

Sanford 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

July 29, 2024

CHAIRMAN:
Hank Bauer

Sanford ABC Board
Oscar (Buddy) Keller III, Chair
2116 S. Horner Blvd.
Sanford NC, 27330

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

David Sherlin
Raleigh

Chairperson Keller,

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 Sanford 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, and Administrative Policies
- Review applicable reports and studies
- 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

The city of Sanford is in central North Carolina and is the seat for Lee County. The city was chartered in 1874 and named after C.O. Sanford, a railroad engineer. The city's population per the 2020 Census was 30,261 residents which was approximately a seven percent (7%) population decrease since 2010.

The City of Sanford was authorized to hold a referendum for the creation of an ABC Board by S.L 1961 Chapter 105. A referendum was held March 2, 1961, and passed 2,256 votes for and 1,227 votes against. The first retail sales occurred July 1, 1961. A mixed beverage election was held September 20, 1978, and passed 1,426 votes for and 1,165 votes against. *Currently, the Sanford board of Alderman appoints a chairperson and four (4) additional board members to serve on the ABC board.* Current board members include Oscar "Buddy" Keller III (Chair), Bobby Powell, Margret Murchison, Jan Tart, and Norman (Chas) Post III. *The latter three board members were appointed the day of Commission staff visit with the appointing authority having chosen to expand the board from three to five board members.*

The Sanford ABC Board currently operates three (3) retail stores. *On December 13, 2023, the board opened its third store at 4470 NC-87 S.* The Board is currently the only board in Lee County. The board currently staffs thirty-seven (37) total employees, with fifteen (15) full time and twenty-two (22) part time employees. The general manager is full time and responsible for overseeing entire system, Human Resources, job descriptions, and reviewing finances and the finance officer. The finance officer is full time and responsible for all things accounting to include payroll and all payables, distributions, and all other administrative tasks. The assistant general manager is full time and responsible for ordering, mixed beverage, inventory, and other things. Each store has a manager who are responsible for ordering, price checks, staff schedules and discipline. The board has a warehouse manager who is responsible for checking loads, verifying overages and shorts, and moving inventory between stores. All other staff are engaged in customer service, daily operations, stocking, floor upkeep, cleaning, truck delivery, and sales.

The last performance audit for the Sanford 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 Wednesday, June 26, 2024, ABC Board Program Analyst Edwin Strickland visited the Sanford ABC Board and interviewed the General Manager, Lee Dowd, Assistant General Manager, Donna Morgan, and the Finance Officer, Kathy Rosser. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



2116 S. Horner Blvd., Sanford, NC.



2280 Jefferson Davis Highway, Sanford, NC.



4470 NC-87 S. Sanford, NC.

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 Sanford ABC Board received shipments weekly with a target inventory turnover rate of approximately 6. The inventory turnover rate in (FY) 2022-2023 was 7.2, which is greater than the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Sanford ABC Board had a profit percentage to sales of 8.38%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$10M is 9%. The Sanford ABC Board's gross sales totaled \$10,311,409, which was an approximate 6.5% increase from the previous fiscal year. The board's sales have grown an impressive 56% over the last five completed fiscal years. *The profit percentage to sales standard for boards with less than 10M is 6.5% and Sanford narrowly, and for the first time, moved into the higher tier in (FY) 2022-2023.*

Sanford ABC Board currently operates three retail stores. In FY 2022-2023 the board operated two retail stores with mixed beverage sales. The operating cost ratio for the board was .64 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. *With the addition of the new store in the concluding fiscal year the standard for boards with three stores and mixed beverage is .63 or less.*

Thus, the Sanford ABC Board meets the operating cost standard set by the NC ABC Commission and almost meets the standard for profit percentage to sales. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2022-2023	FY 2021-2022
Gross Profit on Sales	\$2,551,812	\$2,389,933
Income from Operations	\$864,498	\$922,764

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 Sanford ABC: Cumberland County, Lillington, Angier, Moore County, Siler City, Pittsboro, Chatham County and Wake County.
- A 4.1% unemployment rate in Lee County in June of 2022 down .3% from the previous year.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Sanford ABC Board's cost of goods sold was approximately **52.4%** in FY 2022-2023.
 - *The board currently has thirty (30) mixed beverage customers. In FY 22/23 mixed beverage accounted for approximately eight (8%) percent of sales.*

BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$10,165,000	\$10,311,49	\$146,409	1.5%
Revenue over or (under) Expenditures		(\$600,611)		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were 1.5% below forecast. In addition, the net position change during the fiscal year was \$493,056. *The board's collective net position on June 30, 2023, was \$3,359,087; the net position has steadily increased each year since at least FY-2019.*

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 2022-2023, Sanford ABC made other statutory distributions totaling \$375,750 (Net profit distribution recipients received \$140,000 of this). The amount of \$2,360,862 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Lee County.

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

- Sanford General Fund 50%
- Lee County General Fund 50%

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- **Net Profit Distributions** - The Sanford ABC board has made net profit distributions over three (3) of the last five (5) fiscal years at 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 should obtain and provide to the Commission official documentation from the appointing authority before making distributions which are less than the minimum.
- **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.

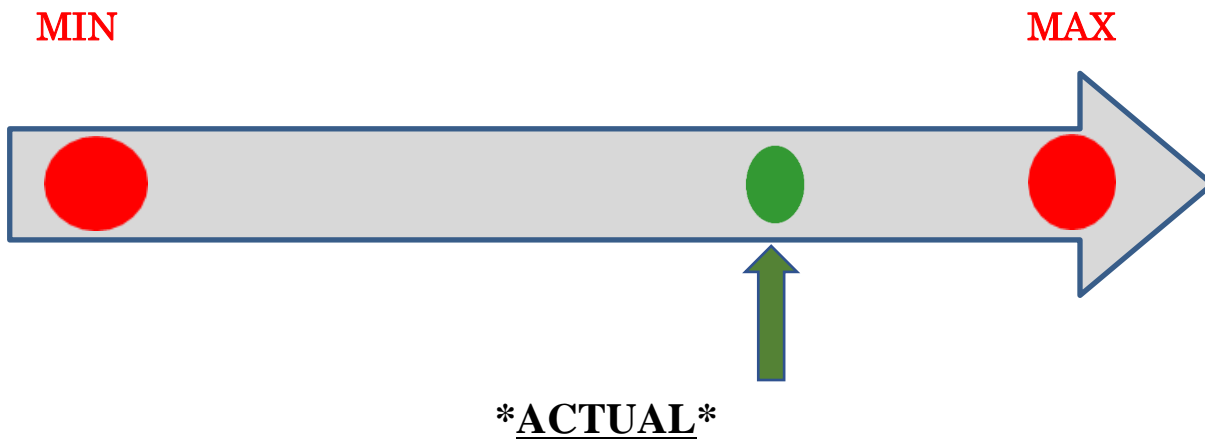
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Sanford ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2023	\$289,545	FY-2023	\$140,000
FY-2022	\$273,255	FY-2022	\$140,000
FY-2021	\$263,174	FY-2021	\$140,000
FY-2020	\$220,761	FY-2020	\$540,000
FY-2019	\$188,971	FY-2019	\$340,000

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 but less than \$50M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2023, the Sanford ABC Board is required to maintain a minimum working capital of \$305,792 with a maximum working capital amount of \$1,987,647. The Sanford ABC Board had a working capital balance of \$1,332,074 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

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

- The board generally holds board meetings on the second 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, did review, and approve old minutes, did have the conflict-of-interest statement, and were signed by the Chairperson. *The minutes reviewed did not fully distinguish old business and new business and did not reference the meeting time.*
 - Oaths of Office: Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written accounts of oaths were available for review at visit.*
 - Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *New board members and new finance officer will need to take ethics training in the coming months.*
 - Board member compensation & General Manager (GM) salary: Board members receive compensation for their services at or below the maximum \$150.00 per meeting. 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 income statements, balance sheets, mixed beverage sales, inventory values per store, and law enforcement reports. 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 professional services and education.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **POLICIES:** The board has a personnel policy and has provided a copy to the Commission. The personnel policy utilized by the board is very similar to the sample policy provided on the Commission website and is, therefore, very thorough and covers many areas of operations and behavioral standards. The board has provided additional policies for Commission records to include price discrepancy, mixed beverage sales, and shelf management. Additional policies could be considered and possibly provided to the Commission for record keeping including but not limited to, tastings, social media, lotteries, or credit card. *Board's personnel policy may cover some afore mentioned items.* For travel policy, Commission records indicate the board receives approval from their appointing authority to use the local municipal policy. *This approval is set to expire in July 2024 and a new approval could be submitted to Commission if the board intends to continue using the municipal policy.*
- **BUDGETS:** In FY 22/23, the board's actual sales were \$146,409 more than the 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 at 77% of annual budgeted sales.* The board has not submitted a budget amendment for FY-23/24.
- **FINANCIAL INSIGHT:** Payments for liquor orders at processed twice monthly. Checks are signed by the general manager and finance officer, with the Chairperson and other board members as alternates. Checks have the disbursement approval as required by G.S. 18B 702(n). 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. Full bank reconciliation is completed monthly by the finance officer.
- Bank deposits are made daily and taken to the bank by the Sanford Police Department in a sealed bag. One deposit is made for each store and verified by store managers and applicable staff. Finance officer verifies deposits amounts match bank summary. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes locked fireproof safe for integrity of funds that remain at the board at any given time.*
- Stores generally operate three tills starting at \$300.00 daily. Cashiers count drawers before shift and registers should never exceed \$800.00 in bills. A full cash procedure policy is in the personnel manual and includes over/short policy. Additional money is kept for petty cash and as the change fund and varies at each store.
- Payroll is biweekly and processed through traverse. Assistant general manager and store managers provide hours to finance officer who issues pay. General manager reviews and approves payroll.
- Board members will review financial records at board meeting. General Manager provides financial reports for the board's review at meetings including income statements, balance sheets, mixed beverage sales, inventory values, and law enforcement reports. Chairperson signs meeting minutes.
- Employee files are kept in a locked portion of the main administrative office. These files contain applications, tax information, and a signed acknowledgment for having reviewed the personnel manual.
- The pre-audit certificate is stamped on the orders at the time they are placed.
- Board does not utilize purchase orders for supplies or other non-liquor purchases. *These orders should be pre-audited by the finance officer. Board could consider utilizing purchase orders and a template is provided on Commission website.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- 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 regularly submits unsaleable merchandise reports at least quarterly.
- The annual CPA audit was received and logged by the Commission on September 23, 2023.

- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely, and they are current to date as well. Submitted reports come from Sanford Police Captain M.L. McNeil and are input by the general manager.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Sanford Police Department on file with the Commission and supplied an updated contract at Commission visit which is now on file.
- **INVENTORY:** Full store inventory is conducted monthly at each store. Multiple staff members are involved in inventory and oversight by store managers. Assistant general manager is responsible for adjustments after recounts.
- **INTERNAL CONTROLS:**
 - The general manager has solid professional experience and has been with the board for 17 years.
 - Finance officer is new to the role and was previously a store manager with the board. She has approximately twenty (20) years' experience working in a school administrative office.
 - Assistant general manager has been with the board for approximately twenty-two (22) years.
 - The Board members and Chairperson have a variety of professional experience with a good mixture of longer tenures and some more recent appointees. *Board could consider staggering terms for members to prevent more than two member's terms from ending in the same year. Board recently expanded from three to five members.*
 - The board has a liaison from their appointing authority who attends board meetings and serves to relay applicable information between the board and the city; aiming to keep the city and board aware of one another's current plans, issues, and affairs.
 - All employees are subject to initial training and various behavioral standards. All staff has attended RASP training and board is very active in supporting and promoting additional RASP training for permitted establishments in their city.
 - Store managers and other staff use scanners to build liquor orders. Assistant general manager reviews store managers order and cross references historical data and other factors before placing full orders.
 - Board receives truck deliveries weekly which rotate between store #2 and store #4. Board uses a box truck to transfer from store #2 to store #3.
 - Board currently uses checks for supplier payment. Invoices are paid via countersigned checks by general manager and co-signed by either assistant manager or finance officer with Chairperson as alternat. Checks do have the required disbursement approval, and invoices do have the preaudit approval as required by G.S. 18B-702(m)(q). *Board uses ACH for some recurring or other payments.*
 - General manager makes some purchases with credit card. *Board is encouraged to utilize pre-audited purchase orders for supplies or other non-liquor purchases.* After Commission visit the board provided a credit card policy signed and dated from 2018 which is now in Commission records.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- No compliance issues regarding board members or personnel related to nepotism or other professional conflicts per discussion with general manager.
 - The board's alcohol rehabilitation distribution recipients provide reports explaining how funds are expended.
 - Board monitors unsalable merchandise reports and said reports are sent to Commission at least quarterly.
 - Board has a code of ethics on file with Commission.
- EXPENSES:
- Total operating expenses increased around fifteen percent (15%) from the last fiscal year and are roughly sixteen percent (16%) of total annual sales in FY-22/23.
 - Board salaries were approximately twelve and one-half percent (12.5%) of total annual sales. Salaries and benefits increased by roughly thirteen percent (13%) from the previous fiscal year.
 - Cost of Goods Sold (COGS) was roughly 52.4% for the fiscal year with a normal range being 52% to 54%. *With new store space the board can explore more buy-ins to continue keeping the COGS low.*
 - General manager routinely examines contracts and utility expenses and has found means for reducing contracts and general controllable overhead.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- All board's stores are freestanding buildings and are in commercial areas. Stores have great exterior appearance and ample parking. Shelving is spacious and allows for easy flow for patrons and staff and are, overall, aesthetically pleasant. Retail space is approximately 3,000 sq. ft. at store #2, 2,500 sq. ft. at store #3, and 3,800 sq. ft. at store #4. All stores are well lit and utilized attractive signage, end caps, stickers, and displays.
- Stores #2 and #4 have large warehouse space which can accommodate ample storage. Store #4 has an extra storage space that could be utilized if needed. *With additional space, having opened store #4 in December of 2023, board has been and should continue utilizing SPA buy ins.*
- Outside area surrounding the stores are well-maintained and free of debris or trash.
- All stores display 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.
- Management provides some product education for new employees. *An excellent source for increased sales and customer relations is product knowledge. Recommend the adoption of a product knowledge book or other sources for sales associates.*
- General manager indicates they do retain some allocated or limited products for mixed beverage customers. Board generally staggers shelving of high demand products and has different methods for shelving.
- Staff provides assistant general manager with customer's special-order requests and board generally orders what is requested.
- The board has thirty (30) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in files for each permittee in their administrative office. All mixed beverage sales are through store #2, 2116 S. Horner Blvd.
- Board does have a mixed beverage policy on file with Commission from 2014 and may consider an update if needed.
- Board has a mixed beverage delivery policy on file with Commission and is willing to accommodate deliveries.

STORE INSIGHT & OVERVIEW (cont.)

- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected all prices across all three stores reflect the current quarterly or monthly SPA price. The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items.
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is maximized. *Shelf management guidelines were generally 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 and board should work to make sure all staff is familiar with the policy.*
- Board utilizes different methods for slow moving stock to include moving in and between stores, asking reps to include a mini bottle in the sale, or labeling as a close out.
- The board does not currently have a website. *Board could consider social media or other internet option for marketing or awareness.*
- The board is generally open from 9:00 am until 9:00 pm. They are closed every Sunday and the five (5) required annual holidays.
- Security systems are in place and functional in all designated areas.
 - *Currently sixteen (16) cameras are operational in store #2. Cameras cover parking lot, stock room, and retail area.*
 - *There is a panic button at every register.*
 - *Management has meetings with staff to discuss theft and other security concerns particularly during the holiday season.*
 - *Board has a strong relationship with police department to include officer's transporting deposits to bank.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Approval from the appointing authority to make distributions less than the minimum statutory distribution should be provided to the Commission when applicable for compliance with G.S. 18B-805(c)(e).
- Board could consider utilizing purchase orders for non-liquor goods and services and have them pre-audited. Board could work to establish a policy for non-liquor purchases which establishes a minimum monetary requirement for said purchase orders. *A purchase order template is available on the Commission website.*
- Board could consider additional product knowledge materials or other industry education training for staff. *An excellent source for increased sales and customer relations is product knowledge.*
- 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)

- Analyze shopping patterns and history reports to plan orders and to take advantage of special purchase allowances. *Board has warehouse space and now buys in for SPAs.*
- Utilize caps and shelf space as much as possible to highlight slow moving or new products. *Board complies.*
- Cross merchandise or move stock in the store to increase visibility and to encourage impulse shopping. *Board complies.*
- Transferring stock between stores. *Board complies.*
- Affix the approved certificate with the finance officer's signature on all checks. "Disbursement". Compliance. *Board fully complies.*
- Audit shelf tags more frequently. Incorporate such practices within spot check time periods. *Board is in full compliance.*

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
 - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Oct 1st.
 - 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.*
- Shelf management plan should be fully followed to include arranging bottles, so they increase (in size) from left to right of the same item. *15A .1708 (a)(3)*
- 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.
- All boards could consider adopting or updating any policies to include, but not limited to ACH payments, tastings, mixed beverage and delivery, store policies, social media, code of ethics, vehicle, or personnel manual. *Consider updates to any policies to include current administration where applicable.*

- Law enforcement reports must be submitted on the Commission’s board website by the 7th 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.

CITY OF SANFORD BOARD OF ALCOHOLIC BEVERAGE CONTROL

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SANFORD, NORTH CAROLINA 27330

BUDDY KELLER III, Chm.
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JAN TART

July 19, 2024

Mr. Edwin Strickland, ABC Board Auditor
North Carolina ABC Commission
400 East Tryon Road
Raleigh, NC 27610

Dear Mr. Strickland:

The Sanford ABC Board would like to thank you for your professional manner in conducting the performance audit on our Board on June 26th and when attending our meeting on July 10th to present your report. The Board will use your recommendations to continue to improve our ABC system.

- The Board has contacted the appointing authority (The City of Sanford) to get approval for distributions less than the minimum statutory requirement. Once approved, we will forward it to the Commission.
- A Certificate of Accountability has been signed by all Board Members, General Manager and Finance Officer and is attached with this letter.

Our Board takes great pride in our system and is continually looking for ways to improve our stores and shopping experience for our customers. We also strive to continue to maximize our profits to be able to return as much funds as possible to the City of Sanford, Lee County and Lee County Schools for underage drinking educational programs.

Sincerely,



Buddy Keller
Chairman