any approval for the general manager also to be the finance officer shall apply until the board operates more than two stores; in any event, the approval shall be effective for 36 months. The Commission may grant one or more waivers to a board.”

**While having addressed most considerations from previous Commission review (2019), board should still monitor and strive to satisfy previously noted recommended actions.**

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**ABC BOARD  
Marshville**

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

February 10, 2025

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:**

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.*

**Board will administer and retain copies for members oaths of office.**

**Item 2:**

In accordance with G.S. 143-318.11 the board should provide public notice of board meetings. This could be accomplished by advertising the meetings at the store or town administration building.

**Public notice of board meetings will be advertised.**

**Item 3:**

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.

**Recommendation will be followed**

**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.*

**Board will request a report on alcohol education contributions.**

Item 5:

ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when annual forecasted sales or expenditures will differ significantly from budgeted. Ensure budget amendment copies are submitted to the ABC Commission and the board's appointing authority as required per GS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.

**The board will discuss applicable budget amendments.**

Item 6:

While the board does provide appropriate oversight with the Finance Officer cutting and signing checks, the board should re-establish compliance with GS 18B-702(q) disbursement approval certificate to take substantially the following form on checks, "This disbursement has been approved in the manner required by GS 18B-702".

**Recommendation will be followed**

Item 7:

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.*

**Recommendation will be followed**

Item 8:

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 board has signed and submitted a COA form.**

Item 9:

Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) in a prompt manner and before the twelve (12) month mandate. *The board currently has two recently appointed members who should complete their ethics training requirement when able.*

**Ethics training has been completed**

Item 10:

Board should work towards more frequent inventory counts or install other practices to help lower liquor costs and for general control. *Board could consult the board association's internal support committee for best practices.* Additionally, board personnel could incorporate shelf tag audits while conducting spot inventory checks.

**New retail space and store space shelving has been installed. Inventory counts will be made more frequently.**

Item 11:

While mostly followed at Commission visit, board should establish and maintain a shelf management plan to comply with NCAC 15A .1708 (a)(3). *Once established, board administration should keep a copy at their store and, upon request, provide a copy to Commission representatives.*

**The board will audit shelf tags more frequently.**

Item 12:

In conjunction with recent board approval for the general manager to continue serving in the dual capacity of both general manager and finance officer, the board should begin preparation for quarterly audits and ensure these reports are submitted to the Commission by the end of the month following the end of this quarter. *NOTE: The second quarter of the year does not require a quarterly audit as the FY audit would cover requested data and other information.*

**The general manager no longer has a dual capacity role.**

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Baumer". The signature is written in black ink and is positioned above the printed name.

Stephanie Baumer, Chairman  
Marshville ABC Board