

Red Springs ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

March 28, 2025

CHAIRMAN:
Hank Bauer

Red Springs ABC Board
Alton McNeill, Chair
904 E. 4th Ave.
Red Springs, NC 28377

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

David Sherlin
Raleigh

Chairperson McNeill,

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 Red Springs 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

Red Springs is a town in southeastern North Carolina in Robeson County. The town's population per the 2020 Census was 3,087 residents which was an approximate ten percent (10%) percent decrease from 2010. The town is the second largest community in the county and named for the rust-colored water in their mineral springs.

Chapter 405 of the 1967 Session Laws authorized the Town of Red Springs to hold an election for an ABC store upon a written petition of at least twenty-five percent (25%) of registered voters. The referendum was held on May 9, 1973, and passed 351 to 326, and the first sale occurred on August 6, 1973. A mixed beverage election was held on January 11, 2005, and did not pass. A second mixed beverage election was held on November 6, 2018, and passed 679 to 391. Upon election of an ABC store, the town was authorized to create an ABC Board consisting of a chairperson and two members to serve for three-year terms. Current board members are Alton McNeill (Chair), Crawford Arrington III, and Barnard Murray.

The Red Springs ABC Board operates one (1) retail store and is one of seven (7) boards in Robeson County. The board currently staffs seven (7) total employees, with three (3) full time, and four (4) part time. The general manager is full time and responsible for many board operations including inventory, ordering, scheduling, human resources, and accounting correspondence. The assistant manager is full time and involved with all the general manager's activities and is cross trained to fill the role when needed. A third full time key holder works to supplement the manager's responsibilities and is involved with deliveries. The finance officer is a board member, does not receive compensation for the finance officer role, and provides financial oversight. The board utilizes a third-party accounting service for many accountings related activities including billing, distributions, and payroll. All other store employees are part time and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.

The last performance audit for the Red Springs ABC Board concluded 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, December 18, 2024, ABC Commission Program Analyst Edwin Strickland visited the Red Springs ABC Board and interviewed the General Manager, Kathleen Jacobs. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



904 E 4th Ave. Red Springs, N.C.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set goals for determining an effective rate based on the frequency of deliveries. Below are the turnover rates based upon the delivery schedule:

- Once a week deliveries target at 6 times or more per year
- Twice a month deliveries target at 5 times or more per year
- Monthly deliveries target at 4.5 times or more per year

The Red Springs ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2023-2024 was 4, which is somewhat below the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Red Springs ABC Board had a profit percentage to sales of 4.2%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%. The Red Springs ABC Board's gross sales totaled \$1,560,239, which was an approximate 8% increase from the previous fiscal year. The board's sales have grown an impressive 48% over the last five completed fiscal years.

Red Springs ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .81 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less. *The board has only one mixed beverage customer. The operating cost standard for ABC Boards without mixed beverage sales is .85 or less.*

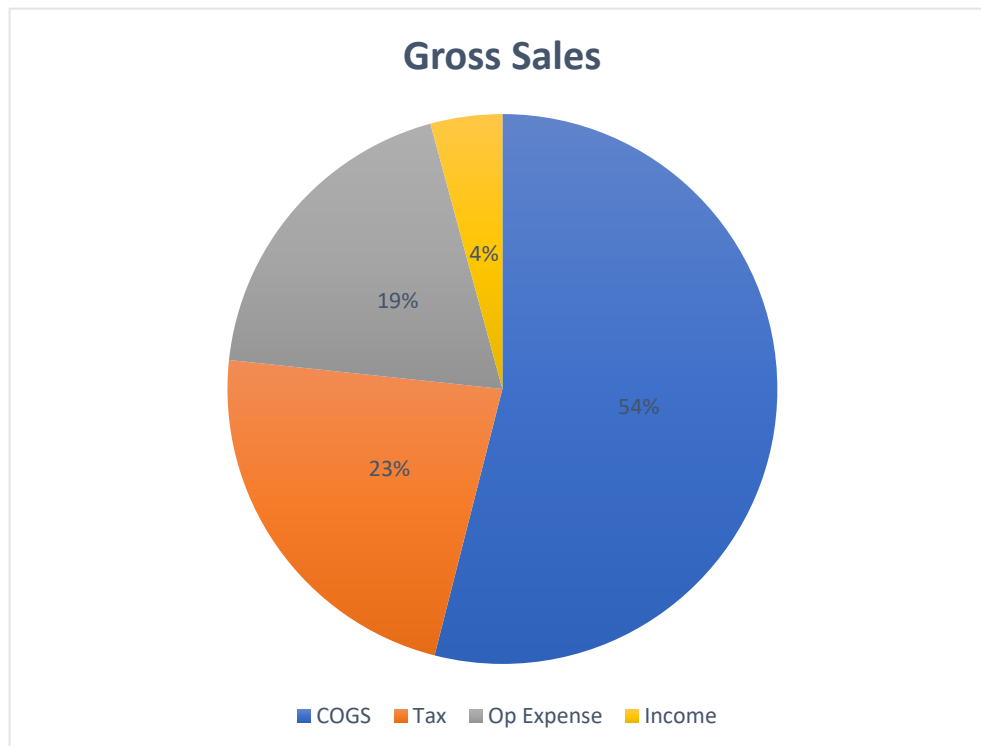
Thus, the Red Springs ABC Board does not meet both the profitability and the operating cost standards set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$368,441	\$340,940
Income from Operations	\$65,813	\$58,350

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting sales and profitability include:*

- Robeson County has six (6) ABC boards in addition to Red Springs ABC.
 - South Carolina is less than 25 miles from the store with additional spiritous liquor outlets.
 - A 5.8% unemployment rate in Robeson County in June of 2024 with a .7% increase from the previous year.
 - The board currently has one (1) active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for approximately five percent (5%) of sales.*
 - Cost of Goods Sold (COGS) was roughly 53.7% for the fiscal year with a normal range being 52% to 54%.
 - The board owns its store and property.
- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, or as additional distributions beyond the minimum requirement.



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Total Revenues	\$1,560,000	\$1,560,239	(\$239)	0%
Total Expenditures	\$1,486,104	\$1,480,570	\$5,534	.3%
Distributions	\$36,000	\$31,155	\$4,845	13.5%
Revenue over or (under) Expenditures		\$48,514		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were >1% above final budget amendment. In addition, the net income change during the fiscal year was \$34,658. *The board's collective net position on June 30, 2024, was \$394,023; the net position has increased approximately 57% in the last five (5) fiscal years.*

DISTRIBUTIONS

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

In FY 2023-2024, Red Springs ABC made other statutory distributions totaling \$31,155 (Net profit distribution recipients received \$27,416 of this). The amount of \$353,295 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Robeson County.

- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 65% to Red Springs General Fund for any governmental, library, recreational or educational purpose.
 - 35% to Robeson County General Fund for any governmental, library, recreational or hospital purpose.

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions – The Red Springs ABC board has made net profit distributions for three (3) of the last five (5) fiscal years at or above the minimum mandatory distribution in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been properly disbursed at or above the standard 5% statute amount for four (4) the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for three (3) the last five (5) FYs.
 - Distributions for law enforcement and alcohol education exceed the minimum required percentage some years and do not meet the minimum required percentage other years.

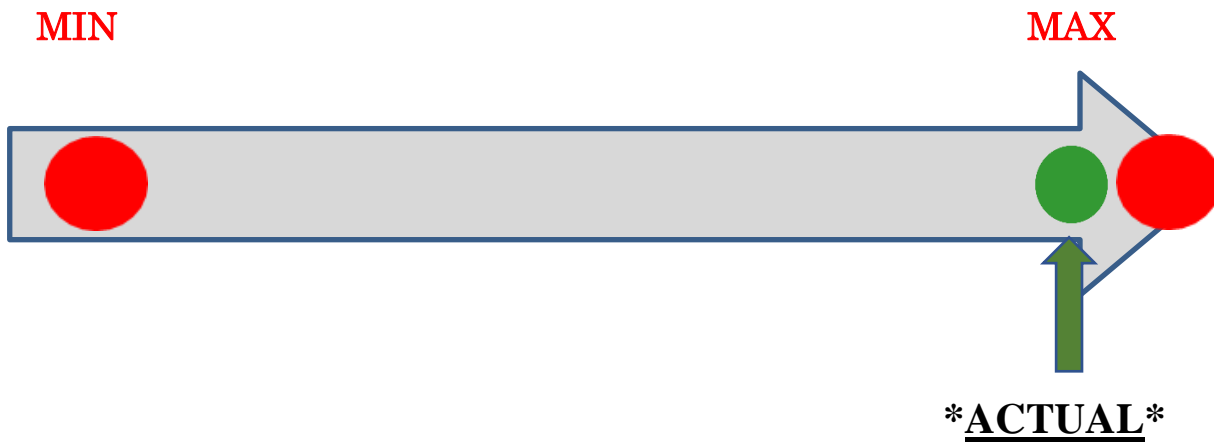
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Red Springs ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$44,615	FY-2024	\$27,416
FY-2023	\$37,536	FY-2023	\$29,075
FY-2022	\$43,388	FY-2022	\$76,000
FY-2021	\$41,288	FY-2021	\$75,036
FY-2020	\$36,465	FY-2020	\$39,472

WORKING CAPITAL

G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital maximum standard for boards with annual gross sales greater than \$1.5M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Red Springs ABC Board is required to maintain a minimum working capital of \$46,277 with a maximum working capital amount of \$401,068. The Red Springs ABC Board had a working capital balance of \$398,871 which is greater than the minimum and less than the maximum Commission requirements for this section (*).

*** FY 2023-2024: Working Capital (WC) graphic**



Under 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- **Board meetings:** The board generally holds meetings the fourth Thursday of each month and provides public notice of the meetings. *Board did not have any recent board meeting minutes available at Commission visit. Meeting minutes reviewed were from 2017 and before.* These minutes mostly followed the order of proceedings but did not always approve previous meeting minutes.
- **Oaths of Office:** Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. Management thinks oaths are administered. *Written copies of oaths should be available at the board's administrative office.*
- **Training records review:** Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b), with one recently appointed member needing to complete training in the coming months.
- **Board member compensation & General Manager (GM) salary:** Board members receive compensation for their services at the maximum \$150.00 per meeting. The Commission has been provided an approval from their appointing authority for their chairperson to be compensated above the maximum at \$175.00 per meeting. The General Manager has updated their salary for Commission records. *Any future salary changes should be relayed to the ABC Commission for record retention. Board members terms are appropriately staggered with one term ending date annually.*
- **Board website review:** The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note:** As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- **Board Personnel & Board Members:** Board personnel provide financial reports for the board's review at meetings including P&L, balance sheets, income statements, new project estimates, and comparisons to previous year's sales. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- **POLICIES:** The board is currently working to finalize a personnel manual. Once complete, the board should forward to the Commission for approval and record retention. The proposed manual will cover many policies to include, underage sales, price discrepancy, overage and shortages, and behavioral standards.
 - Currently the board has a mixed beverage policy on file. For travel, the board follows the state's policy.
 - Additional policies could be considered and provided to the Commission for record keeping including tastings and employee tastings, social media, or any others.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **BUDGETS:** In FY 23/24, the board's actual sales were very similar to the final budget amended sales according to their CPA's audit. *Commission does not have record of a final budget amendment. Based on sales trajectory for the current fiscal year with five months (41.6%) of the budget year completed, the board is tracking along very well at 42% of annual budgeted sales*
- **FINANCIAL INSIGHT:** Invoices for liquor are generally processed per truck and paid via the board's accounting service. Invoice records for recent liquor purchases reflect them as being paid within 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by the accounting service who also does full month end reconciliation.
 - Board's checks do not have the required disbursement certificate in compliance with 18B-702(m). *Accounting clerk is already reordering checks per discussion at visit. Checks are signed by the finance officer and general manager or other board member.*
 - Pre-audit stamp verification is not being properly implemented on liquor orders and other purchase agreements. *Management is currently working to receive a stamp and will begin implementation for liquor orders and other purchase agreements.*
 - Bank deposits are currently being made daily by the general or assistant manager. General manager verifies deposit slip to register receipts and accounting service monitors.
 - Tills start at \$100.00 daily with two registers generally operating. An additional change fund is kept in their safe and counted daily.
 - Payroll is bi-weekly and processed by the accounting firm using QuickBooks. General manager reviews hours and updates any rate changes and notifies firm for sick leave or vacation usage.
 - Employee files are kept in the general manager's office and include tax information, pay raise notices, and other financial information.
 - Board keeps thorough records for unsaleable merchandise reports and emails copies of the claims to the Commission quarterly in compliance with NCAC Rule 15A .1701(c).
 - The annual CPA audit was received by the Commission on September 12, 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has an active law enforcement contract with the Red Springs Police Department from 2024.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted by their law enforcement agency but sometimes contain no data reflecting activity within the town limits as required by 18B-501(f1). *Board personnel indicates they have corresponded with police chief and will now be receiving more data in their reporting.*
- **INVENTORY:** Full inventory is conducted monthly. Usually, six staff members participate using scanners after store has closed. Final discrepancies are reviewed by general manager before adjustments are made. Board's strategies for slow moving stock include discussing with customers and associates.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

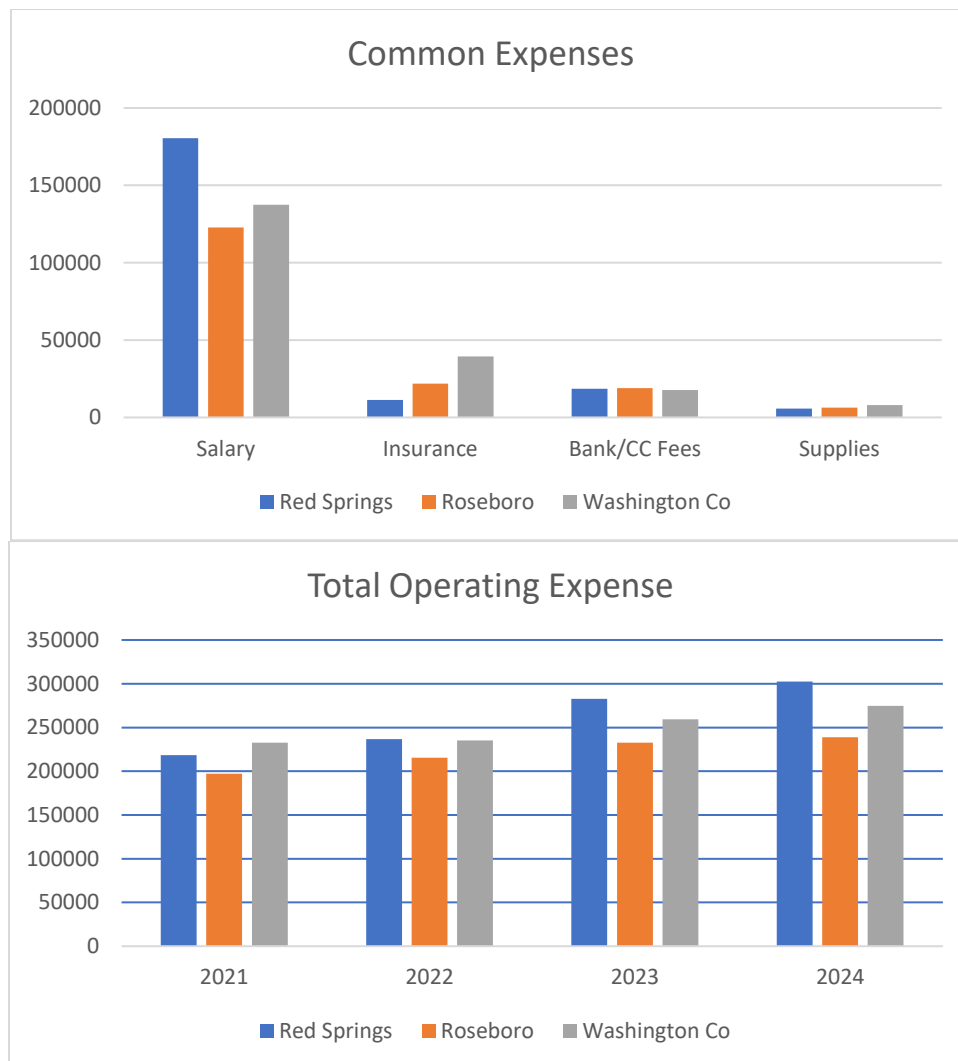
➤ INTERNAL CONTROLS:

- The general manager has worked for the board for over 7 years, was previously the assistant manager, and has been the general manager for approximately 5 years. She has many additional years of retail and customer service experience.
- The board members and chairperson have a variety of professional experience in business, government agencies, and two previously worked for the board. *The board has two long tenured members and one recent appointee.*
- All board members, General Manager - Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i).
- The board does not receive reports describing expenditure of funds from their alcohol education and rehabilitation recipient, Mike Hall Speaks.
- Some employees are subject to RASP training, and all receive training on behavioral standards. Cross training opportunities are extended, and each role has another team member to serve in their absence.
- Full time employees and others are enrolled in LGERS.
- General manager makes the liquor order by reviewing monthly sales and analyzing current inventory for adjustments. The assistant manager participates in ordering and is capable of full liquor ordering as needed.
- Board receives two liquor deliveries monthly on the second and fourth Mondays of each month. Off load sheets are used and discrepancy forms are retained. Variances are recounted and verified before being reported to LB&B.
- Board keeps \$55.00 in petty cash for limited supply shortage purchases.
- Board does not have a credit card. Most supplies are ordered through accounts and paid via invoice.
- Board uses bill scanners to combat counterfeit money.
- No conflicts pertaining to nepotism found and per discussion with general manager.
- Board has a code of ethics policy on file with the Commission.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ EXPENSES:

- Total operating expenses increased around seven percent (7%) from the last fiscal year and are roughly nineteen percent (19%) of total annual sales in FY-23/24.
- Board salaries were approximately eleven- and one-half percent (11.5%) of total annual sales. Salaries and benefits increased by around eleven percent (11%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 53.7% for the fiscal year with a normal range being 52% to 54%.
- An operating expense report and common expense report shows the Red Springs ABC Board has similar categorical and total operating expenses comparable to other ABC boards within a similar gross sales range. *Common expense report categories can be unreliable as different CPAs may include different expenses in their line items.*



STORE INSIGHT & OVERVIEW

- Board's store is a free-standing building owned by the board. It is located on a major thoroughfare in an area with other retail and commercial businesses. It has a plain but professional exterior, ample parking, and visible signage.
- The showroom is well lit and organized. Point of sale signs and other decor are displayed. The warehouse is suitably sized, also organized, and the unloading door allows for pallet deliveries.
- 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, and welcoming, and all are eager to meet the needs of the customers. *Associates engage customers and work to satisfy their questions and have a quality relationship with patrons.*
- 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 stocked. While mostly followed, the board should establish and provide awareness to associates a shelf management plan which corresponds, when applicable, to NCAC 15A .1708(3); *arrange bottle so they increase in size left to right of the same item.*
- Product knowledge growth is accomplished by providing staff access to broker rep literature and from informal discussions about products and trends.
- The board has one (1) mixed beverage (MXB) customer according to board records. Board provides an invoice to customer at transaction and retains a file for the account.
- The general manager keeps a list of citizens interested in allocated products and sometimes hold for regular customers. The board's lone mixed beverage account has been extended allocated purchase opportunity.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all but five items reflected the current quarterly or monthly SPA price.
- A random sample of approximately 20 items was selected to verify accurate current inventory. Of those selected, all items actual quantities matched with system data correctly.
- General manager indicates price discrepancies are handled in the customer's favor if the shelf tag price is lower than the cash register and the customer objects.
- The board's store is generally open from 9:00 am until 8:00 pm Monday through Saturday. They are currently closed every Sunday, the five (5) previously required annual holidays, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *Currently sixteen (16) cameras operating and panic buttons behind the registers with motion and glass detections installed.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *A written account of the oaths should be available at board administration.*
- Board should craft and provide to the Commission a policy covering the duties of the third-party accounting firm. The policy should clarify what services are provided by the firm and specifically who provides the services. This is needed to establish compliance with G.S.18B-702(s).
- Local boards shall establish and maintain a shelf management plan per Commission Rule 15A .1708 Shelf Management. While often followed, the board should work to rearrange liquor inventory on the shelves to follow shelf management requirements, in particular ensuring bottles increase in size from left to right where applicable.
- 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.
- While the board does provide appropriate oversight with the Finance Officer signing checks, the board should re-establish compliance with GS 18B-702(q) disbursement approval stamp or message on checks or other draft payments. *Board’s accounting clerk is already working to reorder checks with the required disbursement certificate printed on each one.*
- Please ensure all newly adopted policies or any updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. Electronic copies of the personnel manual should be emailed to Commission personnel for recordkeeping. *Board is currently reviewing and revising the Commission suggested template for adoption.*
- The recipient(s) (Michael Hall Speaks) of alcoholism fund or education distributions must provide annual documentation to the board reporting the activity for which these awarded funds are spent per G.S. 18B-805(h). *The board may want to consider obtaining documentation before the funds are officially awarded / transmitted to any recipients.*
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
 - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by September 30th of each year.
 - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) in a prompt manner and before the twelve (12) month mandate. *The board currently has one recently appointed member who should complete their ethics training requirement when able.*
- Board should work to ensure shelf prices match the cash register price. *Price checks could be completed each quarter or for monthly price changes and could be incorporated in routine inventory spot counts.*
- Copies of board meeting minutes should be maintained in a book at the board's administrative office and available for review. Meeting minutes should include the date and time of meeting, the conflict-of-interest statement, review and approve the minutes of the most recent meeting, distinguish new and old business, and be signed by the chairperson.
- 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.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission Education Outreach as well as partnering with other ABC boards or the Association of ABC Boards on specific areas such as best retail and marketing practices.

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

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2014)

- Consider the following to increase inventory turns:
 - Utilizing end caps and shelf space as much as possible to highlight slow moving, seasonal and new products.
 - Incorporating a shelf management plan that analyzes sales data to target shopping patterns.
 - Moving stock within store to increase visibility and to encourage more impulse shopping.
- Begin making the mandatory law enforcement distributions quarterly as required by G.S. 18B805 (c) (2).
- Dust bottles regularly. Incorporate practices within daily store activities.
- Develop a more efficient shelf management plan that focuses on the growing market. Consider the following practices:
 - Brand blocking products with bottles with mid-price at eye level and premium products on top shelves and lower priced items on lower shelves.
 - Increasing cross-merchandising by placing products that mix together on the same shelves.
 - Reallocating shelf space from declining categories to those showing growth.
 - Aligning products by specific flavor profiles rather than code number.
 - Utilizing end caps to highlight new, seasonal, and sale products on a rotating basis.
- Extend and provide other training opportunities that focus on those listed above to all employees. Contact the Commission and other boards who have information on these topics.
- Adopt a price discrepancy policy that incorporates customer friendly practices. Once adopted, communicate to all employees before the need arise so that they are informed on how to implement the changes.
- To ensure correct pricing, audit shelf tags on a regular basis by incorporating practices within spot checking or inventory checking time periods.
- For transparency, have the board chairman read a conflict-of-interest statement to all board members at the start of each meeting. Reference the conflict-of-interest statement was read in the board minutes.
- Update the Commission website to reflect current information on board members and the general manager. The Commission relies on information provided by boards to create reports.
- Refrain from employing relatives.
- Update the board's bonding policy to include the finance officer as being bonded for \$50,000.
- 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.

While having addressed most considerations from previous Commission review (2014), board should still monitor and strive to satisfy previously noted recommended actions.

Red Springs ABC Board

3.25.25

Thank you for your support and recommendations from the audit performed on December 18, 2024.

We have made the following improvements.

1. Oaths of office for board members have been completed by the town and copies on file.
2. Letter from CPA has been sent to Edwin Strickland.
3. Shelf management plan has been provided.
4. The board now has a preaudit certificate stamped on orders and signed by the finance officer.
5. The board now has checks with the disbursement certificate.
6. The board has sent in an updated policy manual.
7. All recommendations will be followed. The board will request approval from our alcohol education recipient.
8. The board has provided the ABC Commission a signed certificate of accountability attestation form.

Sincerely,

Mr. Alton McNeill, Chairman

Red Springs ABC Board