

Chatham County ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA



ABC

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NORTH CAROLINA

Alcoholic Beverage Control

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November 26, 2012

Chatham County ABC Board
Mr. Walter Harris, Chairman
11455-B Hwy 15-501
Chapel Hill, NC 27517

Dear Chairman Harris,

We are pleased to submit this performance audit report on the Chatham County 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 in accordance with new legislative mandates.

The report consists of an executive summary, background information and operational findings and recommendations along with your Board's response to our recommendations. This report will be posted on the Commission's public web site.

We would like to thank you, the ABC Board and your staff for the assistance and cooperation provided to us during the audit. Additionally, we appreciate the efforts your Board is making to comply with the new performance standards.

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

Respectfully,

Michael C. Herring
Administrator

Cc: North Carolina Association of ABC Boards

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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 performance audit 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 board annual audit for the fiscal year 2011;
- Visited the stores;
- Interviewed key ABC board personnel.

The Chatham County ABC Board has submitted a response to the performance audit recommendations. The board continues to implement and improve policies and procedures that maintain compliance with the statutes and Commission rules while striving to increase profits and reduce costs. Internal controls have been implemented to ensure stronger separation of duties.

BACKGROUND INFORMATION

Chatham County is located in the Piedmont region of North Carolina. Municipal boards within the county include Siler City ABC and Pittsboro ABC. Surrounding counties with ABC stores include Alamance, Durham, Lee, Moore, Orange, Randolph, and Wake. The US Census Bureau reports a population of 63,505 in 2010.

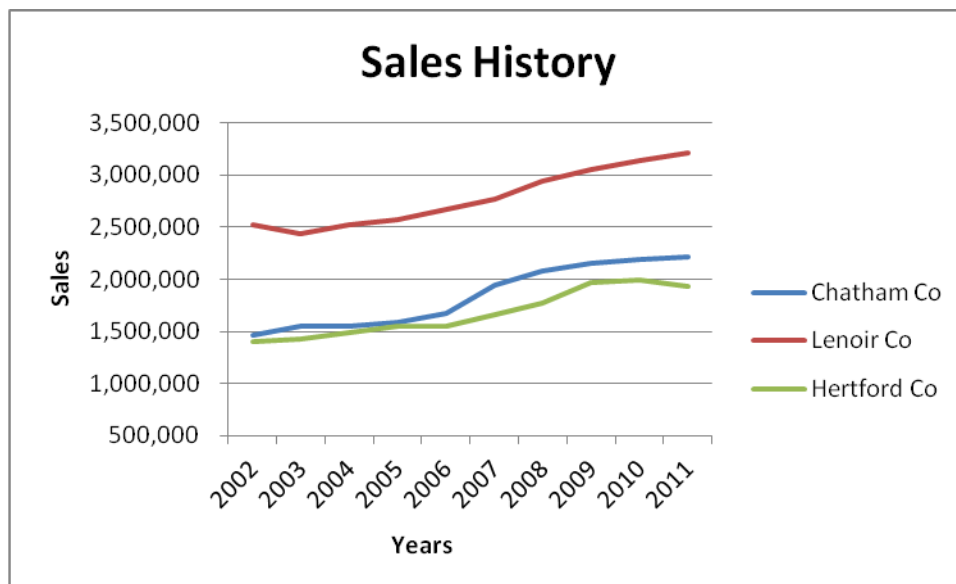
G.S. 18B-601 authorized Chatham County to hold an election for an ABC store upon a petition of at least thirty-five percent of voters. The referendum was held on May 8, 1984. The vote for an ABC store passed 5,918 to 5,234. The date of the first retail sales was April 21, 1986. A mixed beverage election was held on May 5, 2009 and passed 5,187 to 2,756.

Upon election of an ABC store, Chatham County was authorized to create an ABC Board consisting of a chairman and two members to serve for three year terms. Current board members are Walter Harris, chairman, Debra Oldham and Joseph McEvoy, board members.

The Chatham County ABC Board operates three retail store and staffs two full-time employees, including the general manager, and six part-time employees. The board has hired an external CPA to perform finance officer duties. The general manager is responsible for daily operations including supervising personnel, inventory management, and administrative functions of the store. The finance officer maintains all financial operations which include payroll, vendor disbursements, and bank reconciliations. All clerks are responsible for daily stocking, floor upkeep, and retail functions including selling products.

Profitability

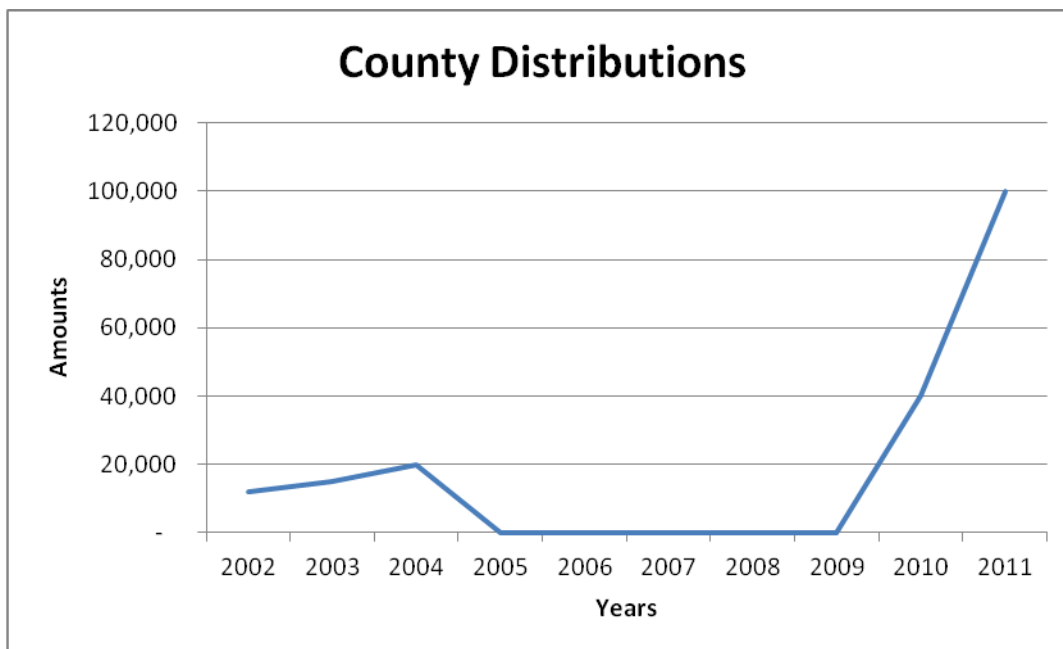
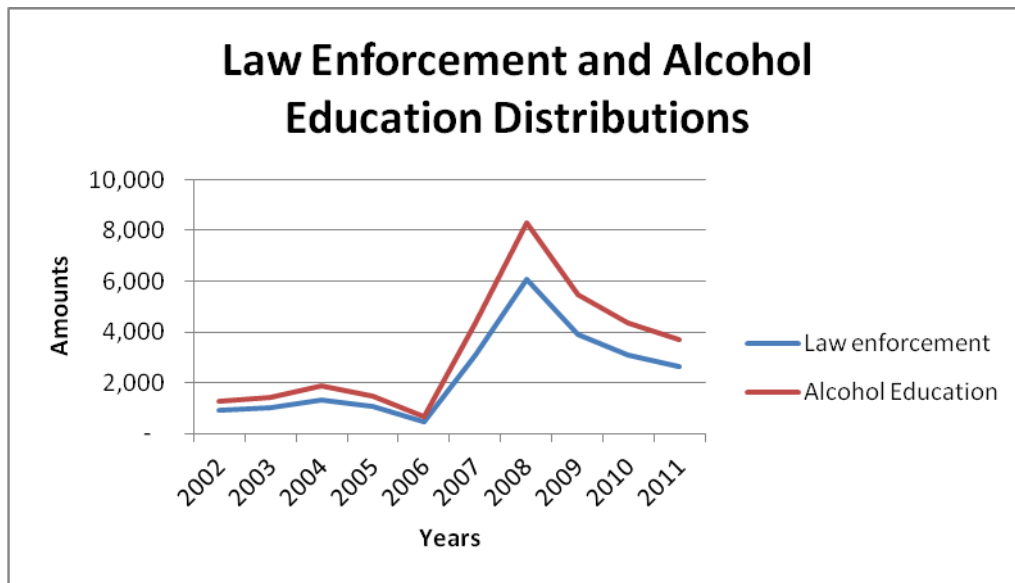
For fiscal year 2011, the board showed a profit; gross sales were \$2,227,672, income from operations was \$104,362, resulting in a profit percentage to sales of 4.68%. Current year sales through February increased 12.75% over last year. In comparing Chatham County ABC and other similar size boards over the past ten years, sales have increased following the state's increase over the same period. *See chart below.*



Distributions

G.S. 18B-805 (c) 2 requires the board to expend quarterly at least five percent of profits for law enforcement and at least seven percent of profits for alcohol education. The remaining profits are to be distributed quarterly to the Chatham County General Fund.

In 2011, the Chatham County ABC Board made distributions totalling \$106,382; \$2,659 to law enforcement, \$3,723 to alcohol education, and \$100,000 to Chatham County. Over the past five years, distributions to law enforcement and alcohol education have decreased while distributions to the County has increased. See charts below.



FINDINGS AND RECOMMENDATIONS

On February 23, 2012, ABC Commission Board Auditor, Moniqua S. McLean, visited the Chatham County ABC stores and interviewed Garry Reives, general manager, and Faye Ward, finance officer. The following are the findings and recommendations relating to the performance audit.

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. Below are the turnover rates based on the delivery schedule:

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

The Chatham County ABC Board has a bi-weekly delivery schedule. The inventory turnover rate for the Chatham County ABC is 5.0 and has met the target set by the Commission.

Recommendations:

- Continue analyzing sales history reports carefully to avoid overstocking.
- Explore alternative marketing strategies for eliminating slow moving products and encouraging sales by:
 - Request permission from the Commission for a price reduction to sell off slow moving products
 - Obtaining and using recipe cards to increase more impulse buying
 - Space-permitting taking advantage of product displays

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 Chatham County ABC Board has an operating cost ratio of .79 and does not meet the goal set by the Commission. Overhead is higher compared to other boards due to the rent and building expenses. The board rents all three retail locations as well as office and warehouse spaces. Annual rental payments are approximately \$33,090. To meet the cost ratio goal and remain at current expense levels, revenues must be approximately \$2,700,000. To meet the goal and remain at

current revenue levels, expenses must be reduced to approximately \$350,000. *See charts for breakdown of operating expenses and common expense comparisons.*

Recommendations:

- Monitor budget frequently to ensure that expenses do not exceed budgeted amounts.
- Because salaries and rent are the largest segments of operating expenses, analyze personnel hours to assess efficient personnel usage and re-negotiate rental agreements to get a better rate or acquire a building from the County.
- Request bids annually from various vendors to get the best rates possible on audit, utilities, maintenance contracts, and credit card processing fees.
- Since travel expenses are by and large a discretionary expense, explore ways to reduce this particular expense items which is higher than that of similar size boards.

Store Appearance

The Chatham County ABC stores have linear footage ranging from 393 to 1631 feet of shelf space. All stores hold an average of 900 of product codes. Since the initial audit, the board is currently relocating Store #1. *See Appendix B for photos.*

By Location:

11455-501 Chapel Hill

- The parking lot is shared with the neighboring gas station and floral shop. Clearly defined parking spaces are not marked.
- The store had stain spots in the carpet and bottles were dusty on shelves.
- The shelf management was inconsistent. Due to the limited amount of shelf space, different brands were displayed with other categories.
- The required Fetal Alcohol Syndrome poster was not displayed.
- The price book and monthly sales list were available to customers.

Governor's Drive

- The store was clean, well-lit and maintained, and smoke-free. Bottles were fronted and free of dust.
- Shelf management was inconsistent due to the limited amount of space.
- The price book and monthly sales list was available to customers.
- The required Fetal Alcohol Syndrome poster was not displayed.

Moncure

- The store is located below a restaurant in a basement. The parking area is full of potholes and not clearly marked.
- The store is moldy, has stains on the floor, and has a leak in the entrance doorway. The window sill is rotting and is being supported by a shelf.
- Shelf management is inconsistent.
- The required Fetal Alcohol syndrome poster was not displayed.
- The price book and monthly sales list were available to customers.

Recommendations:

- Post the require Fetal Alcohol Syndrome poster in all locations. *Refer to Appendix C (1) for rule.*
- If the lease contract allows, partner with neighboring stores to improve parking areas by defining parking spaces and eliminating potholes.
- Dust bottles in each store on a regular basis. Include this duty as a clerk's daily responsibility.
- Clean or remove carpets to remove stains.
- Consult with landlord to repair the damage areas in the Moncure location. If the landlord will not comply, consider moving the store to a better area and to increase visibility.

Profit percentage to sales

The profit percentage to sales is calculated by dividing the income from operations by the total liquor sales (Income from Operations/Gross 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%

In FY2011, the Chatham County ABC Board had a profit percentage to sales of 4.68% and did not meet the goal set by the Commission.

The Board rents space in Pittsboro for \$250 per month for additional warehouse space. The Board also rents space in the shopping center across the highway from the 15/501 store for approximately \$700 per month for administrative purposes.

Recommendations:

- Improve sales strategies by developing new marketing techniques. Refer to recommendations above under inventory turnover, operating costs, and store appearance.
- To increase profit overall, consider re-locating the Moncure store to gain better visibility or close the store and merge with another store.
- Relocate the 15/501 store to a larger building that will allow more retail space, a larger warehouse and office space, and better accommodate MXB accounts – all under one roof.

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 G.S. 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 board 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

Under the new guidelines, the Chatham County ABC Board had a working capital of \$1,001,504 for FY2011. The working capital retained has exceeded the maximum working capital allowed by \$573,732.

Recommendations:

- Under the new rule, the maximum amount allowed for retention would have been \$427,772. Distribute more on a quarterly basis to stay within the maximum amount allowed.
- Ask the appointing authority for a written approval to retain excess profits for capital improvements. Once approval is granted, submit a copy to the Commission. *Refer to Appendix C (2) for statute.*
- Have a specific capital improvement plan that specifies the projects that will be completed on a yearly basis using the funds set aside per 18B-805 (d).

Policy and Procedural Compliance

- Deposits are made daily by whomever is working.
- A petty cash fund is maintained by the general manager for use in ordering emergency store supplies. Only the general manager is able to use these funds. The finance officer reconciles and replenishes the fund as needed once all receipts are submitted.
- All employees maintain their own cash drawer. The cash drawers are counted daily at the beginning of each shift.
- Warehouse inventory control is handled by the general manager and assistant on a monthly basis. Store inventory counts, handled by all scheduled staff, are performed at various times according to store; two out of the three stores perform inventory counts on a weekly basis and one store performs inventory counts three times a month. Spot checks are conducted often throughout the month. When discrepancies arise, the general manager will check behind to investigate the occurrences.
- The general manager creates a schedule for all employees. For payroll purposes, timesheets are filled out by the employees and verified by the store manager and finance officer. Additional verification of hours worked by employee is made by analyzing cash register reports.
- The board does not have in writing either a credit card or a price discrepancy policy. Each board member holds a credit card.
- A law enforcement contract has not been signed and filed with the Commission.
- The board does not have a written policy for handling cash shortages/overages. With the current system, if the cash drawer is short, the clerk responsible will make the cash drawer correct.
- The employee handbook on file has not been updated since 1999.

Recommendations:

- Adopt a written credit card usage policy. Include a maximum limit allowed on purchases before a board member is notified for approval. A board member is to be notified of all purchases over the limit. Once adopted, submit a copy to the Commission. Document procedures for the usage of the credit card including:
 - Who has the authority to use the card,
 - What types of items the card may be used for,
 - Personal usage is not allowed,
 - A detailed receipt for every transaction is required,
 - A purchase order must accompany each receipt.
- Adopt a price discrepancy policy. *Refer to Appendix C (3) for rule.*
- Have an agreed upon law enforcement contract and submit to the Commission. All local boards are required to have an agreement, even if the agreement results in no enforcement activity without pay. *Refer to Appendix C (4) for statute.*

- Adopt a written cash shortage and overage policy. While the current policy is understood by employees, it is good business practice to have written procedures in place for future employees. Once adopted, submit a copy to the Commission and include in the employee personnel manual.
- Update the employee handbook and submit a copy to the Commission. *Refer to Appendix C (5) for rule.*

Personnel and Training Compliance

- Training is provided by the general manager to new and existing employees as new information is available. The general manager often cross trains employees in administrative functions should he is unavailable to work.
- All board members, the finance officer, and the general manager have attended the mandatory ethics class.

Recommendations:

- Continue cross training employees on key functions that include ordering liquor and closing out the end of the month should the general manager were suddenly unavailable.
- Attend free training, such as the Responsible Alcohol Seller Program, offered by the Commission and other approved venues. Document training completed and place in employee's personnel file.

Administrative Compliance

- Board meeting minutes for the current fiscal year were available to view, referencing the conflict of interest statement, and followed the order of proceedings for conducting a business meeting. Board meeting minutes were kept in a folder and not shown in order of meetings. Previous board meeting minutes were not available.
- Board members are reimbursed for mileage for attending board meetings but there is no written policy in place.
- Board information on the Commission website does not reflect the board members' latest appointment dates and compensation amounts.
- Board member and general manager compensation is in compliance with G.S. 18B-700(g) and (g1).
- The law enforcement activity report has not been submitted for January 2012.
- Nepotism – The board is in compliance with G.S. 18B-700 (k).
- Purchase orders are not used when ordering store and office supplies when using petty cash, credit card, or other forms of payment.

- Orders to LB&B do not bear the pre-audit certificate as required by G.S. 18B-702 (m).
- All checks have the approved certificate embedded as required by G.S. 18B-702 (q). Checks are signed by the finance officer and the general manager.
- Of the three stores, approximately 180 codes were sampled and found that one code was incorrect. Stoli Citros .75L 46-602 (Governor's Drive location) showed November 2011 prices.

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 in the Operations Manual.
- If board members are going to accept mileage reimbursement for attending meetings, formally adopt a policy and record in minutes of meeting.
- Update the Commission website to include current board member's latest appointment dates and terms.
- Submit all law enforcement activity reports for the missing month(s). (If no activity is indicated, just note that fact and submit the form.) *Refer to Appendix C (6) for statute.*
- Use purchase orders when ordering all store and office supplies. Purchase orders are required to have the pre-audit certificate signed by the finance officer. *Refer to Appendix C (7) for statute.*
- Orders to LB&B for liquors must have the pre-audit certificate stamped and signed by the finance officer before the orders are placed.
- 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. *Refer to Appendix C (8) for statute.*

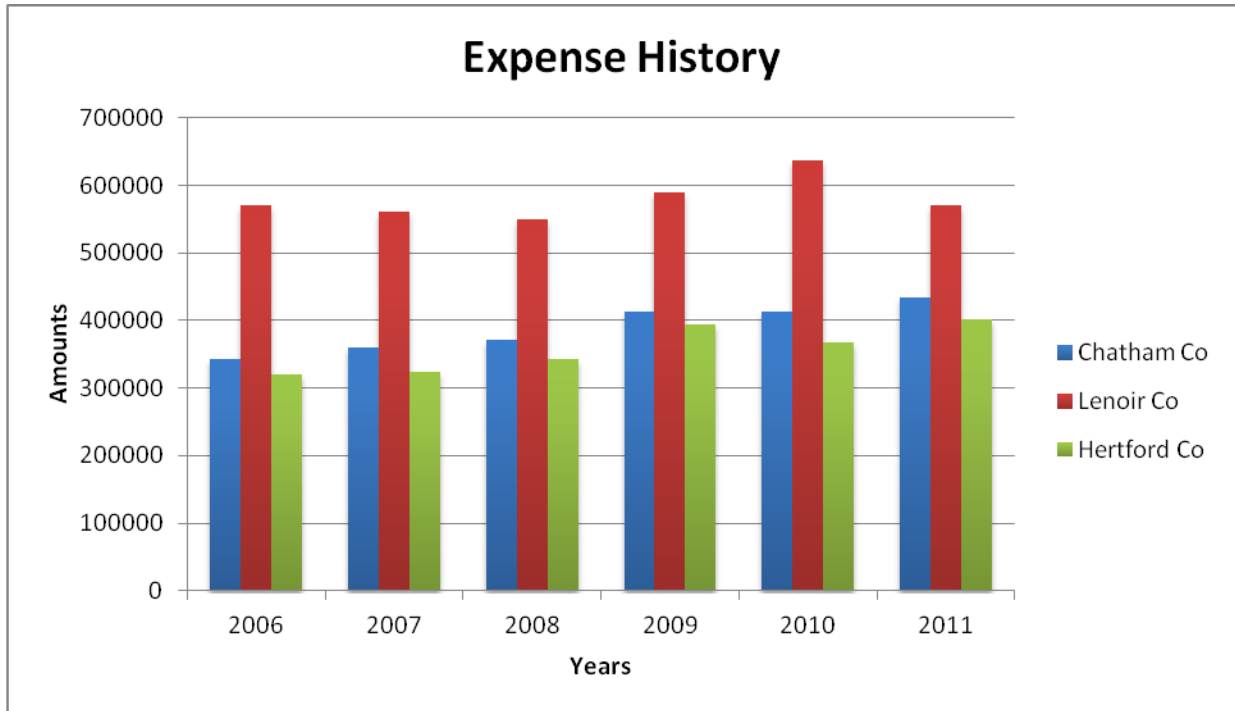
Internal Control

- A deputy finance officer has not been appointed to fill in if the finance officer is unable to work.

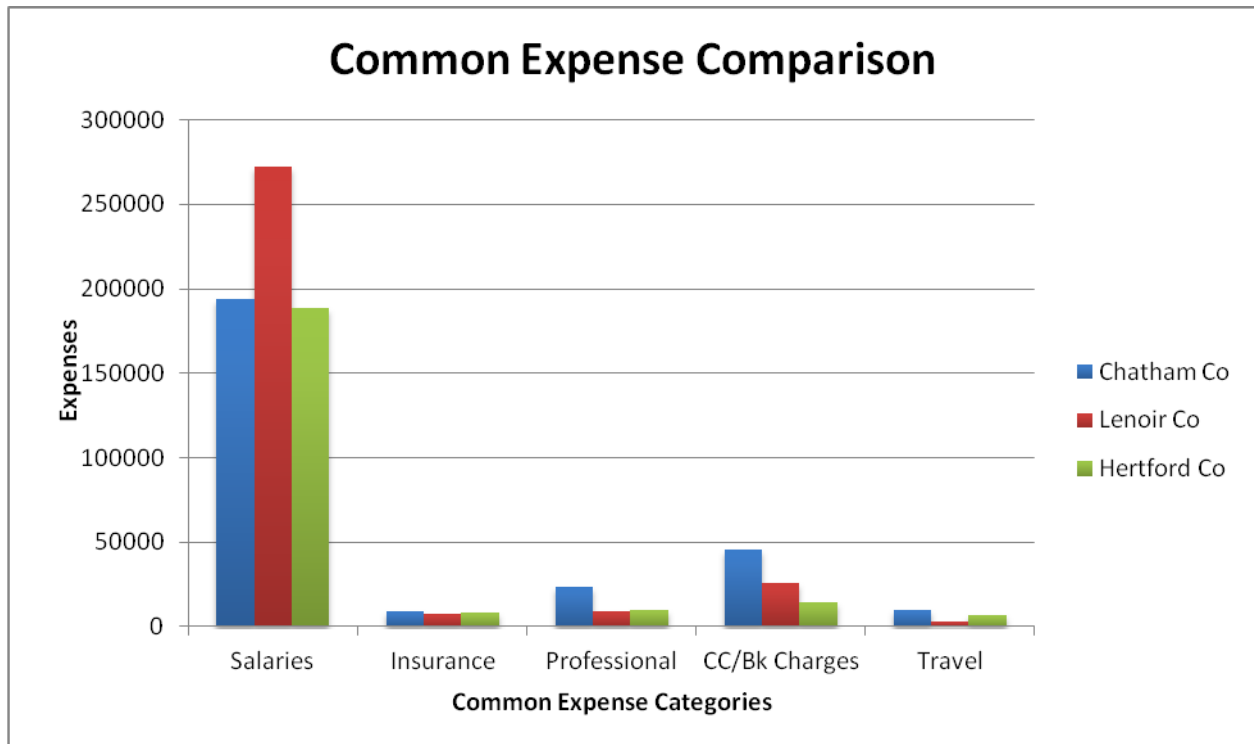
Recommendations:

- Appoint a deputy finance officer to aid in the duties of the finance officer when he/she is absent.

APPENDIX A

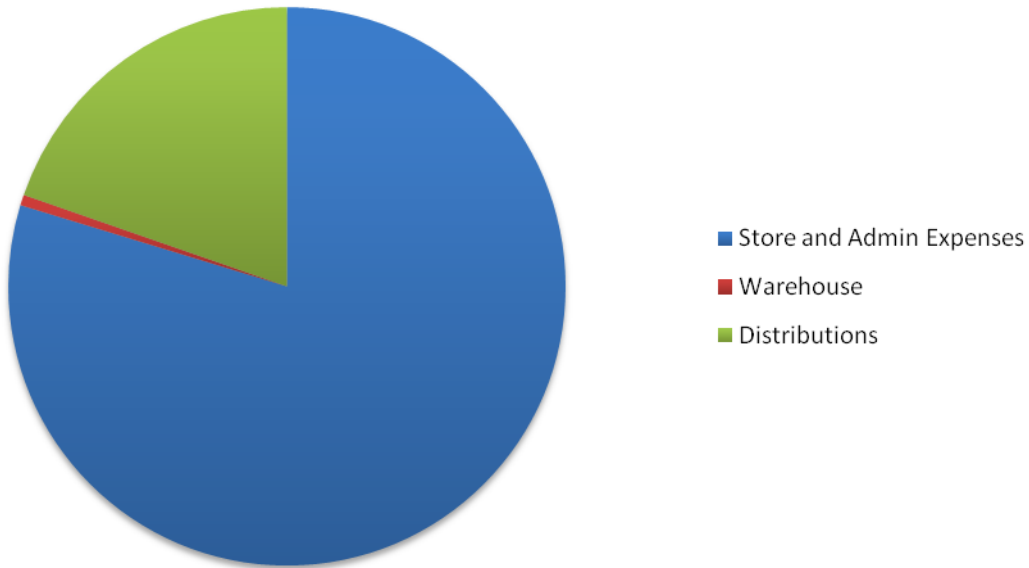


The expense history comparisons of similar size boards reveals that the Chatham County ABC expenses are not out of line compared to other similar size boards.



Other than salaries, the common expense comparison shows that Chatham County ABC expenses are higher than other similar sized boards.

Expense and Distribution Allocations



This chart analyzes the breakdown of expenses and distributions of the Chatham County ABC Board.

APPENDIX B



Counter view of Store 1.



Stains on the carpet at Store 1



Leakage at the Moncure location in the entrance



Counter view at the Moncure location.



Counter view at the Governor's Drive location.

APPENDIX C

1) 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."

(2) 18B-805 (d) states, "...the local board may 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. With the approval of the appointing authority for the board, the local board may also set aside a portion of the remaining gross receipts as a fund for specific capital improvements."

(3) 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."

(4) 18B-203 (f) states, "Instead of hiring local ABC officers, a local board may contract to pay its enforcement funds to a sheriff's department, city police department, or other local law enforcement agency for enforcement of the ABC laws within the law enforcement agency's territorial jurisdiction. Enforcement agreements may be made with more than one agency at the same time."

(5) NCAC 02R .1009 (a) states, "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."

(6) 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.

(7)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)

(8) 18B-804 (a) states "The retail price of spirituous liquor sold in ABC stores shall be uniform throughout the State, unless otherwise provided by the ABC law.

CHATHAM COUNTY ABC BOARD**CHATHAM COUNTY ABC BOARD RESPONSE TO PERFORMANCE AUDIT**

September 18, 2012

INVENTORY TURNOVER:Recommendations:

- Continue analyzing sales history reports carefully to avoid overstocking.
- Explore alternative marketing strategies for eliminating slow moving products and encouraging sales by:
- Request permission from the Commission for a price reduction to sell off slow moving products.
- Obtaining and using recipe cards to increase more impulse buying.
- Space-permitting taking advantage of product displays.

Response: The above recommendations are being implemented.

OPERATING COSTS:Recommendations:

- Monitor budget frequently to ensure that expenses do not exceed budgeted amounts.
- Because salaries and rent are the largest segments of operating expenses, analyze personnel hours to assess efficient personnel usage and re-negotiate rental agreements to get a better rate or acquire a building from the County.
- Request bids annually from various vendors to get the best rates possible on audit, utilities, maintenance contracts, and credit card processing fees.

Response:

1. Monitoring budget amounts to expenses has been implemented
2. Chatham County ABC Board operates with a salaried General Manager and one full time employee. Other employees are part-time with no overtime expense at each store.
3. Rental expense is governed by on-going leases and are a fixed expense. In order to secure proper locations for ABC Stores we have limited opportunities to re-negotiate lower rental leases. There are no County Buildings available in our areas of operations.
4. Vendor bids are requested when feasible, but utilities are based on usage not fixed fees and we must use the telephone/internet facilities located in our area of operations. Chatham County ABC Board received bids for their annual audit this year and replaced their past auditing firm with one of the lower bidding firms. Year 2011-2012 auditing expense will be significantly reduced. Our past credit card processing firm has been replaced this year, but we have not yet seen significant fees cost reduction.

STORE APPEARANCE:

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Recommendations:

- Post the required Fetal Alcohol Syndrome poster in all locations.
- If the lease contract allows, partner with neighboring stores to improve parking areas by defining parking spaces and eliminating pot holes.
- Dust bottles in each store on a regular basis. Include this duty as a clerk's daily responsibility.
- Clean or remove carpets to remove stains
- Consult with landlord to repair the damaged areas in the Moncure location. If the landlord will not comply, consider moving the store to a better area to increase visibility.

Response:

1. The Fetal Alcohol Syndrome poster has been placed on display in all stores.
2. After the performance audit was completed, the Chatham County ABC Board negotiated a lease for a larger ABC Store in a larger shopping center across the highway from their current store 1 location. The center has several access roads and a newly painted parking area. All interior areas and fixtures will be new when the renovations are complete.
3. All of the above recommendations have been done. Landlord has been contacted about repairs, the door is fixed, and a new location is being considered.

PROFIT PERCENTAGE TO SALES:

Recommendations:

- Improve sales strategies by developing new marketing techniques. Refer to recommendations above under inventory turnover, operating costs, and store appearance.
- To increase profit overall, consider re-locating the Moncure store to gain better visibility or close the store and merge with another store.
- Relocate the 15/501 store to a larger building that will allow more retail space, a larger warehouse and office space, and better accommodate MXB accounts—all under one roof.

Response:

1. Store 1 the 15/501 relocation should allow improvement to all suggested recommendations for that store. The new location has 5,000 sq ft that will be allocated properly to give the correct space to all facets of the store operation.
2. The Chatham County ABC Board and the General Manager are presently seeking a new location for the Moncure store, but also presently negotiating with the current landlord for improvements.

WORKING CAPITAL:

Recommendations:

- Under the new rule, the maximum amount allowed for retention would have been \$427,772. Distribute more on a quarterly basis to stay within the maximum amount allowed.
- Ask the appointing authority for a written approval to retain excess profits for capital improvements. Once approval is granted, submit a copy to the commission. Refer to Appendix C(2) for statute.
- Have a specific capital improvement plan that specifies the projects that will be completed on a yearly basis using the funds set aside per 18B-805(d).

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Response

1. The Chatham County ABC Board will meet with the appointing authority to request written approval to retain excess profits for capital improvements.
2. A capital improvement plan is in process. Currently the Store 1 relocation and expansion was planned and budgeted for 2012-2013. Moncure will be addressed as soon as store 1 is completed and a review of all other capital improvements needed will be made and presented in the plan.

POLICY AND PROCEDURAL COMPLIANCE:

Recommendations:

- Adopt a written credit card usage policy. Include a maximum limit allowed on purchases before a Board Member is notified for approval. A Board Member is to be notified of all purchases over the limit. Once adopted, submit a copy to the Commission. Document procedures for the usage of the credit card including:
 - Who has the authority to use the card.
 - What types of items the card may be used for.
 - Personal usage is not allowed.
 - A detailed receipt for every transaction is required.
 - A purchase order must accompany each receipt.
- Adopt a price discrepancy policy. Refer to Appendix C(3) for rule.
- Have an agreed upon law enforcement contract and submit to the Commission. All local boards are required to have an agreement, even if the agreement results in no enforcement activity without pay. Refer to Appendix C (4) for statute.
- Adopt a written cash shortage and overage policy. While the current policy is understood by employees, it is good business practice to have written procedures in place for future employees. Once adopted, submit a copy to the Commission and include in the employee personnel manual.
- * • Update t employee handbook and submit a copy to the Commission. Refer to Appendix C (5) for rule.

Response:

1. Credit Card Policy has not been finalized. Currently in process of being written and approved by Board.
2. Price Discrepancy Policy has been completed
3. Law Enforcement Contract has been completed, signed, and filed with Commission
4. Written Cash Policy will be included in the Employee Manual.
5. Employee Handbook in process.

PERSONNEL AND TRAINING COMPLIANCE

Recommendations:

- Continue cross training employees on key functions that include ordering liquor and closing out the end of the month should the General Manager suddenly be unavailable.
- Attend free training, such as the Responsible Alcohol Seller Program, offered by the Commission and other approved venues. Document training completed and place in employee's personnel file.

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Response:

1. Cross training is an on-going process with head clerical personnel.
2. Implemented

ADMINISTRATIVE COMPLIANCE:

Recommendations:

- Board meeting minutes are to be kept permanently in a binder and available in store.
- Local boards shall retain all records pursuant to the records retention schedule. A records retention schedule is available on the Commission website and in the Operations Manual.
- If the board members are going to accept mileage reimbursement for attending meetings, formally adopt a policy and record in the minutes.
- Update the Commission website to include current board member's latest appointment dates and terms.
- Submit all law enforcement activity reports for the missing months. (If no activity is indicated, just note the fact and submit the form.) Refer to Appendix C (6) for statute.
- Use purchase orders when ordering all store and office supplies. Purchase orders are required to have the pre-audit certificate signed by the finance officer. Refer to Appendix C(7) for statute.
- Orders to LB & B for liquors must have the pre-audit certificate stamped and signed by the finance officer before the orders are placed.
- 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. Refer to Appendix C (8) for statute.

Response:

1. Currently being done
2. Currently being done
3. The Chatham County ABC Board is in the process of adopting the Appointing Authority's Travel Policy. The County Commissioner's must authorize the adoption before the ABC Board can record in the minutes.
4. Has been completed
5. Has been completed
6. The purchase order policy has been implemented, however the Board adopted a policy that only expenditures over \$500 must have a purchase order. This policy is recorded in the Board's minutes.
7. Implemented
8. Implemented

INTERNAL CONTROL:

Recommendations:

- Appoint a deputy finance officer to aid in the duties of the finance officer when he/she is absent.

Response:

1. Currently training the head clerk to assist, but without check signature privileges. In the absence of the finance officer the Board Chairman would be the second signature on the checks.

RECEIVED

OCT 04 2012

NC ABC COMMISSION

CHATHAM COUNTY ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>Policies and Procedures:</p> <p>Adopt the following policies:</p> <ul style="list-style-type: none"> ○ Credit card usage policy; ○ **Price Discrepancy Policy; ○ Law Enforcement Contract. <p>**Update employee handbook.</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 75% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>The board is currently updating the employee manual. However, all other policies have been adopted and submitted to the Commission.</p>
<p>Administrative Compliance and Internal Control:</p> <p>Adopt a mileage reimbursement policy for board members.</p> <p>Submit all law enforcement activity reports for the missing months</p> <p>Audit all shelf tags to ensure accurate pricing.</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 90% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>Management has implemented procedures to ensure the accuracy of prices. The board is awaiting the appointing authority's approval for mileage reimbursement expenses for board members. Once received, a copy will be forwarded to the Commission. All reports have been submitted to the Commission. The board has appointed an employee to serve as the deputy finance officer.</p>