

Shelby 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

December 19, 2024

CHAIRMAN:

Hank Bauer

Shelby ABC Board

Sallie Craig, Chair

824 W. Warren St.

Shelby, NC 28151

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon

Raleigh

David Sherlin

Raleigh

Chairperson Craig,

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 Shelby 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

Shelby is a city in southwestern North Carolina and is the county seat and largest populated community in Cleveland County. The city's population per the 2020 Census was 21,918 residents which was approximately an eight (8%) percent increase since 2010. Cleveland County's population per the 2020 census was 101,378 residents up approximately two (2%) percent from 2010.

Chapter 832 of the 1969 Session Law authorized the City of Shelby to hold an election for an ABC store. The referendum was held on March 18, 1975, and passed 2,002 to 1,818. The first retail sale occurred on August 1, 1975. A mixed beverage election was held on April 20, 1993, and passed 2,145 to 1,704. Upon election of an ABC store, the City of Shelby was authorized to create an ABC Board consisting of a chairman and two board members to serve for three-year terms. House Bill 1841 of the 2006-9 Session Law authorized the city to increase board members from three to five to serve for three-year terms. Current board members are Sallie Craig (Chair), Mark Turner, Kevin Karner, Eric Hendrick, and Mary Carlson.

The Shelby ABC Board operates two (2) retail store and is one of two (2) boards with stores in Cleveland County. The board currently staffs thirteen (13) total employees, with five (5) full time and eight (8) part time employees. The general manager is full time and describes his responsibilities as managing the staff, stores, and inventory. The finance officer is full time, has a long tenure with the board, and was previously a clerk and temporary manager. Her responsibilities include accounting, bank reconciliation, distributions, staff management, and budget and advisory management. The board utilizes a third-party accounting service for quarterly financial reports and general assistance. Other store employees and key holders(s) are primarily responsible for providing friendly customer service, general store upkeep, and stock maintenance.

The last performance audit for the Shelby 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, October 9, 2024, ABC Commission Program Analyst Edwin Strickland visited the Shelby ABC Board and interviewed the Finance Officer, Kelly Carpenter, and the General Manager, John Thornlow. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



824 W. Warren St. Shelby, NC.



632 S. Post Rd. Shelby, 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 Shelby 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 4.9, which is very close to the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Shelby ABC Board had a profit percentage to sales of 6.08%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Shelby ABC Board's gross sales totaled \$6,973,009, which was an approximate 2% increase from the previous fiscal year. The board's sales have grown an impressive 24% over the last five completed fiscal years.

Shelby ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .74 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.

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

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$1,710,873	\$1,693,623
Income from Operations	\$424,222	\$505,516

➤ *Factors affecting profitability and cost include:*

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Shelby ABC: Kings Mountain, Bessemer City, Cramerton, Cherryville, Belmont, Forest City, Rutherfordton, Lincoln County, Lincolnton and Gastonia.
- A 4% unemployment rate in Cleveland County in June of 2024 with a .6% increase from the previous year.
- The board currently has twenty-four (24) active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for approximately ten (10%) percent of sales.*
- Board owns their store location's property and assets.

BUDGET ANALYSIS

	FY 2032-2024 Budget Projections	FY2023-2024 Actual	Variance	Variance %
Sales	\$7,699,000	\$6,973,009	(\$725,991)	(10.4%)
Revenue over or (under) Expenditures		\$31,527		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 10.4% below budgeted sales. In addition, the net income change during the fiscal year was \$20,467. *The board's collective net position on June 30, 2024, was \$1,070,393; the net position has increased approximately 6% 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, Shelby ABC made other statutory distributions totaling \$404,323 (Net profit distribution recipients received \$365,330 of this). The amount of \$1,598,219 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Cleveland County.

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

- 50% to Shelby General Fund
- 50% to Cleveland County General Fund

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions – The Shelby ABC board has made robust net profit distributions over the last five (5) fiscal years 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 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.

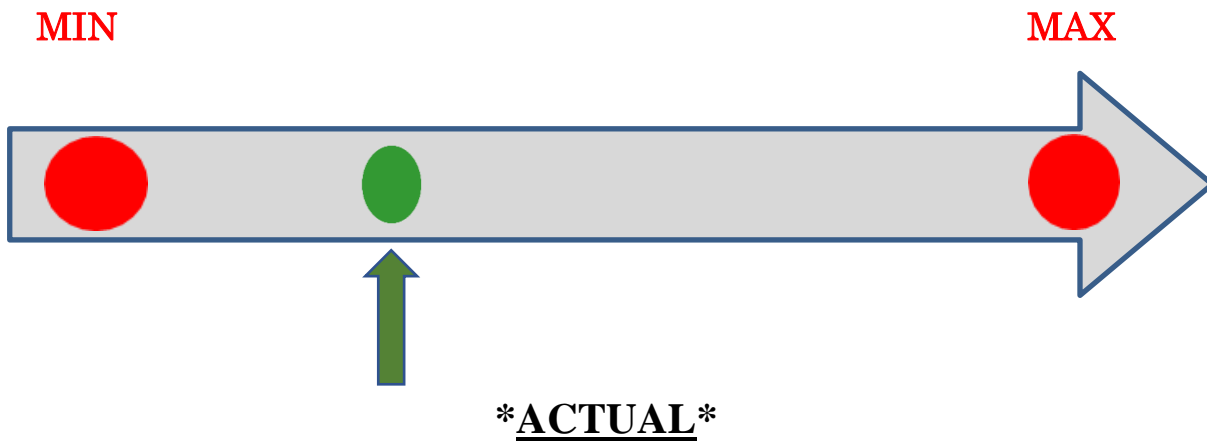
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Shelby ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$195,461	FY-2024	\$365,330
FY-2023	\$192,218	FY-2023	\$433,848
FY-2022	\$181,217	FY-2022	\$391,304
FY-2021	\$167,241	FY-2021	\$410,666
FY-2020	\$295,116	FY-2020	\$404,954

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 Shelby ABC Board is required to maintain a minimum working capital of \$206,346 with a maximum working capital amount of \$1,341,247. The Shelby ABC Board had a working capital balance of \$435,341 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 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 for review. Board meeting minutes were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired. *Meeting minutes should be signed by the chairperson.*
- **Oaths of Office:** All board members have taken an oath of office and written copies are kept at the board's administrative office. *All board members should take an oath before taking office or before the execution of the office per G.S. 11-7.*
- **Training records review:** All board members are compliant on ethics training referencing GS 18B-706(b). *General manager will need to complete ethics training promptly as the one-time obligation has yet to be satisfied.*
- **Board member compensation & General Manager (GM) salary:** Board members receive compensation for their services at the maximum \$150.00 per meeting. The board's appointing authority has approved compensation for the Chairperson above the maximum to \$225.00 per meeting and the Commission has proper documentation on record. 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 no more than two term ending dates 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 each board member financial reports for review at meetings including sales for categories and historical comparisons. 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 has a robust personnel manual but has not provided an updated copy to the Commission. The manual covers many operational and behavioral standards.
 - Board does not have a mixed beverage sales policy in Commission records.
 - For travel policy, Commission records indicate the board adheres to their municipal travel policy. *Per discussion with the finance officer, the board's renewal for their travel policy is on the agenda for the next city council meeting. Once approved, board should supply the Commission with a copy of the annual approval each year.*
 - Additional policies could be considered and provided to the Commission for record keeping including but not limited to bank card, tastings or employee tastings, social media, overtime, vehicle, or any others.
 - Board has a price discrepancy policy on file with Commission.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **BUDGETS:** In FY 23/24, the board's actual sales were 10.4% less than the amended budgeted sales. *The board should submit a final budget amendment to adjust for sales and expenditure variances.*
- **FINANCIAL INSIGHT:** Invoices for liquor are processed by the finance officer per delivery. Copies of the invoices are retained at the board's administrative office. 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 finance officer. Full bank reconciliation is completed monthly by the finance officer with oversight from third-party accounting service.
 - All checks do not have the required disbursement approval but are signed by the finance officer and chairperson with the general manager as an alternat.
 - Pre-audit stamp verification is being properly documented. *Board could consider purchase orders for non-liquor purchases for pre-audit.*
 - Bank deposits are made each day from the previous day by the key-holders per each cash register receipt. Deposit slips are verified to on-line accounts by finance officer.
 - Tills start with \$200.00 daily with three registers at each store. Each clerk is responsible for register report and overages/shortages. Board does not have petty cash.
 - Board has a debit card in the possession of the general manager. *Board has a credit card policy on file with the Commission which does not reflect current operations. Board should craft and provide to the Commission an updated bank card policy.*
 - Payroll is bi-weekly and processed through ADP. Timecards are used by employees and finance officer reviews hours comparable to schedule. Staff is paid via direct deposit and taxes are handled through the ADP service.
 - All board members, General Manager - Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
 - Board keeps thorough records for unsaleable merchandise reports but does not send reports to the Commission. *Commission requests unsaleable reports be sent quarterly and by email.*
 - The annual CPA audit was received and logged by the Commission on September 24, 2024.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are not being submitted routinely and are not current to date. Previous reports were submitted by ABC Officer Scott Hamrick with the most recent report for the month of September 2023.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Shelby Police Department on file with the Commission from 2011 which stipulates 15% of annual profits paid to the city of Shelby. *Board should provide the Commission an updated law enforcement contract or make fiscal appropriations to fulfill contract currently in Commission record retention.*
- **INVENTORY:** Full inventory is conducted once or twice a year and multiple staff members participate. Counts are made using scanners and discrepancies are verified by administration. Finance officer indicates strategies for slow moving stock to moving to front displays, working with reps for point-of-sale incentives or trades for other products, and price reductions.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

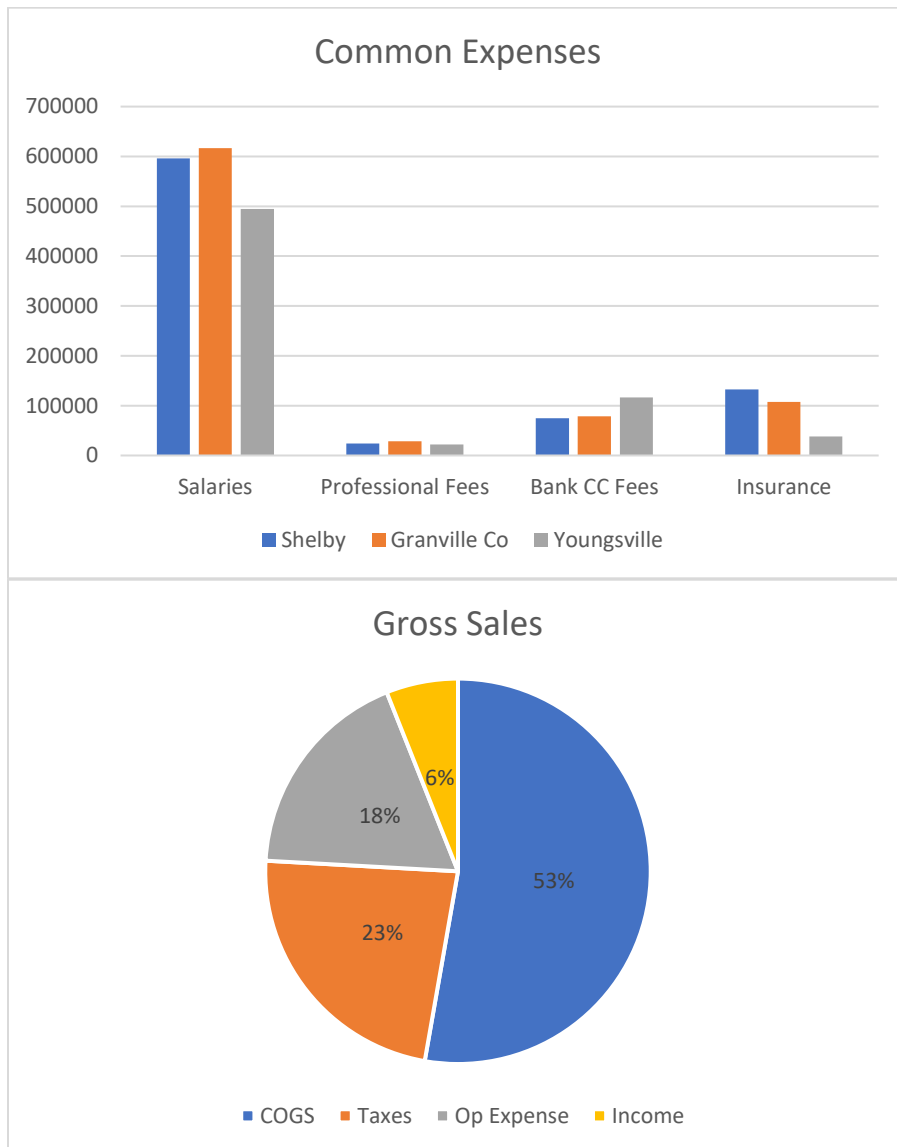
➤ **INTERNAL CONTROLS:**

- The general manager has worked for the board for about half a year and has previous experience as a broker/rep and in sales and warehouse for other ABC Boards.
- The finance officer has been with the board since 2016 and previously worked as a clerk.
- The Board members and Chairperson have extensive professional experience in business, finance, law enforcement, and community relations. Four members are in their first term with the chairperson having previously served as a member.
- Employee files are kept in their administrative office and include insurance, employee screening, identification, and tax information. *Board should consider keeping employee files in one secure location.*
- The board does receive reports describing expenditure of funds from their alcohol education and rehabilitation recipient, the Community Organization for Drug Abuse Prevention.
- The board utilizes the city's ABC Officer for alcohol training and questions and staff has watched alcohol training videos from a neighboring board.
- Full time employees are enrolled in LGERS.
- General manager makes liquor order by analyzing and adjusting suggested sales report monitoring current inventory across both stores.
- Board receives two deliveries monthly. Counts are made using scanners and any variances are recounted, and actual discrepancies are reported to LB&B.
- Board does not have a bank card. *See previous recommendation.*
- Board utilizes positive pay to counter check fraud.
- No conflicts pertaining to nepotism found and per discussion with finance officer.
- Board has a code of ethics policy on file with the Commission.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ EXPENSES:

- Total operating expenses increased around eight percent (8%) from the last fiscal year and are roughly eighteen percent (18%) of total annual sales in FY-23/24.
- Board salaries were approximately eight- and one-half percent (8.5%) of total annual sales. Salaries and benefits increased by around eight- and one-half percent (8.5%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was an impressive 52.5% for the fiscal year with a normal range being 52% to 54%.
- A common expense report for boards shows Shelby ABC Board is comparable to other boards in similar sales ranges.
- Sales chart shows board has a slightly greater operating expense ratio than the Commission's standard.



STORE INSIGHT & OVERVIEW

- Store # 1 (Warren St.) is a free-standing building owned by the board. The store has ample parking, well maintained landscaping, and the interior is well lit. Shelving is spacious but does have an unusual entrance corridor. The warehouse area is very large and well organized. The administrative and employee areas are clean, spacious, and well suited for business activities.
- Store # 2 (Post Rd.) is a free-standing building owned by the board. The store has good exterior signs, ample parking, well maintained landscaping, and the interior is well lit. Shelving is spacious and aesthetically pleasant. The warehouse area provides easy access for deliveries and was well organized.
- Deliveries from LB&B are usually the first and third Tuesdays of each month.
- Outside area surrounding the stores are 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.
- Product knowledge growth is accomplished through the broker reps and from one key-holder who independently educates himself and others about products. *Board could consider additional opportunities for product knowledge training.*
- General manager reserves portions of limited or allocated products for their mixed beverage customers and shelves the remainder at various times.
- The board has twenty-four (24) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice on file in a folder for each month. *While the board has an informal policy for mixed beverage sales there is not currently a written policy. Board should work to craft a mixed beverage policy and provide to the Commission for records retention.*
- The board is exempt and chooses not to facilitate mixed beverage delivery.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items at store #1 and all but one brand at store #2 reflected the current quarterly or monthly SPA price.
- A random sample of approximately 20 items was selected to verify accurate current inventory at store #1. More than half items actual quantities did not match with system data correctly. *Board should conduct more frequent inventory checks.*
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted. *Shelf management guidelines were followed at time of Commission visit. Please consult NCAC .1708 for full shelf management guidelines.*
- Finance Officer indicates price discrepancies are handled in the customers favor if the shelf price is lower than the cash register and the customer objects. *Price discrepancy policy is on file with the Commission.*
- The board's stores are generally open from 10:00 am until 8:00 pm Monday through Saturday. They are currently closed every Sunday, the five (5) previously required annual holidays, Martin Luther King Jr, Day, Easter Monday, and additional time around the holiday.
- Board does not conduct tasting.
- Security systems are in place and functional in all designated areas.
 - *Currently twenty-three cameras operating and panic buttons behind the registers and in back-office areas.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Law enforcement reports must be submitted on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). ABC Boards should make sure reports are in a "*Final Submitted*" status and not just in saved status. *Most recent report submitted was for September 2023.* Additionally, current law enforcement contract specifies a fifteen (15%) quarterly distribution which the board does not routinely satisfy. Board could consider an updated contract with the Shelby Police Department and provide a copy to the Commission for records retention.
- When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years.
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. Ensure budget amendment copies are submitted to the ABC Commission as required per NCCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- In accordance with NCAC Rules 15A .1006 and 15A .1102 the board should craft and approve or send currently approved copies of the following policies to the Commission for approval and records retention: Personnel Manual, Credit/Bank Card, Mixed Beverage, and Vehicle Usage. Additional policies for consideration could be considered to include tastings or employee tastings, social media, overtime, or any others. *Personnel manual may cover some of the afore mentioned suggested policies or could be updated to include.*
- While the board does provide appropriate oversight with the Finance Officer cutting and signing checks, the board should re-establish compliance with GS 18B-702(q) disbursement approval stamp or message on checks or payments.
- While meeting the requirements for working capital, the board could consider additional contributions to the fund as distributions far exceed the minimum mandatory requirement. Please consult NCAC 15A .0902 and GS 18B-805(d) for additional guidance.
- 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 30st.
 - 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 should consider conducting more frequent inventory to better ensure actual inventories are reflected in system. *Adjustment sheets should be retained and could be discussed at board meetings.*
- 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.*
- While already informally in place, the board should establish and provide to the Commission a written mixed beverage policy outlining ordering guidelines for current and future permitted establishments. *The Commission prefers a customer friendly policy that allows customers to pick up Monday through Saturday.*
- As a reminder, the board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2).
- 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.
- 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.*
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. 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.

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2013)

- To increase inventory turns, consider the following: analyzing sales data and history reports to plan orders more effectively and efficiently; selling slow-moving inventory to another board with demand for the products or requesting price reductions from the Commission to clear out dead stock.
 - *Board could still consider options, but inventory turns at or near the goal.*
- Contact other boards whose inventory turnover rate exceeds the target for other ideas that may be implemented.
 - *Board could still consider.*
- Closely monitor monthly overhead and business expenses; Invite the Association's Efficiency Committee to visit the stores with the possibility of making additional recommendations to improve profitability.
 - *Board could still consider.*
- Bring all board members into compliance with the state ethics requirement. All newly appointed and re-appointed board members must receive ethics education within 12 months of appointment date.
 - *Board members are current on ethics training with only the general manager needing to meet the training requirement.*
- Adopt an updated or revised employee handbook that outlines the duties and responsibilities of each employee, board policies, and benefits offered, if any. Forward copies to all employees and implement an acknowledgement of receipt from every employee to be filed in the personnel files. Once adopted, submit to the Commission.
 - *Board should still consider.*
- To ensure stronger internal controls of credit card purchases, adopt a written credit card usage policy.
 - *Board should still consider.*
- Prepay conference fees for spouses and/or non-employees without using ABC board funds.
 - *Board should still consider when applicable.*
- Audit shelf tags more frequently. Incorporate such practices within spot check time periods. Consider updating shelf tags to include product codes and prices to help minimize errors when price changes occur.
 - *Board uses codes on shelf tags but could still audit more frequently.*

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

ABC BOARD SHELBY #122

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

12/09/2024

We truly appreciate your support and recommendations from the audit recently performed. This performance audit will help us with the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1: Law Enforcement Reports

Scott Hamrick, the local ABC Officer, will submit reports monthly. The office of the ABC store will check the website to assure the report has been submitted each month.

Item 2: Law Enforcement contract of 15%

The Board is currently researching this information. The Board has been paying 10% to law enforcement. The Board is considering writing a new contract and will update the Commission as soon as possible.

Item 3: Balanced Budget

The board will amend the budget more often in the future. The board will also submit a reconciliation budget amendment for the fiscal year end. Any amendments to the budget will be forwarded to the Commission directly.

Item 4: Policies

The Shelby ABC Board is currently reviewing and updating the Personnel Manual. The Manual will include policies to cover items such as Social Media, Vehicle Usage, Over time and other store policies and procedures unique to the Shelby ABC Board. This updated Personnel Manual is expected to be completed in January 2025 and will be forwarded to the Commission once approved by the board.

Item 4: Policies (continued)

A review of the current Mixed Beverage policy will be presented to the Board during the December 2024 meeting. After review, the policy will be forwarded to the Commission. Any changes will be noted at that time.

An updated bank card policy will be presented to the Board for approval during the December meeting. When approved, the ABC office will forward a copy of the policy to the Commission.

Item 5: Compliance with GS 18B-702(q) disbursement approval stamp

Currently, all printed checks require 2 signatures. The approved signatures are the Finance Officer, General Manager and/or a Board Member. Currently, stamps are being made onto the checks. The Finance Officer will order the next box of checks with the disbursement approval message preprinted on the check face. This will end the need for stamping checks and keep us in compliance with GS 18B-702(q).

Item 6: Unsaleable Merchandise (Breakage) reports

The Shelby ABC Board will send all breakage reports to the ABC Commission and keep the record on file for 3 years as required. The Finance Officer will submit the reports quarterly to the Commission via email.

Item 7: Working Capital

The Board is currently paying more in distributions than required. The Board is exploring options to retain more of the profits. The Board will consult with the Board's accountant and reference NCAC 15A.0902 and GS 18B-805(d) for additional guidance. Changes to distributions will be sent to the City of Shelby and the ABC Commission as soon as any changes are approved.

Item 8: Certificate of Accountability

The Board and applicable personnel have signed the Certificate of Accountability. The signed copy was scanned and emailed to the Commission.

Additional Considerations and Guidance**Meetings:**

The Board meets on the 4th Monday of every month. Occasionally, dates are changed due to holidays or inclement weather. Due notice is given if special meetings are scheduled or date changes are made

Board Information Reporting:

The board reports their monthly sales as required. The Board will notify the commission of any change to Board membership or management roles in the store. Contact information, operational hours or other important information will be updated to the website as needed.

Additional Considerations and Guidance (continued):

The Board sends all annual budgets, budget amendments and annual audit reports in a timely manner.

Inventory:

The Board has conducted an inventory since the time of the audit. The goal is to conduct an inventory more often as time and staffing allow. In the past, transfers were the main problem with inventory control. Transfers are now checked when loaded and when unloaded by two different people and entered into the system the same day. No system is perfect but a more cautious system should eliminate many of the inventory discrepancies that were noted during the audit.

Operating Cost:

The Board will try to lower cost by purchasing SPA products as needed. The Board will discuss all cost before traveling to conventions. Other cost reduction procedures will be to explore different vendors for utilities and maintenance contracts. Other options will be to receive bids for repairs or improvements.

Travel Policy:

The Board voted to follow their Appointing Authority's travel policy. The City approved the use of their policy. An updated and signed travel policy has been provided to the Commission for the fiscal year 2024-2025. The travel policy is approved by the Appointing Authority annually.

Cross Training:

The Board has been through many changes in the past year. One of the main goals is to cross train for all store positions. The Board has named a new Manager. The Manager has appointed an Assistant Manager. The Financial Officer will have an office assistant. It is vital to have employees trained and ready to fill the place of another if the need should arise. Store employees will also be trained to share jobs and responsibilities. This should provide a smooth transition if a vital role was suddenly vacant.

All recommendations by the NC ABC Commission will be followed per the NCGS, NC ABC Commission rules and ethics. The Shelby ABC Board appreciates and acknowledges all recommendations Mr. Strickland presented in his written report and in person during the November 2024 Board meeting. The Shelby ABC Board takes all of the recommendations seriously and will diligently strive to meet or exceed all expectations and goals by implementing the suggestions made in the ABC Commission audit.

Sincerely,

Sallie Craig
Chair
Shelby ABC Board