

# Norwood 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

October 7, 2024

CHAIRMAN:  
Hank Bauer

Norwood ABC Board  
Donald Forkey, Chair  
317 N. Main St.  
Norwood, NC 28128

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

David Sherlin  
Raleigh

Chairperson Forkey,

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 Norwood 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

Norwood is in the south-central part of the North Carolina in Stanly County. The town, originally known as Center, was incorporated in 1881 and named after the Norwood Brothers store. The town is the fifth largest in the County excluding Concord which is located primarily in Cabarrus County. The town's population per the 2020 Census was 2,367 residents which was approximately a one-half percent (.5%) population decrease since 2010.

The Town of Norwood was authorized to hold a referendum for the creation of an ABC Board by S.L 1965 Chapter 722. A referendum was held October 22, 1968, and passed 468 votes for and 301 votes against. The first retail sales occurred March 3, 1969. A mixed beverage election was held June 14 10, 2005, and passed 363 votes for and 196 votes against. *Currently, the Norwood Board of Alderman Town appoints one (1) chairperson and one (1) additional board members, and the Stanly County Board of Commissioners appoints one (1) member to serve on the ABC board.* Current board members include Donald Forkey (Chair), Darrell Almond, and Dereck Lambert.

The Norwood ABC Board operates one (1) retail store. The Board is one of three boards and stores in Stanly County. The board currently staffs ten (10) total employees, with one (1) full time and nine (9) part time employees. The general manager is full time and responsible for many board operations including ordering, scheduling, inventory, deposits, some billing, and Human Resources. The finance officer is part time and responsible for payroll, billing, and communicates with third party bookkeeping service. This service provides accounting support and handles distributions and employee taxes and payroll. All other staff are engaged in customer service, daily operations, floor upkeep, truck delivery, and sales.

*The last performance audit for the Norwood ABC Board occurred in 2013.* 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 Tuesday, July 2, 2024, ABC Board Program Analyst Edwin Strickland visited the Norwood ABC Board and interviewed the General Manager, Edmund Roush and Finance Officer Jan Myers. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**317 N. Main St. Norwood, 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 Norwood 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 2.6, which is below the goal.

### PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

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In fiscal year (FY) 2022-2023, the Norwood ABC Board had a profit percentage to sales of 5.45%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%. The Norwood ABC Board's gross sales totaled \$1,419,040, which was an approximate 29% increase from the previous fiscal year. The board's sales have grown an impressive 136% over the last five completed fiscal years.

Norwood ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .74 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 Norwood ABC Board meets the profitability standard and almost meets 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>	\$328,490	\$280,604
<b>Income from Operations</b>	\$77,280	\$77,124

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

*Factors affecting profitability and cost include:*

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Norwood ABC: Locust, Wadesboro, Albemarle, Mount Pleasant, Marshville, and Montgomery County.
- A 3.2% unemployment rate in Stanly County in June of 2023 down .4% from the previous year.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Norwood ABC Board's cost of goods sold was approximately **54.1%** in FY 2022-2023.
  - *The board currently has seven (7) mixed beverage customer. In FY 2022/2023 mixed beverage accounted for approximately six (6%) percent of sales.*

## BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
<b>Sales</b>	\$1,500,00	\$1,419,040	(\$80,960)	(.6%)
<b>Revenue over or (under)</b>				
<b>Expenditures</b>		\$14,291		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were .6% below forecast. In addition, the net income change during the fiscal year was \$31,157. *The board's collective net position on June 30, 2023, was \$344,274; the net position has steadily increased each year since at least FY-2019.*



## 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, Norwood ABC made other statutory distributions totaling \$41,962 (Net profit distribution recipients received \$37,714 of this). The amount of \$322,353 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Stanly County.

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

- Norwood General Fund                      100%

## DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions - The Norwood 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.** Board has obtained and provided to the Commission official documentation from the appointing authority pertaining to making distributions which are less than the minimum beginning with the FY 2024/25.
- 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>Norwood 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	\$37,714	FY-2023	<b>\$37,714</b>
FY-2022	\$31,146	FY-2022	<b>\$31,146</b>
FY-2021	\$28,167	FY-2021	<b>\$28,167</b>
FY-2020	\$22,595	FY-2020	<b>\$0</b>
FY-2019	\$17,785	FY-2019	<b>\$0</b>

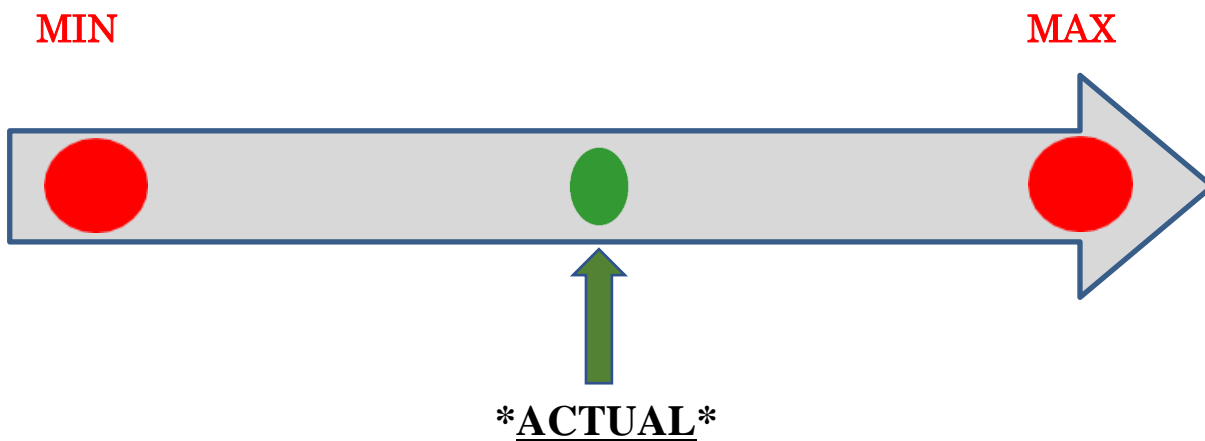
## WORKING CAPITAL

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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 less than \$1.5M as an amount equal to four (4) months of sales revenue.

Based upon the existing rules, as of June 30, 2023, the Norwood ABC Board is required to maintain a minimum working capital of \$54,578 with a maximum working capital amount of \$473,013. The Norwood ABC Board had a working capital balance of \$259,712 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. *Board should obtain official documentation from appointing authority and provide to Commission for record retention if a capital improvement plan is approved.*

## PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- Board meetings: The board generally holds board meetings on the second Monday 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 have a conflict-of-interest statement, and did discuss new policies. *The minutes reviewed did not distinguish new and old business.*
- 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). *Member Lambert, having been appointed in January 2024, will need to complete 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. 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 in dollars and bottles, comparisons to previous year's sales, and inventory. General manager discusses other issues and occurrences like building repairs, personnel needs or achievements, and customer related issues. 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 and local government.
- POLICIES: The board has a personnel policy but has not provided a copy to the Commission. Board has a price discrepancy policy on file and a mixed beverage policy was provided at Commission visit. Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings, 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 \$80,960 less than the final amended budgeted sales. *Based on sales trajectory for the current fiscal year with eleven months (92%) of the budget year completed, the board is tracking along very well at 100.5% of annual budgeted sales. **The board has submitted a final budget amendment for FY-23/24 indicating an increase in sales of \$225,036.***

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

- **FINANCIAL INSIGHT:** All payments including liquor invoices are made by the finance officer. Checks are made and signed by the finance officer with board member countersignature. All checks have the required disbursement approval. Invoice records for recent liquor purchases reflect them as being paid monthly and inside of 30 days. Taxes and distributions are paid either monthly or quarterly. *Other statutory distributions referencing 18B-805(c) are made annually.* Full bank reconciliation is completed monthly by the finance officer and cross referenced with third party bookkeeper.
  - Bank deposits are made each day except Saturday by the general manager or, occasionally, another staff member. Deposits are taken inside the bank and usually at different times of the day. The finance officer compares deposit slip with bank statements at monthly reconciliation. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.*
  - The board does not receive an annual report from their alcohol education and rehabilitation recipient, Stanly County. *Board should request said report and retain at board administrative office.*
  - Tills are counted at the end of each shift and cash, coin, totals, and over/short is kept on a clerk checkout report. This data for the four daily shifts along with credit card and mixed beverage payments are kept on a daily checkout report. Store generally operates two tills starting at \$200.00 daily.
  - Payroll is weekly and processed through quick books. Both general manager and finance officer verify hours and rates before finance officer provides checks.
  - 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 and include application, driver's license copy, and tax information.
  - The pre-audit certificate is not 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).*
  - The board has not sent unsaleable merchandise reports to the Commission in at least three years for record retention. Board administration has detailed records of unsaleable merchandise reports. *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 30, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely but are current to date. Submitted reports come from Norwood Police Department Captain Chris Thompson.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Spruce Pine Police Department on file with the Commission from 2011. *An updated version could be supplied for Commission records.*

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

- INVENTORY: Full store inventory is conducted approximately every two months via categorical counts. Spot checks are conducted, and different board personnel participate. Staff checks products when stocking, ordering, and for other various reasons, and adjustments are made. The inventory turns over at a 2.6 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 splitting cases with other boards, moving around in store, and has done some price reductions.
- INTERNAL CONTROLS:
  - The general manager has solid professional experience in retail, restaurants, and other business and has been with the board since 2021.
  - The part time finance officer is a retired bookkeeper for Hospice with good financial experience and compliance.
  - The Board members and Chairperson have extensive professional experience in business and local government and have a good mixture of longer tenures and some more recent appointees. *Board terms are appropriately staggered to have one term end date each year.*
  - All employees are subject to training and various behavioral standards. *Board could consider hosting RASP classes for staff and other local permittees.*
  - General manager makes orders by analyzing recent sales, historical data, and current inventory. GM reviews warehouse stock status and orders, first what is needed and secondly reviews for possible new items or seasonal options. General manager indicates he reviews SPA's and conducts buy ins when space and funds are available.
  - Board receives two deliveries monthly. Counts are made using scanners 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 per order. Finance officer makes checks which are countersigned by a board member with general manager as an alternat.
  - General manager makes some purchases with a credit card to include supplies or maintenance related items. *No credit card policy on file with Commission.*
  - 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.
- EXPENSES:
  - Total operating expenses increased around twenty-three percent (23%) from the last fiscal year and are roughly eighteen percent (18%) of total annual sales in FY-22/23.
  - Board salaries were approximately ten percent (10%) of total annual sales. Salaries and benefits increased by less than one percent (1%) from the previous fiscal year.
  - Cost of Goods Sold (COGS) was roughly 54.1% 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 reviews maintenance and other contracts and has made improvements to the store. He states the board will now be able to continue increasing sales without additional controllable expenditures like staffing and utilities.

## STORE INSIGHT & OVERVIEW

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

- Board's store is a free-standing building now owned by the board on the main highway thoroughfare in Norwood. 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 1,200 sq. ft. and has some displays and interesting décor.
- Board's warehouse is approximately 1,800 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 reserve funds from statutory distributions for future upgrades to the building to include expanding retail and warehouse space and adding a loading dock.
- 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.
- General manager provides store personnel some printouts about new and existing products. *An excellent source for increased sales and customer relations is product knowledge.*
- Board will order special requests from customers if the general manager believes it will sell and sometimes contacts other local boards regarding product availability and other info for a customer.
- Full time employees are enrolled in LGERS.
- General manager reserves portions of limited or allocated products for their mixed beverage customers. Other methods for distribution include shelving with a one bottle limit per customer and Saturday lotteries.
- The board does not currently have a website. *Board could consider social media or other internet option for marketing or awareness.*
- The board has seven (7) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice on file in a binder for each account.
- Board has a mixed beverage delivery policy on file with the Commission and makes deliveries occasionally but infrequently. *Board could discuss liabilities or behavioral standards for personnel involved in delivery and consider addressing in an updated policy if delivery is occurring.*
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items but one reflected the current quarterly or monthly SPA price. *The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items.*

## STORE INSIGHT & OVERVIEW (cont.)

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- 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 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 on file with the Commission.*
- The board is generally open from 10:00 am until 9:00 pm. They are closed every Sunday, the five (5) required annual holidays.
- Board has conducted tasting and could consider a tasting policy.
- Security systems are in place and functional in all designated areas.
  - *Currently fourteen (14) cameras are operational with monitors in office.*
  - *Panic and alarm buttons are located at each register.*
  - *Board has a mirrored window to allow monitoring of store from office.*



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

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- The recipient(s) (*Stanly County*) of alcoholism fund or education distributions must 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.*
- Per G.S. 18B-805(c)(e), other statutory distributions should be made quarterly. *Board could consider receiving approval from their distribution recipients for annual distribution and provide a copy of the new distribution formula to the Commission.*
- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7.
- Board should adopt and provide to the Commission a personnel manual to comply with NCAC Rule 15A .1006. *A template is available on Commission's public website.* Board could further consider adopting or updating any policies to include, but not limited to ACH payments, tastings, credit card, store policies, social media, vehicle, or others. *Personnel manual may cover some of the afore mentioned suggested policies.*
- 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.*
- Ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years. *If no reports are available for a full quarter, please email Commission for awareness.*
- Board should ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, "*This instrument has been pre audited in the manner required by G.S. 18B-702.*" *Special note:* This could be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system *before* any liquor orders are placed with state warehouse.
- Board should 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 provide additional training that will include alcohol education (RASP), customer service, and product knowledge. Contact other boards that have a training module(s) in these areas.
- 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 (2013)

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- Analyze shopping patterns and history reports to plan orders and to take advantage of special purchase allowances. *Board complies.*
- Utilize caps and shelf space as much as possible to highlight slow moving or new products. *Shelf space was well utilized at Commission visit.*
- Cross merchandise or move stock in the store to increase visibility and to encourage impulse shopping. *Board complies.*
- Sell slow moving inventory to another board or request price reductions. *This has been done but could still be considered.*
- Contact other boards whose inventory turnover rate exceeds the target for other ideas that may be implemented. *General manager indicates discussions of topics with other boards.*
- Manage your profitability and cash flow by effectively managing your shelf space. *Board complies.*
- Request bids annually from various vendors to get the best rates possible on financial audits, professional fees, specific utilities, maintenance contracts, and credit card processing fees. *Board considers and could investigate other options.*
- Monitor budget frequently and more closely to ensure that actual expenses do not exceed budgeted amounts. Provide year-to-date reports to board members detailing how much has been spent. *General manager reviews expenditures quarterly and discusses with board members.*
- Improve sales strategies by developing new marketing techniques. Refer to recommendations addressed under inventory turnover. *Board has had impressive sales increases in recent years.*
- Analyze expenses more closely to increase profits by monitoring budget closely and reducing costs where possible. *General manager reviews expenditures quarterly and discusses with board members.*
- Explore merging opportunities with surrounding boards to increase profitability for the system while reducing operating expenses. *Board has not recently discussed merger opportunities.*
- Provide additional training that will include alcohol education, customer service, and product knowledge. Contact other boards that have a training module(s) in these areas. *Board could still consider.*
- Although understood by all employees, have a written price discrepancy policy. Having written procedures will allow future employees to be knowledgeable about current practices. *Board has provided a price discrepancy policy.*
- To have strong internal controls of inventory, take physical inventory monthly. Have employees perform spot checks as part of their daily duties and responsibilities. Incorporate a procedure that would allow one clerk to cross check another's. *Board inventories consistently.*
- Appoint a finance officer other than general manager or ask the Commission for an additional one-year exemption. *Board has a finance officer.*

## 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.*
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- 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.**

**Town of Norwood  
Alcoholic Beverage Control Board  
317 North Main Street  
P.O.Box 547  
Norwood N.C. 28128  
704-474-4120  
[norwoodabc@windstream.net](mailto:norwoodabc@windstream.net)**

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

September 30, 2024

We thank you for your time and effort in the recent audit performed. This performance audit will help us in the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1:

The recipient (Stanly County) of alcoholism fund or education distributions must provide annual documentation to the board describing the activity for which the awarded funds are spent.

All recommendations will be followed.

Item 2:

Other statutory distributions should be made quarterly. (Will Comply)

Item 3:

Board members should take an oath before taking office or before the execution of the office.

All recommendations will be followed.

Item 4:

Board should adopt and provide to the commission a personnel manual. Board could further consider adopting or updating any policies to include, but not limited to ACH payments, tastings, credit cards store policies, social media vehicle or others.

All recommendations will be followed.

Item 5:

Continue with the following to ensure inventory turnover is reaching the goal of 5 times per year. Analyzing sales and history reports to determine the best selling products needed and to avoid overstock, Watching customer shopping patterns and using the information to optimize product placement and price reductions.

All recommendations will be followed.

Item 6:

Ensure unsaleable merchandise (breakage) reports are submitted to the commission quarterly.

All recommendations will be followed.

Item 7:

Board should 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 has been pre-audited with a signature by the finance officer.

All recommendations will be followed.

Item 8:

Board should consider utilizing purchase orders for non-liquor goods and services and have them pre-Audited.

All recommendations will be followed.

Item 9:

Board could provide additional training that will include alcohol education, customer service, and product knowledge.

All recommendations will be followed.

Item 10:

In connection with the periodic audit, a certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel.

The board has signed and submitted a COA form.

Sincerely,

Edmund L Roush GM

Norwood ABC Board