

# Martin County ABC Board

## Performance Audit Report



Alcoholic Beverage Control Commission  
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**ABC**  
COMMISSION  
NORTH CAROLINA

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**Alcoholic Beverage Control**

September 12, 2024

CHAIRMAN:  
Hank Bauer

Martin County ABC Board  
Steven Cannon, Chair  
301 West Blvd.  
Williamston, NC 27892

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

David Sherlin  
Raleigh

Chairperson Cannon,

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

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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

Martin County is in the eastern part of the North Carolina and included in the “inner banks” region. The county’s economy is agriculturally based, and it’s best known for the Roanoke River and other wetland tributaries. Williamston is the county seat and largest town. The county’s population per the 2020 Census was 22,031 residents which was approximately a ten percent (10%) population decrease since 2010.

Chapter 493 of the 1935 Pasquotank Act authorized Martin County to hold an election for an ABC store. The referendum was held on July 6, 1935, and passed 1,748 to 351. The first retail sales occurred July 19, 1935. A county-wide mixed beverage election was held May 5, 1992, and did not pass. A mixed beverage election for the Williamston city limits occurred on November 2, 1993, and did not pass. A second mixed beverage election for the Williamston city limits occurred on November 2, 1999, and passed 426 to 393. The Martin County board of commissioners appoint one (1) chairperson and four (4) board members. Current members include Steven Cannon (Chair), Rose Reason Kent, James Flemming (Vice Chair), Dempsey Bond, and Janie Grady.

The Martin County ABC Board operates two (2) retail stores and is the only board with stores in Martin County. The board currently staffs thirteen (13) total employees, with seven (7) full time and six (6) part time employees. The general manager, Lynn Sadler, is full time and responsible for many board operations including ordering, deposits, liquor billing, and Human Resources. She also serves as the deputy finance officer in conjunction with a third-party accounting service. The assistant general manager, Chris Bullock, is full time and is responsible for scheduling, inventory, shelving, and other responsibilities. Store manager, April Sutton, is full time and responsible for supplies, deposits, store maintenance and other obligations at their Store #2 location in Robersonville. All other staff are engaged in customer service, daily operations, floor upkeep, truck delivery, and sales.

*The last performance audit for the Martin County 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, July 10, 2024, ABC Board Program Analyst Edwin Strickland visited the Martin County ABC Board and interviewed the General Manager, Lynn Sadler, Assistant General Manager Chris Bullock, and Store Manager April Sutton. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**301 West Blvd. Williamston, NC.**



**708 N Main St. Robersonville, NC.**

## **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 Martin County ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2022-2023 was 3, which is below the goal.

## **PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO**

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In fiscal year (FY) 2022-2023, the Martin County ABC Board had a profit percentage to sales of 9.03%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Martin County ABC Board's gross sales totaled \$3,493,273, which was an approximate 1% increase from the previous fiscal year. The board's sales have grown an impressive 52% over the last five completed fiscal years.

Martin County ABC Board operates two retail stores with mixed beverage sales. The operating cost ratio for the board was .60 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 Martin County ABC Board meets 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.

	<b>FY 2022-2023</b>	<b>FY 2021-2022</b>
<b>Gross Profit on Sales</b>	\$868,743	\$886,467
<b>Income from Operations</b>	\$315,466	\$243,490

## **PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO (cont.)**

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*Factors affecting profitability and cost include:*

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Martin County ABC: Edgecombe County, Halifax County, Bertie County, Beaufort County, and Pitt County.
- A 4.7% unemployment rate in Martin County in June of 2023 with no change from the previous year.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Martin County ABC Board's cost of goods sold was approximately **52.4%** in FY 2022-2023.
  - *The board currently has six (6) mixed beverage customer. In FY 2022/2023 mixed beverage accounted for approximately three (3%) percent of sales.*



## BUDGET ANALYSIS

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	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$3,493,000	\$3,493,276	\$276	.0%
Revenue over or (under) Expenditures		(\$8,488)		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were very close to final budget amendment. In addition, the net income change during the fiscal year was \$52,276. *The board's collective net position on June 30, 2023, was \$485,014; the net position has increased 112% in the last five (5) 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 2022-2023, Martin County ABC made other statutory distributions totaling \$244,319 (Net profit distribution recipients received \$225,000 of this). The amount of \$793,410 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Martin County.

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

- 75% to Martin County General Fund
- 25% to towns prorated on population - (towns with or without stores)
- .... (87.5% to incorporated towns according to population)
- .... (12.5% to towns where there are ABC stores according to population)

**DISTRIBUTIONS (cont.)**

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➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Martin County ABC board has made net profit distributions over three (3) of the last five (5) fiscal years which meet 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 disbursed at or above the standard 7% statute amount for 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>Martin County 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-2023	\$100,638	FY-2023	\$225,000
FY-2022	\$99,543	FY-2022	\$138,300
FY-2021	\$97,797	FY-2021	\$105,000
FY-2020	\$80,543	FY-2020	\$107,250
FY-2019	\$67,435	FY-2019	\$108,000

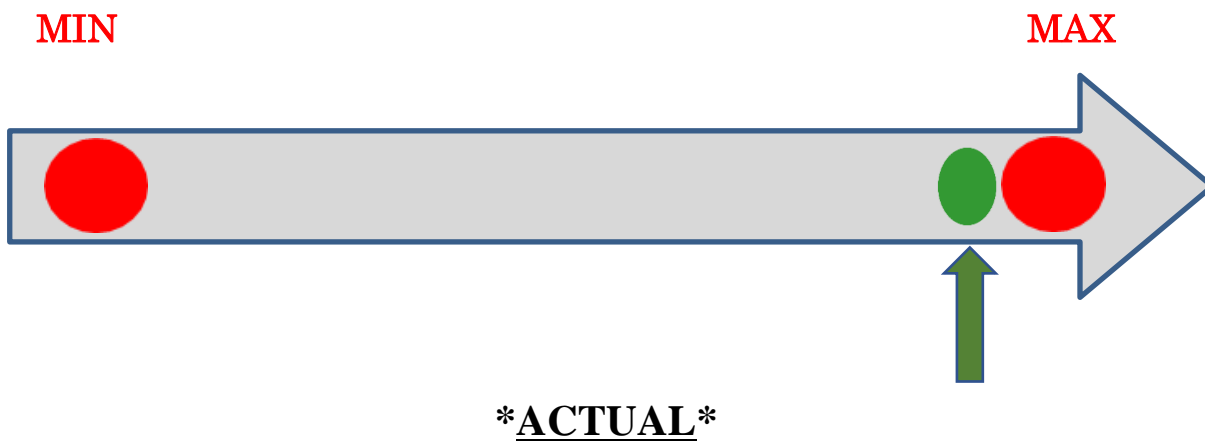
## WORKING CAPITAL

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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, 2023, the Martin County ABC Board is required to maintain a minimum working capital of \$103,841 with a maximum working capital amount of \$674,966. The Martin County ABC Board had a working capital balance of \$648,797 which is less than the maximum 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. *At Commission visit the board provided the Commission with a preliminary approval from their appointing authority to begin a funding a capital improvement plan. The board will still need to provide the final approval with greater detail.*

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE**

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

- The board generally holds board meetings on the second Tuesday of each month. They record regular meeting minutes and provide public notification and awareness of these meetings. The meeting minutes are organized by session and kept in a book for review. The minutes reviewed did indicate the date and time, did review and approve old minutes, did distinguish new vs. old business, did discuss new policies and were signed by the Chair. *Although sometimes addressed in the meeting agenda, the meeting minutes did not include a conflict-of-interest statement.*
  - Oaths of Office: Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Board should consider a plan for administering oaths for current and future board members.*
  - Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *With pending reappointments, members will need to take ethics training in the coming months.*
  - Board member compensation & General Manager (GM) salary: Board members receive compensation for their services at or below the maximum \$150.00 per meeting with the Chairperson having approval in Commission records to exceed the maximum amount at \$250.00. 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 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 provides board members with financial reports for the board's review at meetings including profit and loss statements, assets and liabilities, distributions and expenses, and Chairperson signs payroll checks. 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 business, government, and education.
- POLICIES: The board has a robust personnel policy and has provided a copy to the Commission. Board has a mixed beverage sales and delivery policy in Commission records. Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings, overage and shorts, social media, lotteries, or any others. *Board's personnel policy may cover many afore mentioned items.* For travel policy, Commission records indicate the board chooses to adhere to the state travel policy.
- BUDGETS: In FY 22/23, the board's actual sales were very similar to the final amended budgeted sales. *Based on sales for the current fiscal year as reported, the board has surpassed final budgeted sales. The board has submitted a final budget amendment for FY-23/24.*

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

- **FINANCIAL INSIGHT:** Payments for liquor are made by the general manager who makes checks which are signed by the general manager and counter-signed by either the Chair or Vice-Chairperson in their absence with the assistant general manager as a third alternat. Copies of the check stub and invoices are retained at the board's administrative office. All checks have the required disbursement approval. Invoice records for recent liquor purchases reflect them as being paid monthly and inside of 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by the accounting service. The general manager provides distribution and tax forms to the service as a means of cross reference. Full bank reconciliation is completed monthly by the accounting service and reviewed by the general manager.
  - Bank deposits are made each day except Saturday by the general manager and/or store managers. Deposits are taken inside the bank and usually at different times of the day and by different people. The general manager and accounting service review and compare deposit slips with bank statements routinely and at monthly reconciliation. Board personnel make a secondary deposit for mixed beverage.
  - The board does not receive an annual report describing expenditure of funds from their alcohol education and rehabilitation recipients, Recovery Court and Martin County DARE. *Board should request said report and retain at board administrative office.*
  - Tills are counted at the end of each shift by personnel responsible for the funds. Each store generally operates two tills starting at \$100.00 daily. Each till also has a change box with \$500.00. An additional \$800.00 is kept in the administrative office as a supporting change fund. Different managers are involved in counts of board funds.
  - Payroll is bi-weekly and processed by the board's accounting service. General manager provides hours, rates, and overtime report and the Chair pre-audits before direct deposits are processed.
  - Board members will review financial records at board meeting. Comprehensive data is supplied, to include financials and more, with chairperson signing minutes.
  - Employee files are kept in a locked portion of their administrative office and include application, driver's license copy, bank information for direct deposit, and tax information.
  - The pre-audit certificate is stamped on the orders at the time they are placed.
  - Board does not utilize purchase orders for supplies or other non-liquor purchases.
  - All board members, General Manager and Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
  - Board keeps thorough records for unsaleable merchandise reports and routinely sends these reports to the Commission. *Commission requests unsaleable reports be sent quarterly and only by email. If there are no unsaleable reports for a quarter, please email indicating no reports for the quarter.*
  - The annual CPA audit was received and logged by the Commission on October 3, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely and are current to date. Submitted reports come from Martin County Sheriff Department Chief Deputy M.L. Robinson.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Martin County Sheriff's office on file with the Commission from 2014. *An updated version could be supplied for Commission records as sheriff is different.*

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

- INVENTORY: Full inventory is conducted monthly at both stores and the warehouse. Physical count sheets are used, and multiple staff members participate. Discrepancies are reviewed by general manager and adjustments are made. The inventory turns over at a 3.0 turnover ratio during the last fiscal year and similar ratios for previous two fiscal years. General manager has strategies for slow moving stock to include moving between stores, moving around in store, asking reps to put a “necker” on the bottle, and price reductions.
- INTERNAL CONTROLS:
  - The general manager has solid professional experience in retail, education, and other business. She has been with the board since 2012 and has served as a clerk, store manager, and became general manager in 2014.
  - The assistant general manager has been with the board since 2017 and the store manager has been with the board since 2021.
  - The third-party accounting firm has been supporting the board for twenty-five years and previously provided the annual independent audit for the board.
  - The Board members and Chairperson have extensive professional experience in business, education, and local government and have a good mixture of longer tenures and some more recent appointees. *Board could consider staggering terms to prevent more than two members terms ending in the same year.*
  - All employees are subject to training and various behavioral standards and the board holds two annual training courses with local police and ALE.
  - General manager makes orders by analyzing recent sales, historical data, and current inventory. GM reviews warehouse stock status and orders what is needed and what is available. General manager indicates she reviews SPA’s and conducts buy ins for three-month supply when able.
  - Board receives two deliveries monthly. Counts are made using physical count sheet by multiple team members and cross-referenced with manifest, order sheet, or off-load. Any variances are recounted, and actual discrepancies are reported to LB&B.
  - Invoices for liquor are paid monthly and checks are made by general manger. Both the general manager and Chairperson or Vice Chairperson sign checks with the assistant general manager as an alternat.
  - General manager makes some purchases with a credit card to include gas for board’s van, office supplies or maintenance related items. *No credit card policy on file with Commission.*
  - Stores have scanners and pens used to prevent counterfeit bills.
  - Board utilizes positive pay for protection against check fraud.
  - No compliance issues regarding board members or personnel related to nepotism or other professional conflicts 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 ten percent (10%) from the last fiscal year and are roughly seventeen percent (17%) of total annual sales in FY-22/23.
- Board salaries were approximately eleven and one-half percent (11.5%) 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 52.4% for the fiscal year with a normal range being 52% to 54%. *The board could explore more buy-ins to keep the COGS low.*
- General manager indicates the board is very cautious with spending on things not related to the store's retail area. Indicating they reuse as much as possible with regards to office equipment and supplies. She also stated they are hoping to increase staffing.

## **STORE INSIGHT & OVERVIEW**

*The findings for store insight & overview are as follows:*

- Board's store #1 is a free-standing building owned by the board on one of the main thoroughfares in Williamston. The store has ample parking, well maintained exterior, and the interior is well lit. Shelving is spacious and allows for easy flow for patrons and staff and is overall aesthetically pleasant. Retail space is approximately 1,500 sq. ft. and has some displays and interesting décor.
- Board's store #2 is located in a shopping center in the city limits of Robersonville. The store is well lit and spacious. Approximate retail space is 1,500 sq ft and warehouse space is approximately 2,000 sq ft. Parking is ample and the exterior of the building is well maintained.
- Board's warehouse, located behind Store #1, is approximately 2,000 sq. ft. and well organized. Inventory was appropriate for an inspection a day before truck delivery.
- Board has recently received approval from their appointing authority to begin reserving funds in a capital improvement plan for improvements at store #1.
- 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.
- Board does not include breakage done by staff or customer on unsaleable merchandise reports.
- No product knowledge materials are utilized by the board. The general manager states some staff, independently and not on duty, try different products. *An excellent source for increased sales and customer relations is product knowledge.*
- General manager indicates the board tries to order all customer requests.
- Full time employees are enrolled in LGERS.

## STORE INSIGHT & OVERVIEW (cont.)

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- General manager reserves portions of limited or allocated products for their mixed beverage customers. Other methods for distribution include shelving one bottle at a time.
- The board does not currently have a website. *Board could consider social media or other internet option for marketing or awareness.*
- The board has six (6) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice on file in a folder for each account.
- Board has a mixed beverage delivery policy on file with the Commission and makes deliveries frequently. All mixed beverage sales are conducted at store #1. The board has a van used for mixed beverage deliveries and for moving product between stores. The board's mixed beverage permittees have embraced their delivery service.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items across both stores reflected the current quarterly or monthly SPA price. *The board has 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. *Shelf management guidelines were mostly followed at time of Commission visit.*
- General manager indicates price discrepancies are always handled in the customers favor if the shelf price is lower than the cash register. *Price discrepancy policy is not on file with the Commission.*
- The board's stores are generally open from 10:00 am until 7:00 pm Monday through Thursday and 10:00 am until 9:00 pm Friday and Saturday. Store #2's official opening time is 10:30 am but they often open at 10:00 am. They are closed every Sunday, the five (5) required annual holidays, Memorial Day, Martin Luther King Jr Day, and Easter Monday.
- Board does conduct tasting and could consider a tasting policy. *General manager indicates tastings help educate staff as well as customers.*
- Security systems are in place and functional in all designated areas.
  - *Currently twelve (12) cameras are operational with monitors in office at both stores.*
  - *Panic and alarm buttons are located at registers and tested routinely.*
  - *Board has a mirrored window to allow monitoring of store from office.*



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

- 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 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 meeting minutes must have a conflict-of-interest disclosure statement, for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h). *While this is sometimes referenced on the agenda it should be documented in the minutes.*
- Although understood and already being practiced, the board should craft a price discrepancy policy that adheres to NCAC 15A .1705(b). *Management should work to make sure staff is fully aware and attends to this policy.* Once adopted, board should provide to the Commission for records retention.
- Board could consider utilizing purchase orders for non-liquor goods and services and have them pre-audited. *A template is available on the Commission website.*
- Board could consider adopting or updating any policies to include, but not limited to, tastings, credit card, store policies, social media, vehicle, or others. *Personnel manual may cover some of the afore mentioned suggested policies or could be updated to include.*
- Continue with the following to ensure inventory turnover is reaching the goal of 5 times (2 monthly deliveries) per year. Analyzing sales and history reports to determine the bestselling products needed and to avoid overstock, watching customer shopping patterns and using the information to optimize product placement, and price reductions. *Board could contact other boards or the association's efficiency committee for additional ideas and options.*
- 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.

## **Previous Performance Audit Findings and Actions (2014)**

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- Consider discontinuing the post-employment benefits to future employees. As noted, these expenses rise year-to-year. Contact your accountant and appointing authority on how to handle expenses. Board discontinued.
- 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. Has changed credit cards and POS company.
- Incorporating a shelf management plan that analyzes sales data to targeted shopping patterns. Board complies.
- Utilizing end caps and empty shelf space as much as possible to highlight slow moving and new products. Board complies.
- Moving stock within the store and between stores to increase visibility and to encourage more impulse shopping. Board complies.
- Splitting cases with other boards or taking advantage of the Special Purchase Allowance and the Boutique collections to increase variety but minimize investment. Board complies.
- Eliminating poor performing items to drive category sales and increase shopper satisfaction. Board should still consider.
- Cross-merchandising by placing products that mix together on the same shelves. Intermingle North Carolina products within their specific category as well as having a designated area. Board could still consider.
- Reallocating shelf space from declining categories to those showing growth. Board complies.
- Allow more space for your more popular brands and re-allocating space when eliminating underperforming brands. Board complies.
- Have board members, the general manager, and finance officer complete the required ethics training. Board complies.
- Consider additional training opportunities through the Commission and the ABC Officers Association on specific areas. The Commission offers Responsible Alcohol Sellers Program, RASP, training for ABC boards and mixed beverage permit holders. Board complies.
- Create personnel files for all employees and board members. Include in the files employment information, tax withholding documentation, and federal I-9 forms. Board complies.
- Have an agreed upon law enforcement contract and submit to the Commission. All local boards are required to have an agreement, even if the agreement results in no enforcement activity without pay. Law enforcement contract on file.
- Request approval annually from the county to adopt the county's travel policy or adopt the state's travel policy. Board has adopted the state's travel policy.
- Adopt a price discrepancy policy that incorporates customer friendly practices. Board should still consider.
- Adopt a mixed beverage policy that details customer friendly and flexible ordering and pickup guidelines. Once adopted, distributed to all mixed beverage accounts of any changes, and submit a copy to the Commission. Board complies.
- Have a written policy in place for cash drawer overages and shortages. Present to clerks so that they will know what is expected. Board complies.

- Refrain from allowing employees to utilize deposit funds as a change fund. Increase the amount in the change fund so to ensure that clerks have enough reserve for the heaviest times. Higher change fund has been adopted.
- Refrain from allowing employees to cash payroll checks in the stores. Board complies.
- To ensure strong internal controls for credit card purchases, adopt a written credit card usage policy. Board should still consider.
- To ensure correct pricing on the store shelves and in the computer system, audit shelf tags on a regular basis by incorporating this practice during or in between the regularly scheduled inventory counts. Board complies.
- All records should be kept at the store. Once the accountant has closed the end of the month, records should be returned and filed in the administrative office. Board should still consider.
- Update the Commission website to include correct information for board member appointment dates. Board complies.
- Place the pre-audit certificate with the finance officer's signature on the order to LB&B. When ordering supplies, have a purchase order or order confirmation that will have authorization from the finance officer before the transaction takes place. Board complies.

## 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 1<sup>st</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.*
- 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. *Board could also consider ACH payments as a means of reducing expenses and eliminating fraud.*

- Any ABC board members who also serve on the board of the appointing authority should recuse themselves from voting on or being involved in any decisions involving net profit distributions or other applicable distributions that will be dispersed to the appointing authority, adhering properly to avoiding conflicts of interest referenced in G.S. 18B-201.
- 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.
- Law enforcement reports must be submitted on the Commission's board website by the 7<sup>th</sup> 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.**

## MARTIN COUNTY ABC BOARD

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

September 10, 2024

We appreciate your support and recommendations from the recent performance audit. The audit will help us with the areas that need improvement. Please find our responses below.

**ITEM 1:** Documentation from recipients of alcoholism funds and education distributions describing how these funds are used.

**All recommendations will be followed per G.S.18B-805(h).**

**ITEM 2:** Oath of office for all board members and copies available at the board office.

**All recommendations will be followed per G.S.11-7.**

**ITEM 3:** Conflict of interest disclosure statement read at every board meeting and documentation in the minutes.

**All recommendations will be followed per G.S.18B-201(f)(k) and G.S.18B-700(h).**

**ITEM 4:** A price discrepancy policy.

**An updated price discrepancy policy has been adopted and sent to the Commission for records retention.**

**ITEM 5:** Purchase orders for all non-liquor goods and services.

**All recommendations will be followed.**

**ITEM 6:** Updated credit card policy, tasting policy and vehicle policy.

**All policies have been updated and adopted and are available at the ABC office.**

**ITEM 6:** Ensure that inventory turnover is reaching 5 times per year.

**All recommendations will be followed.**

**ITEM 7:** Certificate of Accountability attestation form.

**The board has signed and submitted a COA form.**

Sincerely,

Steven Cannon, Chairman

Lynn Sadler, General Manager

Martin County ABC Board