

Waynesville ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

October 4, 2024

CHAIRMAN:
Hank Bauer

Waynesville ABC Board
Danny Wingate, Chair
52 Dayco Dr.
Waynesville, NC 28786

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

David Sherlin
Raleigh

Chairperson Wingate,

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 Waynesville 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

Waynesville is a town in the western part of North Carolina and is the seat for Haywood County. The town is located between the Blue Ridge and Great Smoky Mountains and is best known for its history, tourism, and recreation. The town's population per the 2020 Census was 10,140 residents which was approximately a two- and one-half (2.5%) percent population increase since 2010. Haywood County's population per the 2020 census was 62,969 residents increasing approximately five (5%) percent from 2010.

Chapter 609 of the 1967 Session Laws authorized the town of Waynesville to hold an election upon a written petition of at least fifteen percent (15%) of registered voters. The referendum was held on August 8, 1967, and passed 1,111 to 1,053. The first retail sale occurred on October 9, 1967. A mixed beverage election was held on May 6, 2008, and passed 1,788 to 1,391. On July 27, 2021, the Mayor and board of alderman amended the number of board members from two to four with a chairperson. Current board members are Danny Wingate (Chair), Raymond Ezell, CeCe Hipps, Katherine Smith, and Johnathan Sears.

The Waynesville ABC Board operates one (1) retail store and is one of three (3) boards with stores in Haywood County. The board currently staffs eight (8) total employees, with four (4) full time and four (4) part time employees. The General Manager, Mark Strungell, is full time and responsible for many board operations including ordering, deposits, inventory, scheduling, payroll, billing, and Human Resources. The Finance Officer, Genece Hedges, is full time and responsible for mixed beverage, special orders, monthly reconciliation, and works in tandem with the general manager on payments. All other staff are engaged in customer service and relationship building, daily operations, floor upkeep, truck delivery, and sales.

The last performance audit for the Waynesville ABC Board occurred 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 Thursday, August 22, 2024, ABC Board Program Analyst Edwin Strickland visited the Waynesville ABC Board and interviewed the General Manager, Mark Strugnell, and Finance Officer, Genece Hedges. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



52 Dayco Dr. Waynesville, 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 Waynesville ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2022-2023 was 8, which is well above the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

The profit percentage to sales is calculated by dividing the total income from operations by the total liquor sales (Total Income from Operations/Total Liquor Sales). The Commission has set goals based on the following breakdown:

- Gross sales greater than \$10M – target rate at 9%
- Gross sales between \$2M to \$10M – target rate at 6.5%
- Gross sales less than \$2M – target rate at 5%

In fiscal year (FY) 2022-2023, the Waynesville ABC Board had a profit percentage to sales of 11.51%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Waynesville ABC Board's gross sales totaled \$4,689,924, which was an approximate 6% increase from the previous fiscal year. The board's sales have grown an impressive 51% over the last five completed fiscal years.

Waynesville ABC Board operates one retail stores with mixed beverage sales. The operating cost ratio for the board was .50 in FY 2022-2023. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Waynesville ABC Board meets 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 2022-2023	FY 2021-2022
Gross Profit on Sales	\$1,167,890	\$1,159,339
Income from Operations	\$539,950	\$611,673

Factors affecting profitability and cost include:

- Surrounding cities and counties with other ABC Boards operating stores within an approximate thirty (30) mile range of Waynesville ABC: Canton, Maggie Valley, Jackson County, Bryson City, and Asheville.
- A 3.1% unemployment rate in Haywood County in June of 2023 with a .4% decrease from the previous year.
- An ABC Board’s average cost of goods sold (COGS) is between 52% & 54% per year. The Waynesville ABC Board’s cost of goods sold was approximately **51.7%** in FY 2022-2023.
 - *The board currently has twenty-nine (29) mixed beverage customer. In FY 2022/2023 mixed beverage accounted for approximately nineteen (19%) percent of sales.*

BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$4,581,652	\$4,689,924	\$108,272	2.3%
Revenue over or (under)				
Expenditures		\$105,289		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were 2.3% above final budget amendment. In addition, the net income change during the fiscal year was \$94,214. *The board’s collective net position on June 30, 2023, was \$2,223,984; the net position has increased 65% 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 2022-2023, Waynesville ABC made other statutory distributions totaling \$445,736 (Net profit distribution recipients received \$380,264 of this). The amount of \$1,094,000 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Haywood County.

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

- 64% to Waynesville general fund of which 15% for industrial community development, 5% to Haywood County Public Library, 5% to Waynesville Recreation Committee.
- 36% to Haywood County general fund of which 50% to Haywood County Board of Education and 50% to public and governmental purposes

DISTRIBUTIONS (cont.)

➤ **STATUTORY DISTRIBUTIONS:**

- **Net Profit Distributions** - The Waynesville ABC board has made robust net profit distributions over four (4) of the last five (5) fiscal years exceeding the minimum mandatory distribution those years in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- **Law Enforcement Distributions:** *The Waynesville ABC Board’s local enabling act requires the board to distribute to the Town of Waynesville for law enforcement at least 10% of their profits. CPA audits over the last five (5) FYs indicate distributions for law enforcement at approximately 9% of profits.*
- **Alcohol Education Distributions:** *The Waynesville ABC Board’s local enabling act requires the board to distribute at least 5% of their profits to Alcohol Education and rehabilitation. CPA audits over the last five (5) FYs indicate distributions for alcohol education at approximately 7% of profits.*

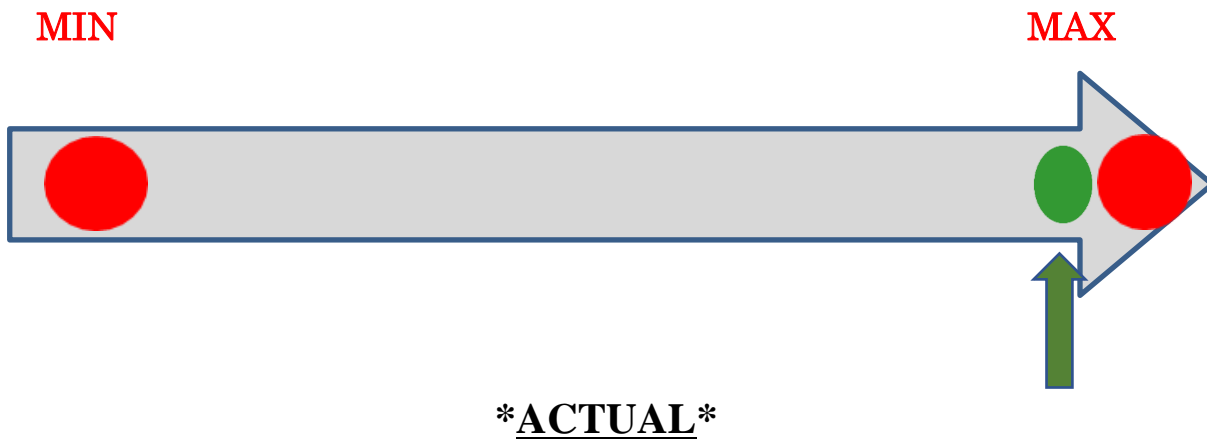
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Waynesville ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2023	\$130,750	FY-2023	\$380,264
FY-2022	\$121,939	FY-2022	\$303,998
FY-2021	\$114,246	FY-2021	\$166,746
FY-2020	\$96,267	FY-2020	\$96,267
FY-2019	\$88,041	FY-2019	\$228,781

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, 2023, the Waynesville ABC Board is required to maintain a minimum working capital of \$138,327 with a maximum working capital amount of \$899,127. The Waynesville ABC Board had a working capital balance of \$895,256 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:

- Board Meetings: The board generally holds board meetings on the third Tuesday of each month. They record regular meeting minutes organized by session and kept in a book for review. The minutes reviewed did indicate the date and time, did review and approve old minutes, did include a conflict-of-interest statement, did distinguish new vs. old business, did discuss new policies and were signed by the Chairperson. *In accordance with G.S. 143-318.11 the board should provide public notice of board meetings.*
- Oaths of Office: Board members take an oath before taking office or before the execution of the office per G.S. 11-7.
- Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *With recent reappointments, members will need to take ethics training in the coming months.*
- Board member compensation & General Manager (GM) salary: Board members receive compensation for their services above the maximum \$150.00 per meeting. Commission records indicate an approval from the appointing authority to exceed the maximum pay for the board's chairperson and members at their current payrates. 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 each board member a packet with financial reports for the board's review at meetings including balance sheets, sales and comparisons including mixed beverage and bottles, and updates on distributions. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits. Board members have an array of experience in business, government, and finance.
- POLICIES: The board has a robust personnel policy and has provided a copy to the Commission. Board has a mixed beverage sales and delivery policy in Commission records. Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings, overage and shorts, social media, lotteries, or any others. *Board's personnel policy may cover many afore mentioned items.* For travel policy, Commission records indicate the board chooses to adhere to the state's travel policy.
- BUDGETS: In FY 22/23, the board's actual sales were 2.3% greater than their final budget amendment. *The board has submitted a final budget amendment for FY-23/24.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **FINANCIAL INSIGHT:** Invoices for liquor are processed by the general manager once monthly with the finance officer pre-auditing. Checks are signed by the finance officer and general manager with the chairperson as an alternat. Copies of the check stub and invoices are retained at the board's administrative office. Invoice records for recent liquor purchases reflect them as being paid inside of 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by the general manager with assistance from a third-party accounting service. Full bank reconciliation is completed monthly by the finance officer.
 - All checks have the required disbursement approval, and all invoices are pre-audited. *Board personnel sometimes used the disbursement stamp instead of the preaudit stamp for invoices and the general manager is now aware and changing the practice.*
 - Bank deposits are made each day except Saturday by the finance officer or general manager. Both review deposits and compare deposit slips with bank statements and finance officer does at monthly reconciliation. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.*
 - Tills start with \$100.00 daily and each clerk has their own till. At shift end each drawer is counted back to \$100.00 by the applicable clerk and all remaining funds are kept in a bag. \$2,000.00 is kept in the administrative office as a supporting change fund and all employees count at the beginning of each shift. Overage and shortages are logged by finance officer when compiling deposit. *Board's personnel manual includes procedures for overage/shortage.*
 - Payroll is bi-weekly and processed by the general manager using timecards and QuickBooks, and paper checks are issued. *Finance officer provides appropriate oversight for payroll.*
 - Employee files are kept in the administrative office and include application, tax information, signed memos on policy, documentation of disciplinary action, and some medical information. *Board should continue to ensure employee files only accessible to applicable personnel.*
 - All board members, General Manager and Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
 - Board keeps thorough records for unsaleable merchandise reports. *Board should email copies of reports to Commission Quarterly per NCAC 15-A .1701(c).*
 - The annual CPA audit was received and logged by the Commission on September 19, 2023.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely by the general manager and are current to date. General manager indicates no data is supplied from law enforcement.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Waynesville Police Department on file with the Commission from 2010. *The contract indicates the Police Department will report monthly to the board on its ABC law enforcement activity. Board could consider reaffirming this contract with the Department.*
- **INVENTORY:** Full inventory is conducted every three to four months and reviewed by general manger. Scanners are used, and multiple staff members participate. Discrepancies are reviewed by general manager and adjustments are made. Additional spot checks are conducted during restocking.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ INTERNAL CONTROLS:

- The general manager has worked for the board for approximately ten years. He previously served as a clerk, finance officer, and has been the general manager for approximately two years. He has previous retail experience, owning a business for twenty-one years.
- The finance officer has been with the board for approximately four years and was originally a clerk. She has previous experience in the service industry and has been the finance officer for approximately two years.
- The Board members and Chairperson have extensive professional experience in business, finance, and local government and have a good mixture of longer tenures and some more recent appointees.
- All employees are subject to training and various behavioral standards and all employees receive RASP training.
- Full time and some part time employees are enrolled in LGERS.
- General manager makes final order by analyzing recent sales, historical data, and current inventory. General manager highlights SPAs and special orders.
- Board receives two deliveries monthly. Counts are made using scanners and any variances are recounted, and actual discrepancies are reported to LB&B.
- Invoices for liquor are paid once monthly and payments are reviewed, and checks are signed by both finance officers and the general manager.
- Board has a credit card and policy authorizing only the general manager as a user and the finance officer as the auditor of the account statements.
- Board does not utilize purchase orders for supplies or other non-liquor purchases. *Board should consider utilizing purchase orders and a template is provided on Commission website.*
- The board does not receive an annual report describing expenditure of funds from their alcohol education and rehabilitation recipients.
- No compliance issues regarding board members or personnel related to nepotism or other professional conflicts per discussion with general manager.
- Board has a code of ethics policy on file with the Commission.

➤ EXPENSES:

- Total operating expenses increased around fifteen percent (15%) from the last fiscal year and are roughly thirteen percent (13%) of total annual sales in FY-22/23.
- Board salaries were approximately six percent (6%) of total annual sales. Salaries and benefits only increased slightly from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 51.7% for the fiscal year with a normal range being 52% to 54%.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- The board's store is a free-standing building owned by the board in a highly commercial area and near a major highway. The store has good exterior signs, ample parking, well maintained landscaping and exterior, and the interior is well lit. Shelving is spacious and allows for easy flow for patrons and staff and is overall aesthetically pleasant. The retail showroom is approximately 2,500 square feet.
- The warehouse area is approximately 2,000 square feet. It is easily accessible from the retail and administrative portions of the building. Inventory in the warehouse is well organized and was appropriate for the week following a delivery.
- The board has recently done a reset of the showroom to accommodate categorical growth for bourbons and tequilas.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price book is available.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- Product knowledge and industry updates are provided to staff from brokers.
- General manager indicates the board tries to order all customer requests.
- General manager reserves portions of limited or allocated products for their mixed beverage customers. Other methods for distribution include staggered shelving and hiding bottles in different categories or areas of the showroom.
- The board has twenty-nine (29) 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 account. *The board has recently obtained accounts from permittees in other towns per new legislation.*
- Board has a mixed beverage delivery policy on file with the Commission and is willing to make deliveries.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items across reflected the current quarterly or monthly SPA price. *The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items.*
- A sample of approximately items was selected to verify accurate current inventory. All items actual quantities matched with system data correctly.
- 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 fully followed at time of Commission visit and plan was available.*
- General manager indicates price discrepancies are always handled in the customers favor if the shelf price is lower than the cash register. *Price discrepancy policy is on file with the Commission.*
- The board's store is open from 9:00 am until 9:00 pm Monday through Saturday. They are closed every Sunday, and the five (5) previously required annual holidays.
- Security systems are in place and functional in all designated areas.
 - *Currently twenty-two cameras operating with panic buttons at registers and office.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- The recipient(s) of alcoholism fund or education distributions should provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h). *The board may want to consider obtaining documentation before the funds are officially awarded / transmitted to any recipients.*
- 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.
- In accordance with G.S. 143-318.11 the board should provide public notice of board meetings. This could be accomplished by advertising the meetings at the store(s) or town administration building(s).
- S.L. 1967 Chapter 609 of the North Carolina General Assembly indicates, in establishing the Waynesville ABC Board's profit distributions, ten percent (10%) to the Town of Waynesville for law enforcement. *Recent CPA audits reviewed indicate law enforcement distributions slightly below the specified amount in the local enabling act at eight to nine percent.*
- In accordance with G.S. 18B-501(f)(f1), the board should conference with their contracted law enforcement agency on the submission of monthly reports.
- 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 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.*
- With working capital maximized, the board could continue to consider additional opportunities already discussed such as a second store location, expansion of the current store, or both. *General manager indicates a feasibility study has already been performed in an area of the town.*
- 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.*
- 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.
- 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.

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2014)

- Have the board chairman read the conflict-of-interest statement to all board members at the beginning of each meeting. Reference the conflict-of-interest statement was read in the board minutes. *Statement now part of board meetings and referenced in the 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. *Website is updated.*
- 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. *Board is now in compliance.*
- Consider conducting more frequent physical inventory counts by counting a category per month. Having a more efficient inventory checking system can strengthen internal controls. *Inventories are conducted more frequently, and a sample of products counted matched system data.*
- Adopt the above policies that incorporate customer friendly practices and current personnel practices. Once adopted, submit a copy to the Commission and communicate to all employees should the need arise. *Personnel manual on file with Commission and references behaviors.*
- Consider additional training opportunities through the Commission and other ABC boards on specific areas such as customer service, best retail and marketing practices, etc. *Board could still consider.*
- To gain a more effective marketing strategy to generate sales, consider these practical ways to improve shelf management or product placement:
- Reorganize sections to show premium products at eye level, value products at lower levels, and ultra-premium at the higher levels throughout the Vodka wall section. *Board complies.*
- Cross-merchandise by placing products that mix together on the same shelves. Intermingle North Carolina products within their specific category as well as having a designated area. *Board complies.*
- Reallocate shelf space from declining categories to those showing growth. *Board complies.*
- Optimize the floor space and end caps to incorporate valuable displays. *Board complies.*
- Vertical brand blocking similar products. *Board complies.*
- Allow more space for your more popular brands and re-allocating space when eliminating underperforming brands. *Board recently reset showroom.*

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

Waynesville ABC Board

ABC Commission
400 E. Tryon Rd.
Raleigh NC 27610

October 2, 2024

We appreciate your support and recommendations from the audit recently performed. This audit has helped us identify areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1: The recipient of alcoholism fund or education distributions should provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h).
We will follow this recommendation before awarding future funds.

Item 2: 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.
All recommendations will be followed.

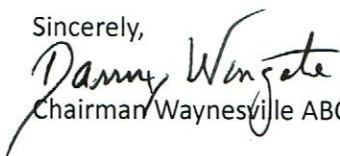
Item 3: In accordance with G.S. 143-318.11 the board should provide public notice of board meetings. This could be accomplished by advertising the meetings at the store or town administration buildings,
All recommendations will be followed

Item 4: S.L. 1967 Chapter 609 of the North Carolina General Assembly indicates, in establishing the Waynesville ABC Board's profit distributions, ten percent (10%) to the Town of Waynesville for law enforcement. Recent CPA audits reviewed indicate law enforcement distributions slightly below the specified amount in the local enabling act at eight to nine percent.
All recommendations will be followed

Item 5: In accordance with G.S. 18B-501(f)(f1), the board should conference with their contracted law enforcement agency on the submission of monthly reports.
All recommendations will be followed

Item 6: 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.
All recommendations will be followed

Sincerely,


Chairman Waynesville ABC Board