

Andrews ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA



ABC

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Alcoholic Beverage Control

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January 23, 2012

The Honorable John Brown, Mayor
Town of Andrews
PO Box 1210
Andrews, NC 28901-1210

Dear Mayor Brown,

We are pleased to submit this performance audit report of the Town of Andrews ABC Board. The objective of this audit was to examine existing policies, practices, and controls and to provide recommendations on methods to improve operating efficiency at the ABC Board.

This report consists of an executive summary, background information and operational findings and recommendations. The ABC Board reviewed a draft copy of this report and their written proposals to our recommendations are included.

We would like to thank the ABC Board and their staff for the assistance and cooperation provided to us during the audit and we hope you and your Town Council Members will find the report informative.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael C. Herring".

Michael C. Herring
Administrator

Cc: Theresa Taylor, Town Clerk
Andrews ABC Board

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EXECUTIVE SUMMARY

By state law, the ABC Commission shall ensure that all local ABC Boards comply with established performance standards by conducting regular audits or performance evaluations. Performance standards shall include, but are not limited to, standards that address enforcement of ABC laws, store appearance, operating efficiency, solvency, and customer service. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvements. This audit was conducted in accordance with Government Auditing Standards. This report details findings and recommendations with regard to organizational and operational issues.

To achieve the objectives of the audit, ABC Commission staff

- Reviewed applicable General Statutes, ABC Commission Rules, and administrative policies;
- Reviewed applicable reports and studies of ABC boards with similar size and geography;
- Verified compliance with Commission and Board policies;
- Reviewed organizational chart and job descriptions;
- Reviewed ABC store annual financial audit for the fiscal year 2011;
- Visited the store;
- Interviewed key ABC store personnel.

The Andrews ABC Board has submitted response to the performance audit recommendations detailing plans on improving profitability margins through analyzing and reducing current costs. Changes have been made in administrative as well as financial operations since the initial audit fieldwork. Subsequent to the audit, personnel turnover has arisen in duties involving the finance officer and general manager.

While it is clear the board's priority is to regain control over financial operations as well as internal controls, statutes are not being enforced. A follow up visit will be scheduled within six months to determine if other recommendations are being addressed.

BACKGROUND INFORMATION

Located in Cherokee County and in the heart of North Carolina's Great Smokey Mountains, Andrews is home to a beautiful landscape filled with rolling hills and valleys and nature. Andrews is approximately ninety miles from Asheville, eighty-five miles south of Knoxville, TN and seventy-five miles east of Chattanooga, TN. It is approximately sixteen miles from the closest ABC store in Murphy, NC. The US Census Bureau reports the population in 2010 at 1,781.

Chapter 891 of the 1967 Session Law authorized the town of Andrews to hold an election upon a petition signed by at least fifteen percent of the registered voters. The referendum was held on February 20, 1971. The vote for an ABC store passed 354 to 318. The date of the first retail sales was April 15, 1971. A mixed beverage referendum was held on January 8, 2008 and did not pass. A later mixed beverage referendum was held on January 18, 2011 and passed 195 to 83. The first mixed beverage sales occurred in April 2011. Currently, the Andrews ABC store has two mixed beverage accounts.

The Andrews ABC Board staffs one part-time general manager, two part-time clerks, and one finance officer. The general manager is responsible for the daily operations of the store including supervising personnel, retail operations, and administrative functions. The clerk duties involve various retail functions including selling products and stock maintenance. An outside finance officer is responsible for bookkeeping duties.

Profitability

For fiscal year 2011, the board showed a profit; total liquor sales were \$540,001, profit before distributions was \$27,825, resulting in a profit percentage to sales of 6%. Sales through August 2011 have risen .81% from last year. In comparing sales with similar boards for the past ten years, Andrews ABC sales have dropped while other similar size boards have followed the state's 56% ten year increase. *Refer to Charts 1 and 2.*

Factors affecting sales and profitability:

- While overall population has increased 7%, adult working population has decreased 15% over the past ten years
- Population below poverty level has increased 31% over the past ten years
- 11.9% unemployment rate in Cherokee County in November 2011, a decrease of .50% from the previous month

Distribution Schedule

S.L. 1967-891 requires the Andrews ABC Board to make the following quarterly distributions:

- 70% to Town of Andrews General Fund
- 30% to Cherokee County General Fund of which not less than 15% to be used for public education in the county

In 2011, the Andrews ABC Board made distributions totaling \$47,851. Law enforcement distributions were \$10,000, which exceeded the minimum requirements, and other distributions totaled \$37,851. *Refer to Chart 3.*

FINDINGS AND RECOMMENDATIONS

On September 7, 2011, ABC Commission Auditor, Moniqua S. McLean, visited the Andrews ABC store and interviewed Victor Whitaker, general manager, Pamela James, finance officer, Tony Powell, Board Chairman, and Alan Raper and Charlotte Johnson, board members. The following are the findings and recommendations relating to the performance audit.

1. Inventory Turnover

The inventory turnover rate is calculated by dividing the cost of goods sold by the average inventory in the system. The Commission has set goals for determining an effective rate based on the frequency of deliveries per board. Below are the turnover rates based on the delivery schedule:

- Once a week deliveries target at 6 times per year
- Twice a weekly deliveries target at 5 times per year
- Monthly deliveries target at 4.5 per year

The Andrews ABC Board has a bi-weekly delivery. The inventory turnover rate for Andrews ABC is 2.6 and does not meet the target rate set by the Commission. On hand, the Andrews ABC Board maintains approximately four and one half months worth of inventory.

Recommendations:

- Explore strategies for eliminating slow moving products by:
 - Identifying unsold inventory for transfer to another board which has demand
 - Requesting permission from the Commission for a price reduction to sell off dead stock; use proceeds for distribution or for more saleable inventory
 - Analyzing sales history reports carefully to avoid overstocking
 - Marketing strategies for impulse shopping
 - Moving stock within the store to increase visibility
- Take advantage of SPA's and quarterly price reductions whenever possible.
- Use recipe cards, displays, and other marketing techniques to increase sales.
- Borrow selling/ordering/marketing strategies from other boards that have maintained a higher turnover rate.

2. Operating Cost

Operating costs are calculated by dividing total operating expenses less depreciation by the gross profit on sales. Below are the average cost ratios for boards with and without mixed beverage sales:

- Boards with 3 or more stores with MXB – cost ratio .67 or less
- Boards with 3 or more stores without MXB – cost ratio .94 or less
- Boards with 2 stores – cost ratio .83 or less
- Single store boards with MXB – cost ratio .77 or less
- Single store boards without MXB – cost ratio .93 or less

The Andrews ABC Board has an operating cost ratio of .74 and met the goal set by the Commission.

3. Profit percentage to sales

The profit percentage to sales is calculated by dividing the total profit before distributions by the total liquor sales. The Commission has set efficiency 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%

The Andrews ABC Board has a profit percentage of 6% which exceeds the targeted goal set by the Commission.

Recommendations:

- Continue analyzing operating expenses and monitoring the budget to maintain profits.
- Increase sales using the strategies recommended under inventory turnover.

4. Working Capital

Working capital is total cash, investments, and inventory less all unsecured liabilities. Gross sales means gross receipts from the sale of alcoholic beverages less distributions as defined in GS 18B-805 (b)(2), (3), and (4). The Commission has set efficiency goals based on the following breakdown:

- Four months for boards with gross sales less than \$1.5M
- Three months for boards with gross sales less than \$50M and greater than or equal to \$1.5M
- Two months for boards with gross sales equal to or greater than \$50M

The Andrews ABC Board had a working capital of \$157,146 as of June 2011. The working capital retained exceeded the maximum working capital allowed by \$17,761. The board has recorded the excess as a liability in 2011.

Recommendations:

- Consider distributing more of the working capital retained.
- If the board, with approval from the Town, elects to establish a capital improvements account, develop a strategic plan detailing future capital improvements for which these funds are being retained.

5. Store Appearance

The Andrews ABC store is approximately 557 linear feet of shelf space and currently carries approximately 783 product codes. *Refer to Appendix A for photos.*

- Overall, the store was clean and free of clutter in the counter area; however, bottles were dusty.
- There is no comprehensive shelf management system in place. Products are shelved in NC code number order; some products are displayed left-to-right with the largest size on the left and others are right-to-left with largest size on the right. Some higher profit products appear on lower shelves.
- The price list is available for customers to view but the monthly reductions were not.
- The Fetal Alcohol Syndrome poster was not displayed. The ABC Commission auditor provided the poster during her visit.

Recommendations:

- Dust bottles throughout the store on a regular basis. *Refer to Appendix B (1) for proposed rule.*
- Develop an effective and efficient shelf-management system that better utilizes the spacing areas. An acceptable shelf management plan incorporates the concepts found in NCAC 02R.1701. *Refer to Appendix B (2) for proposed rule.*
- Have available the monthly reductions list and the price list for customers to view. Provide mixed beverage customers with the monthly reductions list as well. *Refer to Appendix B (3) for proposed rule.*
- Post the required Fetal Alcohol Syndrome poster as required by 18B-808. *Refer to Appendix B (4) for statute.* New posters are available free of charge from the Commission Education and Training Division.

6. Policies and Procedures

- Board does not have a written price discrepancy policy on file.
- The following have not been adopted and filed with the Commission:
 - Travel policy
 - Mixed beverage policy
 - Employee Handbook

Recommendations:

- Adopt a written price discrepancy policy and include in the employee handbook so that all employees can know if a customer has a discrepancy. While it is true that the State has uniform pricing requirements, if a shelf tag is incorrect and shows a lower price than the register, it is good customer relations to honor it and just book the difference to cash over/short. The Commission will provide a sample policy upon request. *Refer to Appendix B (5) for proposed rule.*

- Adopt a travel policy that meets requirements of 18B-700 (g) and file a copy with the Commission (2R.0909(c)). *Refer to Appendix B (6) for statute.* If the board decides to adopt the travel policy of the appointing authority, a copy of the appointing authority's travel policy is required for submission. If the board decides to adopt the State's travel policy, a copy of the minutes approving the adoption of the travel policy must be provided.
- Adopt a mixed beverage policy that exhibits good customer service and allows for flexible ordering and pickup hours.
- Adopt an employee manual and send a copy to the Commission. Use either the sample employee handbook available on the Commission website or your appointing authority's personnel manual as a guide. *Refer to Appendix B (7) for rule.*

7. Personnel/Training Compliance

- There is no training provided to employees.
- Employees rely on a calendar for scheduling hours and are required to monitor hours worked by a weekly time sheet. The employees and finance officer currently approve hours worked by signing the time sheet.
- Employees have not viewed an employee manual.

Recommendations:

- Have training for employees on topics of customer service, administrative functions, price changes, good customer service, etc.
- Attend free annual training, such as the Responsible Alcohol Seller Program, offered by the Commission and other approved venues.
- Create a checklist for use in training new and existing employees and have each employee sign it once training is completed.
- Provide each employee with a copy of the personnel manual and have each employee sign an acknowledgement that he/she has received and read it through.

8. Administrative Compliance

- Board meeting minutes going back to formation of the board were not available to view.
- Board meeting minutes for the past year were available to view, however, they did not follow the order of proceedings for conducting a business meeting.
- Board meeting minutes did not reference the conflict of interest statement.
- Board information on the Commission website does not reflect the board members' latest appointment date or compensation amount. However, board members' compensation meets the current statutory requirements.

- Law enforcement reporting has not been submitted to the Commission for months April and May.
- Nepotism – The board does not employ any immediate family members.
- Two newly appointed board members have not attended the mandatory ethics training. Plans have been made for them to attend the Asheville class in October.
- Filing system was not organized to show what invoices were paid or outstanding.
- No bank reconciliations were completed for the year.
- Deposits are made twice a week.
- When approving the purchase of store and office supplies, purchase orders are not used.
- Orders to LB&B and purchase orders do not bear the pre-audit certificate required by GS18B-702(m).
- Checks do not have a counter signature of the chairman or the general manager.
- Checks do not bear the certificate signed by the finance officer or an approved deputy finance officer.
- Current shelf prices do not reflect the price set by the Commission. Tanqueray Sterling Vodka, for example, reflected May prices in the month of September.

Recommendations

- Board meeting minutes are to be kept permanently in a binder and available in the store. Local boards shall retain all records pursuant to the records retention schedule. A records retention schedule is available on the Commission website and a condensed version may be found in the *Operations Manual*.
- ABC boards are required to keep full and accurate minutes of all official meetings, including any closed session held. Minutes may be in the form of sound or video. Minutes shall reflect that the meeting has been called to order, a record of attendees, the minutes of the last meeting have been approved, any votes taken and how members voted, policies adopted, and any other business discussed in sufficient detail so that anyone reading the minutes could understand what transpired.
- In an effort to avoid possible conflicts of interest, it is recommended that at the beginning of each board meeting, the Chairman ask fellow board members if there are any potential conflicts of interest. *Refer to Appendix B (8) for statement reference.*
- Update board information on the Commission website to reflect current appointment dates for board members.
- Submit law enforcement reports to the Commission and to the appointing authority by the tenth business day of each month. *Refer to Appendix B (9) for statute.*

- Have a consistent, organized filing system that clearly distinguishes between outstanding and paid invoices. Paid invoices should show date paid and check number or have check stub attached.
- Reconcile bank statements monthly. Bank reconciliations should identify what is outstanding for the month. It is very important to prepare monthly bank reconciliations in a timely manner in order to know the amount of cash that the organization has available to spend. In addition, it will help the client become aware of possible instances of fraud and theft sooner and to take appropriate action.
- Appoint a board member to review monthly bank reconciliations.
- Make deposits daily. *Refer to Appendix B (10) for rule.*
- Use purchase orders when ordering all store and office supplies and any other non-recurring purchases. Purchase orders are required to have the pre-audit certificate signed by the finance officer. *Refer to Appendix B (11) for statute.*
- Orders to LB&B for liquor, not the individual liquor invoices, must have a pre-audit certificate signed by the finance officer. Approval must take place before the liability is incurred.
- Have all checks include the approval certificate signed by the finance officer and either the general manager or a board member. *Refer to Appendix B (12) for statute.*
- North Carolina statutes require uniform pricing in all ABC stores. Immediately audit all shelf tags in the store and the cash register system for correct pricing.

9. Internal Controls

- Inventory counts are performed annually by general manager and store clerks.
- No employee has been cross-trained to fill in for the general manager should he become unable to work.
- A deputy finance officer has not been appointed to fill in if the finance officer or general manager is absent.

Recommendations:

- To improve internal controls on inventory, take physical inventory monthly. Have board members conduct spot checks on a regular basis. Have board members review all monthly inventory adjustments.
- Cross-train employees on key functions that include ordering liquor, closing the month, paying bills, and filing taxes in the event the general manager were suddenly unavailable.
- Appoint a deputy finance officer to aid in the duties of the finance officer when he/she is absent. *Refer to Appendix B (11) and B (12) for statute.*

Chart 1

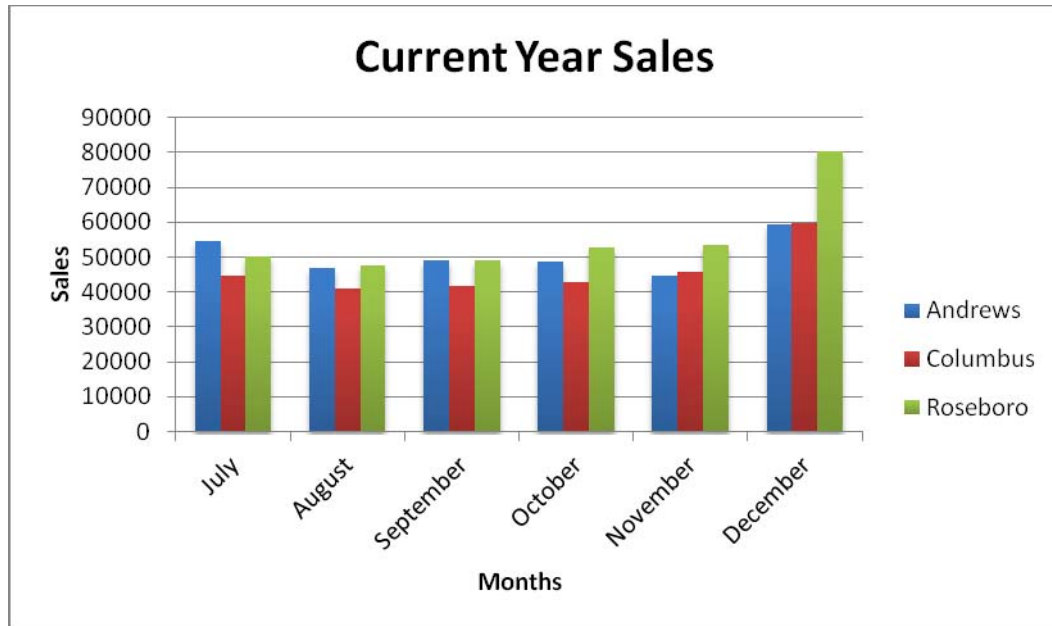


Chart 1 reflects the current year sales comparisons of similar size boards.

Chart 2

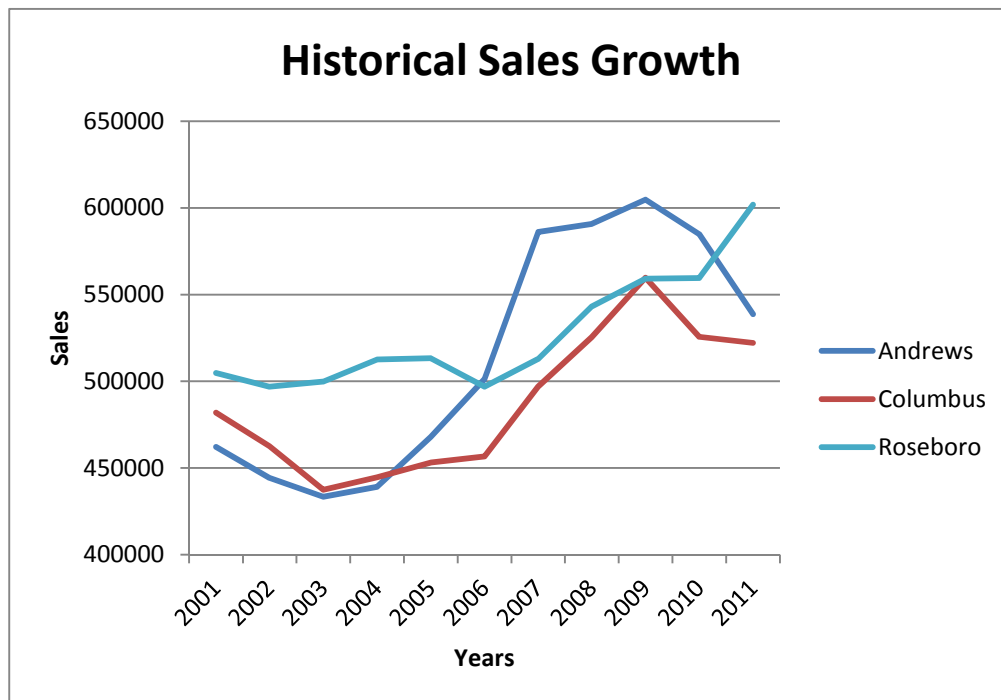


Chart 2 reflects the historical sales growth comparison of similar size boards.

Chart 3

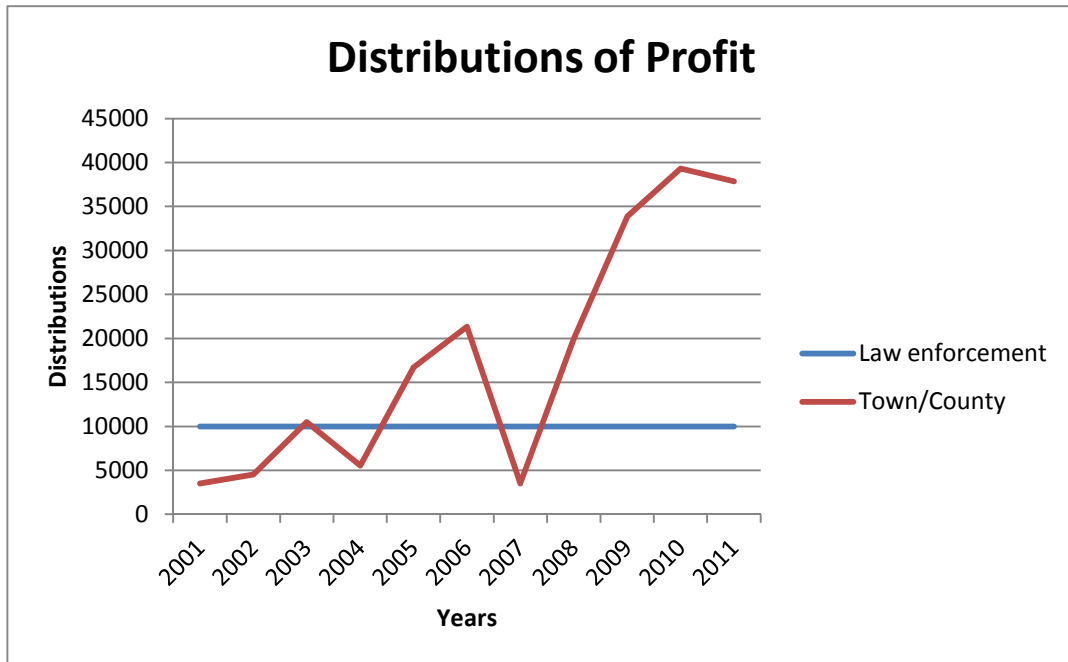


Chart 3 reflects the historical distribution trend to law enforcement and the appointing authority over the past ten years.

Chart 4

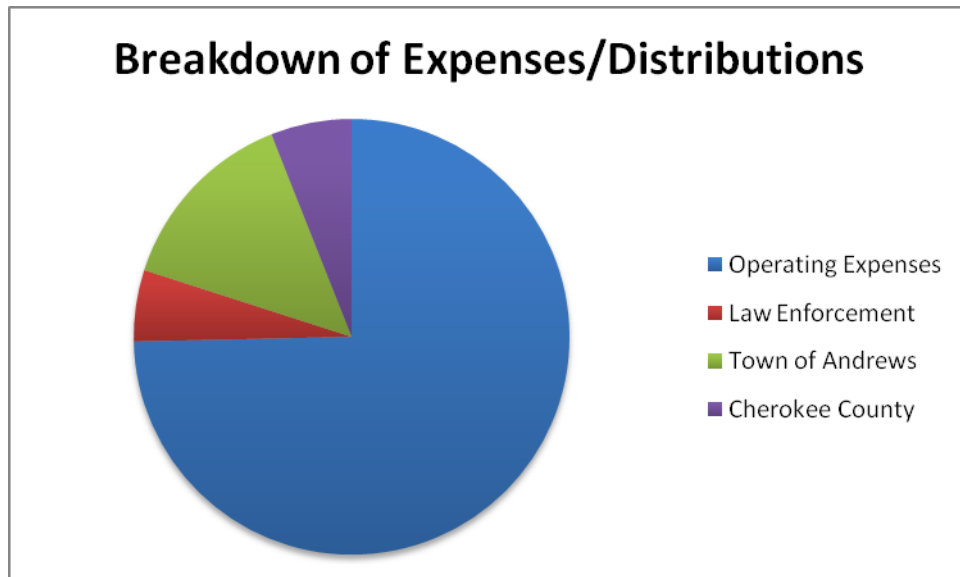


Chart 4 reflects the breakdown of operating expenses and distributions.

APPENDIX A

Picture 1



Current shelf price is incorrect in September

Picture 2



Bottles dusty on shelf.

Picture 3



Current shelf management plan.

APPENDIX B

- (1) NCAC 02R.1703(a) (3) states, "Bottles and shelves shall be dusted weekly."
- (2) NCAC 02R.1711 (a) states, "Each local board shall establish and maintain a shelf management plan. The local board shall establish policies within its plan that govern the following concepts:
- (1) Set the higher price items on the upper shelves at eye level and set the low price items on the bottom shelves;
 - (2) Block categories in vertical sets per their category;
 - (3) Arrange bottle sizes so they increase left to right of the same item;
 - (4) Create brand billboard by stacking all brand sizes together;
 - (5) Set shelf space for a product equal to market share for the individual store after the product has been carried for a year;
 - (6) Set and maintain all bottles at the front of the shelf; and
 - (7) Discontinue low profit slow moving items."
- (b) Each local board shall keep a copy of its shelf management plan at each store location and, upon request, provide a copy to a Commission representative."
- (3) NCAC 02R.1703 (c) State List to be Available. Every store shall make a available for its customers' inspection a copy of the most current complete state price list and any supplemental price lists. A local board may draw up and post its own price list for items or brands sold in its stores, provided the items and prices listed on the local list are also listed on the complete state list.
- (4) 18B-808(a) states, "Each ABC store shall display or cause to be displayed warning signs that meet the requirements of this section on the store's premises to inform the public of the effects of alcohol consumption during pregnancy."
- (5) NCAC 02R.1706 (b) states "If a local board has a price discrepancy between the price on the shelf or bottle and the cash register, and the price on the shelf or bottle is lower, the local board shall sell the item at the shelf or bottle price and correct the shelf or bottle price to match the Commission's published uniform price."
- (6) 18B-700(g2) states "...the local board adopts a travel policy that conforms to the travel policy of the appointing authority and such policy is approved by the appointing authority [or adopts the state policy]."
- (7) NCAC 02R .1009 states "(a) Each local board shall establish policies and rules governing each of the following:
- (1) Initial employment of employees, including qualifications and requirements for new employees;
 - (2) Compensation and benefits;
 - (3) Hours and days of work, holidays, vacation, sick leave and other matters pertaining to the conditions of employment;
 - (4) Promotion, transfer, demotion and suspension of employees;
 - (5) Separation or termination of employees;
 - (6) Granting of salary increases;
 - (7) Employee grievance procedures; and

- (8) *Any other programs or procedures as may be necessary to promote efficiency and to provide for a fair and reasonable system of personnel administration.*
- (b) *A local board is encouraged to model its personnel policies and procedures after those adopted by the county or municipality in which it operates."*

NCAC 02R .1102 states "(a) A copy of all rules or amendments thereto that may be adopted by a local board to govern the operation of ABC stores or the enforcement of the ABC laws shall be submitted to the Commission at least 15 days prior to the date on which it is proposed that those rules or amendments are to become effective."

- (8) *OP 4.19.4 states, "In an effort to avoid possible conflicts of interest it is recommended at the beginning of each meeting the Chairman ask fellow board members if there are any potential conflicts of interest. This can be done by reading the following ethics reminder:"*

'In accordance with GS 18B-201, it is the duty of every Board member to avoid both conflicts of interest and appearances of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today?'

- (9) *18B-501(f1) states, "To ensure accountability to the appointing authority and the Commission, every local board's ABC officers and those law enforcement agencies subject to an enforcement agreement entered into shall report to the local board, by the fifth business day of each month, on a form developed by the Commission, the following:*

- (a) The number of arrests made for ABC law, Controlled Substance Act, or other violations, by category, at ABC permitted outlets,*
- (b) The number of arrests made for ABC law, Controlled Substance Act, or other violations, by category, at other locations,*
- (c) The number of agencies assisted with ABC law or controlled substance related matters,*
- (d) The number of alcohol education and responsible server programs presented,*

The local board shall submit a copy of the enforcement report to the appointing authority and the Commission not later than five business days after receipt of the enforcement report by the local board.

- (10) *NCAC 02R.0905 (a) states, "Each officer whose duty it is to collect or receive moneys of the local board shall deposit into an official depository the collections and receipts daily. If the local board gives its approval, deposits shall be required only when the moneys on hand are equal to or are greater than two hundred fifty dollars (\$250.00), but in any event a deposit shall be made on the last business day of the month. All deposits shall be made in an official depository. Deposits in an official depository shall be reported to the finance officer by means of a duplicate deposit ticket."*

(11) 18B-702 (m) states "...the contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been pre-audited to assure compliance. The certificate, which shall be signed by the finance officer or any deputy finance officer approved, shall take substantially the following form:

"This instrument has been pre-audited in the manner required by GS 18B-702."

(Signature of finance officer)

(12) 18B-702(q) states "...each check or draft on an official depository shall bear on its face a certificate signed by the finance officer or a deputy finance officer approved for this purpose by the local board. The certificate shall take substantially the following form:

"This disbursement has been approved in the manner required by G.S. 18B-702."

(Signature of finance officer)

ATTN: MONIQUE McLEAN -

PG 1 OF 3

Andrews ABC Board Response to the Performance Audit Report

The presentation of the audit report was conducted via speaker phone to the Andrews ABC board at its December 20, 2011 board meeting, presented by Moniqua McLean, auditor for NC ABC Commission.

The attendees were Chairman Tony Powell, board members Tim Coffey, Charlotte Johnson, our new Finance Officer, Marilyn DuMont, and new General Manager, Bill Cathey.

Inventory Turnover

Our GM, Bill Cathey, has started working on the recommendations and will be making progress reports to the board. Bill likes the suggestion by Moniqua to perform monthly physical inventory on different product lines. I have also been learning more about inventory issues.

Profit percentage to sales

I had asked Bill to request more sales display material and ask for suggestions from the sales reps. He is interested in asking for assistance from the NC ABC commission with product display. I have also recommended more miniatures be made available for customers to buy. Example, there is a brandy that I would like to sample to see if I like it enough to purchase a larger bottle of that product but we do not have a miniature bottle for purchase.

Bill listens to and ask customers their opinions about products so he can help other customers make selections. He has been training our new sales clerks to do the same.

Working Capital

The issue of the \$17,761 excess that was distributed to the town and county by Pam James. This was done without my knowledge, and prior to learning that the board could ask the town for approval to establish an account for future capital improvements with this excess. Our new finance officer will be keeping the board informed of this issue in addition to all of our bookkeeping procedures.

Store Appearance

Bottles are being dusted daily and Bill has been working on the shelf-management issue. I have also asked Bill make up the monthly reduction list with pricing for customers to view, including mixed beverages.

The Fetal Alcohol Syndrome poster has been posted at the sales counter.

Policies and Procedures

The travel policy used by the state will be adopted at the next board meeting and a copy will be on file at the ABC store office. I will send a copy of the minutes approving the adoption to the NC ABC commission.

I have asked Bill to develop a mixed beverage policy and present it to the board for adoption. The policy will be given to each mixed beverage customer.

The board has a copy of the NC ABC Board's ABC POLICY AND PROCEDURE MANUAL and will be using it as a guide for developing our Employee Manual. I will send a copy of the Handbook and a copy of the minutes approving the adoption to the NC ABC commission.

Personnel/Training Compliance

I have asked Bill to develop a new employee guide and a training checklist..

Areas of training: Sales counter, Carolina Data computerized sales system
Entering sales data into office computer accounting system
Opening and closing procedures, including emergency closing, (weather related)
Inventory and shelf management, price changes, ordering
customer service, including difficult, disruptive, and intoxicated customers
store cleanliness including outside
Store security including robbery and theft procedures, power outages

GM will hold monthly employee meetings to discuss any policy changes or issues.

Provide each employee with employee manual with required reading and signing an acknowledgement that it has been read and understood.

Administrative Compliance

I found a binder containing minutes that starting August 25, 1992.

I have been doing the minutes since Pam James has been absent due to her health condition.

I have also drafted meeting agendas that I hand out that follow the order of proceedings for conducting a business meeting. The minutes will be filed in a new binder starting with my appointment as chairman.

I have started to address the conflict of interest by asking if there is any at the beginning of our meetings.

The board member information has been sent to Laurie Lee.

The Law enforcement reporting issue was brought up to Victor. He said he did this. I will make sure our new GM continues to do so by the 10th day of each month. This report should be sent as an attachment to Laurie Lee and the town manager.

When we lost the services of Pam I had to find someone fast to help us. At first Pam thought that she would be able to recover and be back working in a couple of weeks.

I found and hired Marilyn Dumont, who is an independent accountant with 40 years experience. On her first day she met with a person from our audit firm to get up to speed with our accounting software, Peachtree, which she had not used for a few years. She discovered that our record keeping and filing system were a total mess.

Your audit indicates this but failed to uncover other things such as missing bank reconciliations, missing federal tax records, wrong check numbers, unsecured employee records, inaccurate bank transactions input into our accounting system, incomplete updating of the Peachtree software program, employee withholding incorrect, no data backups being done, etc.

In addition, she discovered our financial auditors had become so frustrated with trying to keep the store running smoothly. They told Pam to input sales once a month. The bank statement had not been reconciled since September.

The organizing of our filing system and invoicing is back on track and our bank statements are reconciled through the month of December. I have reviewed and signed monthly bank reconciliations and monthly tax records.

Deposits are being made and input into the computer daily with a designated backup employee.

Purchase orders are being used with a pre-audit certificate signed by the finance officer.

Orders to LB&B for liquor are being done as required with a pre-audit signature.

Check signing authority has been increased to include the GM, myself and two other board members but not the finance officer. Two signatures are being included on every check issued.

Bill and employees have been instructed to audit all shelf tags and cash register system for correct pricing. I will spot check this each week. I am also keeping an eye on our warehouse inventory.

Internal Controls

Bill has started to take physical inventory monthly and I have reviewed the latest order and will review monthly inventory adjustments. Our new board member Tim has been showing interest in the inventory.

The cross-training issue is being addressed. We have hired a sales person floater to fill in when needed. I have asked Bill to have this person to work a few hours each month during busy times.

Anthony V. Powell (Tony), Chairman of the Andrews NC ABC board

RECEIVED

JAN 13 2012

NC ABC COMMISSION

ANDREWS ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>Policies and Procedures: Adopt the following policies and submit to the Commission:</p> <ul style="list-style-type: none"> ▪ Price Discrepancy ** ▪ Mixed beverage policy ** ▪ Travel policy <p>Adopt an employee handbook and submit to the Commission.**</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>**Note: Required by Rule</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input type="checkbox"/> Fully Implemented</p> <p><input checked="" type="checkbox"/> Partially implemented 25% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>The Board has received the necessary tools for policies listed and is in the process of implementation. Once adopted, copies will be forwarded to the Commission.</p>
<p>Personnel/Training Compliance: Create checklist for each employee on daily activities. Provide each employee with copies of the personnel manual and have each employee sign an acknowledgement of receipt.</p> <p>Although all board members have attended the mandatory ethics class, have the finance officer and general manager attend also.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input type="checkbox"/> Fully Implemented</p> <p><input checked="" type="checkbox"/> Partially implemented 50% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>Management has created checklist for each employee on daily duties and responsibilities. Once the employee manual has been adopted, acknowledgements will be signed by each employee.</p>

ANDREWS ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>Administrative Compliance: Submit law enforcement reports to the Commission for April and May.</p> <p>Use purchase orders when ordering all store and office supplies.</p> <p>Orders to LB&B do not have the pre-audit certificate signed by the finance officer.</p> <p>Audit all shelf tags with the cash register system for verification of price.</p> <p>**Update board member appointment information on the Commission website.</p> <p>**Make deposits daily.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input type="checkbox"/> Fully Implemented</p> <p><input checked="" type="checkbox"/> Partially implemented 50% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>Law enforcement reports for the stated months have not been submitted. Although the finance officer is currently not signing checks, two of the three board members are able to sign.</p> <p>Purchase orders and the pre-audit certificate is used when ordering store and office supplies and signed by the finance officer. Orders to LB&B also include the pre-audit certificate signed by the finance officer.</p> <p>The board has implemented a policy to audit shelf tags with the register more frequently. Board members will also spot check items weekly.</p>

ANDREWS ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

<p>Internal Controls: Cross train employees to fill in for the general manager should he/she become unable to work.</p> <p>Appoint a deputy finance officer.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input type="checkbox"/> Fully Implemented</p> <p><input checked="" type="checkbox"/> Partially implemented 50% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>Management has begun training employees on administrative functions.</p> <p>A deputy finance officer has not been appointed.</p>
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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

CHAIRMAN:
JAMES C. GARDNER

COMMISSIONERS:
JOEL L. KEITH
Wake Forest

KEVIN M. GREEN
Greensboro

ADMINISTRATOR:
MICHAEL C. HERRING

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<http://abc.nc.gov/>

Your Name
Director
Permit Division
(this is editable)

June 28, 2013

The Honorable John Brown, Mayor
Town of Andrews
PO Box 1210
Andrews, NC 28901-1210

Dear Mayor Brown,

The ABC Commission has completed the follow up to the performance audit at the Andrews ABC Board. The purpose of the follow up visit was to determine which recommendations had been addressed and if the ABC Board was now in compliance with all ABC laws.

During the follow up visit, it was confirmed by interviewing board personnel and analyzing documentation that the ABC board has adopted all recommendations and has implemented the required policies to fully comply with the ABC Laws and Regulations. Since the initial performance audit, personnel turnover has arisen and could pose a concern in the stability of operations. However, the current management is initiating and implementing new procedures in hopes of improving stability and profits.

This concludes the performance audit conducted on September 7, 2011.

If we can be of any assistance in the future, please advise.

Respectfully,

Monique S. McLean
ABC Board Auditor

Cc: Theresa Taylor, Town Clerk
Andrews ABC Board
Michael Herring, ABC Administrator