

# Northampton 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 13, 2024

CHAIRMAN:  
Hank Bauer

Northampton County ABC Board  
Iris Williams, Chair  
205 E. Jefferson St.  
Jackson, NC 27845

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

David Sherlin  
Raleigh

Chairperson Williams,

DEPUTY COMMISSIONER:  
Mike DeSilva

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Northampton 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

Northampton County sits on the Virginia and North Carolina border between Hertford and Halifax counties. The closet metropolitan area is Roanoke Rapids in Halifax County. Northampton County has a rural landscape with no large urban centers. Jackson is the county seat and Gaston has the largest population for a municipality. The county's estimated population in 2022 was 16,779 residents which was approximately a twenty-four percent (24%) population decrease since 2010.

Chapter 493 of the 1935 Pasquotank Act authorized Northampton County to hold an election for an ABC store. The referendum was held on August 14, 1965, and passed 2,922 to 2,092. The first retail sales occurred October 1, 1965. A county-wide mixed beverage election was held May 6, 2014, and passed 3,075 to 1,652. The Northampton County board of commissioners and mayors of incorporated towns appoint one (1) chairperson and two (2) board members. Current members include Iris Williams (Chair), Rickie Morris, and Phillip Wray.

The Northampton County ABC Board operates four (4) retail stores and is the only board with stores in the county. The board currently staffs twelve (12) total employees, with one (1) full time and eleven (11) part time employees. The general manager, Bruce Bunch Jr., is full time and responsible for many board operations including ordering, customer service, improvements, supervising store managers, and Human Resources. The finance officer is a third-party bookkeeper and responsible for billing and bank reconciliation. Store managers are responsible for store inventory, order requests, deposits, and general store operations. The board currently has a warehouse manager and another employee who deliver from warehouse to stores. All other staff are engaged in customer service, daily operations, floor upkeep, and sales.

*The last performance audit for the Northampton County ABC Board occurred in 2022. 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 31, 2024, ABC Board Program Analyst Edwin Strickland visited Northampton County ABC Board and interviewed the General Manager, Bruce Bunch Jr. The board's previous general manager, Kathy Gephart, also briefly attended the meeting. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**202 E Jefferson St. Jackson, NC.**





**107 Garysburg Rd. Gaston, 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 Northampton 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 5.1, which meets the goal.

## PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Northampton County ABC Board had a profit percentage to sales of 6.41%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 6.5%. The Northampton County ABC Board’s gross sales totaled \$1,589,854, which was an approximate 3% decrease from the previous fiscal year. The board’s sales have grown an impressive 44% over the last five completed fiscal years.

Northampton County ABC Board operates four retail stores with mixed beverage sales. The operating cost ratio for the board was .72 in FY 2022-2023. The NC ABC Commission standard for ABC Boards with three or more stores and mixed beverage sales is .63 or less. *While the county does have mixed beverage customers, in the FY 2022-2023 the board allowed neighboring counties to sell to their mixed beverage customers.*

Thus, the Northampton County ABC Board almost meets the profitability standard but does not 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 2022-2023 | FY 2021-2022 |
|-------------------------------|--------------|--------------|
| <b>Gross Profit on Sales</b>  | \$388,980    | \$406,125    |
| <b>Income from Operations</b> | \$101,831    | \$136,376    |

*Factors affecting profitability and cost include:*

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Northampton County ABC: Halifax, Hampton, and Bertie counties.
- A 3.6% unemployment rate in Northampton County in June of 2023 down .6% from the previous year.
- An ABC Board’s average cost of goods sold (COGS) is between 52% & 54% per year. The Northampton County ABC Board’s cost of goods sold was approximately **53%** in FY 2022-2023.
  - *The board currently has three (3) potential mixed beverage customers. In FY 2022/2023 the board did not service their mixed beverage customers but is now providing service to one (1) customer.*



## BUDGET ANALYSIS

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|   | FY 2022-2023<br>Budget Projections | FY2022-2023<br>Actual | Variance   | Variance % |
|---|------------------------------------|-----------------------|------------|------------|
| Sales                                   | \$1,604,129                        | \$1,589,854           | (\$14,275) | (.1%)      |
| Revenue over or (under)<br>Expenditures |                                    | \$47,513              |            |            |

In reviewing the budget to actual analysis of the FY2020-2021 financial audit, actual sales revenues were below the budgeted projections by .1%. In addition, the net income change during the fiscal year was \$65,291. *The board's collective net position on June 30, 2023, was \$400,354; the net position has increased 328% 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, Northampton County ABC made other statutory distributions totaling \$38,318 (Net profit distribution recipients received \$31,429 of this). The amount of \$357,869 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), and DHHS.

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

- Twenty-five percent (25%) of profits from stores in towns to applicable general funds of municipalities
- Remainder percentage to Northampton County General Fund

**DISTRIBUTIONS (cont.)**

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➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Northampton County ABC board has made net profit distributions over one (1) 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 two (2) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for the last two (2) FYs.

| <b>NC GENERAL STATUTE: 18B-805 (c)(1)</b>  |          |  |          |
|--|----------|--|----------|
| <b>Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients</b> |          | <b>Northampton 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  | \$46,199 | FY-2023  | \$31,429 |
| FY-2022  | \$47,547 | FY-2022  | \$62,644 |
| FY-2021  | \$48,140 | FY-2021  | \$0      |
| FY-2020  | \$40,077 | FY-2020  | \$27,421 |
| FY-2019  | \$32,959 | FY-2019  | \$0      |

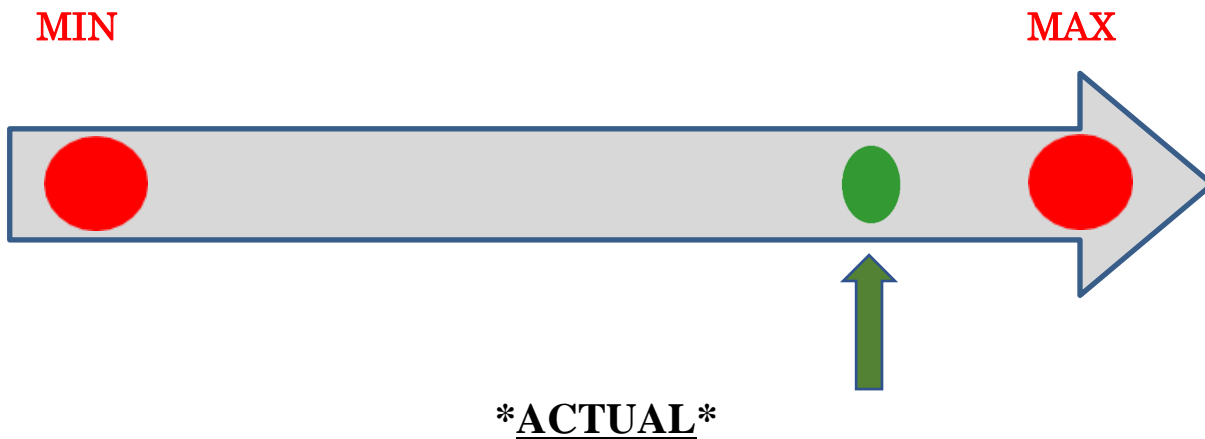
## WORKING CAPITAL

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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 Northampton County ABC Board is required to maintain a minimum working capital of \$47,384 with a maximum working capital amount of \$410,660. The Northampton County ABC Board had a working capital balance of \$322,465 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.

## **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 third Wednesday 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 conflict of interest statement, did review, and approve old minutes, did distinguish new vs. old business, and did discuss new policies. The recent meeting minutes were not signed by the chairperson.
  - Oaths of Office: Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *General manager indicated he felt oaths have been taken but was unaware if or where they signed copies are maintained.*
  - Training records review: Board members and board personnel are not incompliant on ethics training referencing NCGS 18B-706(b). *The general manager should complete ethics training within the month and one recently appointed board member should complete the 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 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 sales data for the month and comparison to the previous year's month for each store, stock value report, bank account summaries, and cost of goods. 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, community, and law enforcement.
  - POLICIES: The board has a robust personnel policy and has provided a copy to the Commission. Board has a credit card and vehicle use policy in Commission records. Additional policies could be considered and provided to the Commission for record keeping including but not limited to, mixed beverage, tastings, overage and shorts, social media, lotteries, or any others. For travel policy, Commission records indicate the board chooses to adhere to their appointing authority's travel policy. *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-702(g2).*

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

- **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 did not meet final budgeted sales. The board has submitted budget amendments for FY-23/24 but did not alter forecasted sales.*
- **FINANCIAL INSIGHT**: Payments for liquor are made by the finance officer who makes checks which are signed by the general manager and a board member with the finance officer stamping the disbursement approval. Copies of the check stub and invoices are retained at the bookkeeper's office. Some available invoice records for recent liquor purchases reflect them as being paid outside of 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by the accounting service. Full bank reconciliation is completed monthly by the bookkeeping service/ finance officer.
- The board does not receive an annual report describing expenditure of funds from their alcohol education and rehabilitation recipients. *Board should request said report and retain at board administrative office.*
- Little information regarding distributions or taxes was reviewed at visit with the general manager indicating he assumed the finance officer handled and records off-site.
- Tills are set at \$200.00 daily with one till and one associate per store. Drawer is counted at end of day and deposit bag is made. Deposit carried to bank each morning usually at same time and same person(s). General manager was not sure if finance officer was matching deposits to bank account.
- Payroll is monthly and processed by the board's bookkeeping service using quick books.
- Employee files were not available, and the general manager feels they were taken to the finance officer's office.
- The pre-audit certificate is stamped on the orders after 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 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 September 12, 2023.

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

- LAW ENFORCEMENT (LE) REPORTS: Reports are being submitted routinely and are current to date. Submitted reports are from the general manager and no data supplied by law enforcement.
- LAW ENFORCEMENT (LE) CONTRACT: The board has a law enforcement contract with the Gaston Police Department. *Board could consider a different option if services are not being met to their expectation.*
- INVENTORY: Full inventory is conducted monthly at all stores by store managers. Physical count sheets are used. Discrepancies are reviewed by general manager and adjustments are made and edit reports are retained at board's office. General manager has strategies for slow moving stock to include moving between stores, asking reps for trade outs, and price reductions.
- INTERNAL CONTROLS:
  - The general manager has solid experience with other ABC Boards having worked for both Bertie and Orange County ABC boards for approximately 11 years. The General Manager indicated he will be resigning in the weeks to come, and the board had a new general manager planned.
  - The third-party accounting firm is new to the board and the position had been vacant for several months.
  - All board members are recently appointed and have a variety of professional experience.
  - General manager makes orders by analyzing warehouse stock, historical data, store manager's requests, and current inventory.
  - Board receives two deliveries monthly. Counts are made using physical count sheet by warehouse personnel and general manager.
  - General manager indicated the new warehouse manager's brother works in the warehouse under his brother's supervision. *Board should consult 18B-700(k) for compliance.*
  - Board has a code of ethics policy on file with the Commission.
- EXPENSES:
  - Total operating expenses increased around two percent (2%) from the last fiscal year and are roughly eighteen percent (18%) 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 three percent (3%) from the previous fiscal year.
  - Cost of Goods Sold (COGS) was roughly 53% 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 they are taking measures to reduce expenditures to include using direct deposit, plans to begin ACH payments, and shopping for better rates on utility services.

## STORE INSIGHT & OVERVIEW

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

- The board's office, Jackson (#2) store, and Gaston (#1) store were the only places visited. The Jackson store (#2) is in the same building as the administrative office and the warehouse. All board's stores are full (counter) service. Liquor is displayed on one wall behind the sales counter. Both stores visited have a plain but professional outside and inside. *The board could consider more captivating signs that are parallel to the road at some of the stores.*
- Board's warehouse is spacious and organized. Inventory was appropriate for an inspection a week before truck delivery.
- Outside area surrounding the stores was well-maintained and free of debris or trash.
- The stores visited did not display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and posters were provided. The stores did have the quarterly price books available.
- Sales associate interactions with customers are attentive and courteous.
- No product knowledge materials are utilized by the board.
- General manager indicates the board would order all customer requests but doesn't have many.
- The board is reserving portions of limited or allocated products for their perspective grand opening for the new Garysburg store. Otherwise, these products are split between the stores and shelved when received.
- The board now has one mixed beverage customer, having previously requested neighboring counties handle mixed beverage business. *Board should consider a mixed beverage policy and discuss accommodating all mixed beverage in the county.*
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items across two stores reflected the current quarterly or monthly SPA price. *The board uses handwritten stickers which reflect the retail price and price with sales tax added.*
- Bottles were fronted and dusted but products are not placed within designated categories and premium products are not necessarily found at eye-level or top shelf. Bottles were not shelved so that they increase in left to right by size. *Board should create a shelf management plan and implement at all stores.*
- 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.*
- All four stores have different hours ranging from 10:00 AM until 7:00 PM with some stores closing midday for lunch. The Gaston store is temporarily staying open until 9:00 PM as a test. With recent law changes the general manager is unsure what Holidays the board will be closing other than the two required.
- Security systems are in place and functional in all designated areas.
  - *Currently four (4) cameras are operational at the two stores visited.*
  - *General manager indicates stores have no panic or alarm buttons.*



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

- Board should remain in compliance with GS 18B-805(c)(1)(2)(3). If other statutory distributions to the board of county commissioners is less than the minimum requirement, the board should obtain their appointing authority's approval in writing and provide the Commission documentation for records retention.
- Pay all liquor bills within thirty days of receipt of liquor. It is the Commission's policy to stop liquor shipments when liquor invoices become delinquent per NCAC 15A .1406(c).
- The Required Fetal Alcohol Syndrome poster was not displayed in either of the two stores visited as required by GS 18B-808. Posters were provided at Commission visit.
- Board should evaluate and comply with 18B-707(K) regarding potential nepotism with warehouse personnel.
- 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.*
- 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.*
- All reappointed board members (and newly appointed members) are required to complete ethics training within one (1) year of their appointment date per G.S. 18B-706(b). General managers and finance officers also complete a one-time training per Commission requirements. Per records review, all board members but one are current on training. General manager will need to complete ethics training at first availability.
- The board shall submit a copy of the law enforcement report to the appointing authority and the Commission by the 5th business day of each month per G.S. 18B-501(f1). Reports have been submitted regularly online but none reference any data or statistics. If current law enforcement agencies are not completing ABC enforcement law activities on behalf of the board, it is recommended for the board to consider entering a contract with a suitable agency such as Alcohol Law Enforcement (ALE) state agency or the county sheriff's department.
- Board could consider rescinding policy of allowing neighboring counties to handle mixed beverage sales and fulfilling orders for all permittees within the county. Board could reach out to neighboring counties to discuss options or best method for handling future permitted establishments.
- Board could craft and implement a shelf management plan in compliance with NCAC 15A-1708 particularly with regards to having higher priced items on upper or eye level shelves and have vertical categories.

- Provide additional training that will include alcohol education, customer service, and product knowledge. Contact the Commission for RASP class training and other boards that have other training module(s) to be included in employee professional development.
- Board should consider converting as many stores as possible to self-service, particularly the Gaston store which sells to tourists as well as residents. It is proven that self-service stores generate 10% more in profits.
- Board meeting minutes were available and followed the order of proceedings for conducting business meetings. *However, the minutes were not signed by the Chairperson.*
- Board could consider adopting or updating any policies to include, but not limited to, tastings, credit card, store policies, social media, vehicle, price discrepancies, or others. Board could consider updating *personnel manual to cover some of the afore mentioned suggested policies and a template is available on the Commission's public website.*
- 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 (2022)**

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- 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 the board will exceed its annual forecasted sales budget. Ensure budget amendments are submitted to the ABC Commission as required per NCGS 18B702(h), to include a final reconciliation budget amendment for the FY 2021-2022 period.
- Ensure all policies are submitted to the Commission prior to official board approval. NCAC 15A .1102 states, "A copy of all rules or amendments thereto that may be adopted by a local board to govern the operation of ABC stores, or the enforcement of the ABC laws shall be submitted to the Commission at least 15 days prior to the date on which it is proposed that those rules or amendments are to become effective." The board is recommended to adopt a vehicle use policy, and a sample template has been forwarded for consideration. *Board has vehicle policy but could still consider others.*
- New law enforcement contract(s) reflecting current agency officials must be adopted and copies provided to the Commission per G.S. 18B-501(f). The contracts on file with the Commission are all outdated. *Could still consider.*

- The board shall submit a copy of the law enforcement report to the appointing authority and the Commission by the 5th business day of each month per G.S. 18B-501(f1). Reports have been submitted regularly online but none over the last two years reference any data or statistics. If current law enforcement agencies are not completing ABC enforcement law activities on behalf of the board, it is recommended for the board to consider entering a contract with a suitable agency such as Alcohol Law Enforcement (ALE) state agency or the county sheriff's department. *Board should still consider.*
- Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, "This instrument has been pre audited in the manner required by G.S. 18B-702." *Board complies on liquor invoices but could still consider using purchase orders.*
- All reappointed board members (and newly appointed members) are required to complete ethics training within one (1) year of their appointment date per G.S. 18B-706(b). General managers and finance officers also complete a one-time training per Commission requirements. Per records review, all board members are current on training. A finance officer was recently hired who must complete the training by May 2022, and completion certificate then forwarded to the Commission.
- A travel policy for the current fiscal year and approval documentation from the appointing authority must be forwarded to the Commission. Annually, the board must obtain approval from the appointing authority to adhere to their local travel policy and provide the Commission a copy of the policy and approval per G.S. 18B-700(g2). NOTE: If the board ever decided to instead adhere to the official State of NC government travel policy, then the board has the option to follow the state policy. If this option was elected, the board would only need to make a one-time motion and include documentation in the meeting minutes, forward to the Commission if applicable. *Board still needs.*
- Quarterly distributions of profits must occur (per G.S. 18B-805(c)(e) unless the appointing authority approves of a different distribution schedule. Because the board has not been making quarterly distributions, documentation from the appointing authority needs to be forwarded stating that an annual or other distribution schedule is acceptable. *Board still needs.*
- Convert as many stores as possible to self-service, particularly the Gaston store which sells to tourists as well as residents. It is proven that self-service stores generate 10% more in profits. *Board should still consider.*
- Close the Conway store. There is another ABC store within seven miles of this one. *Board should still consider.*
- Update for consideration in 2022: The Conway store has consistently exceeded Jackson store sales over the last 10 years, apart from FY-2021. The board should still consider the feasibility of closing one of these two stores. Customer surveys would be a good option as well on considering if patrons would visit the other county stores or if the sales would instead be picked up by neighboring ABC boards. *Board could still consider.*

## **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 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.*
- Open the wall between the office and store in Jackson. This would allow office personnel to also staff the store during the least busy hours.
- 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.*
- 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.**



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

August 26, 2024

We truly 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: GS ISB-805 (c 1-3)

All recommendations will be followed.

Item 2: We will continue to pay all liquor bills within 30 days of receipt.

Item 3: All 4 stores are now displaying the required Fetal Alcohol Syndrome posters. Plus 1 in reserve for the new store.

Item 4: Both the Warehouse manager and associate Leon and John Everett (Brothers) report directly to supervisor GM.

Item 5: We have adopted the official State of NC government travel policy. Minutes have been submitted.

Item 6: The remaining board members and GM have completed Ethics Training August 20, 2024.

Item 7: We currently have police patrols in the Towns of Jackson, Conway, and Rich Square. Also, the sheriff's department which is not on contract just included.

Item 8: All recommendations will be followed.

Item 9: GM has converted all stores to be compliant with NCAC 15A-1708.

Item 10: All recommendations will be followed.

Item 11: We are currently opening a new store which will be self-service, all other stores will soon follow.

Item 12: We have updated our minutes with board signatures.

Item 13: GM is currently working on editing and updating a personnel manual.

Item 14: The board has signed and submitted a COA form.

Sincerely,

Chair  
GM



ABC Board  
ABC Board

