

Jones 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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February 9, 2012

The Honorable Zack Koonce, Chairman
Jones County Board of Commissioners
PO Box 340
Trenton, NC 28585

Dear Chairman Koonce,

We are pleased to submit this performance audit report of the Jones 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.

This report consist 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 fellow County Commissioners will find the report informative.

Respectfully,

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

Michael C. Herring
Administrator

Cc: Frank J. Howard, County Manager
Jones County 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 stores;
- Interviewed key ABC store personnel.

The Jones County ABC Board has responded to the performance audit recommendations detailing plans of implementation as well as making steps toward improving profit margins. Since our visit, the board has increased overall sales and modified internal controls to adhere to statutes and to improve segregation of duties.

BACKGROUND INFORMATION

Located in southeastern North Carolina at least eight miles from the Atlantic Ocean, Jones County is well-known for its forest lands and wildlife environment. Consisting of approximately 78,000 acres, Jones County hosts one of the nation's largest forest laboratories, Hoffman Forest. Shared with other counties, the Croatan National Forest consisting of approximately 294,610 acres is also located in Jones County. The current population was approximately 10,071 in 2009.

The 1937 Act authorized Jones County to hold an election upon written request of the Board of County Commissioners or upon a petition signed by at least fifteen percent of the registered voters in the county. The referendum was held on October 19, 1957. The vote for the ABC store passed 800 to 511. The date for the first retail sales was December 6, 1957 in Trenton, NC. A mixed beverage election held on May 2, 2000 did not pass.

The Jones County ABC Board operates three retail stores located in Trenton, Pollocksville, and Wyse Forks, NC. The board staffs a general manager, a full-time clerk, and seven part-time clerks. 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 accounting for stock.

Profitability

For fiscal year 2010, the board showed a loss; total liquor sales were \$899,716, profit before distributions were -\$18,860 which resulted in a profit percentage to sales of -2.30%. Fiscal year 2011 sales have dropped by 1% over the previous year. In comparing sales with similar boards for the past ten years, Jones County ABC sales have experienced a net increase following the state's 56% ten year increase. *See Chart 1 and 2.*

Factors affecting sales and profitability:

- Adult working population has decreased 4% over the past ten years
- Population below poverty level has increased 5% over the past ten years
- 10.1% unemployment rate in Jones County

Distributions

GS 18B-805 (c) (2) requires the board to expend quarterly at least five percent of profits for law enforcement. The local enabling act exempts the Board from expending seven percent of profits for alcohol education and rehabilitation purposes. After deducting the required amounts for law enforcement, the remainder is to be expended to the Jones County General Fund.

In 2011, the Jones County ABC Board did not make any distributions. Distributions have not been made in the past ten years.

FINDINGS AND RECOMMENDATIONS

On August 23, 2011, ABC Commission Auditor, Moniqua S. McLean, visited the Jones Co ABC stores and interviewed Jim Cejka, general manager, and Luther Cox, board chairman. 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. Below are the turnover rates based on the delivery schedule:

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

The Jones County ABC board has a bi-weekly delivery schedule. The inventory turnover rate for Jones Co ABC is 3.9 and does not meet the target set by the Commission.

Recommendations:

- Explore different strategies for eliminating slow moving products by:
 - Analyzing sales history reports carefully to avoid overstocking
 - Initiating new marketing strategies to encourage impulse shopping
 - Moving stock within the store and between stores to increase visibility; use recipe cards displays, and other marketing techniques to increase sales
 - Identifying unsold inventory for transfer to another board which has demand
 - Requesting permission from the Commission for a price reduction to sell off slow moving products
- Take advantage of SPA's and quarterly price reductions whenever possible
- Contact boards whose inventory turnover rate exceeds the target for new ideas that may be implemented in your store

2. Operating costs

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 Jones Co ABC board has an operating cost ratio of 1.07 while the average for similar size boards is .94 or less. To meet the goal at current expense levels, revenues must be approximately \$1,000,000. To meet the goal at current revenue levels, operating expenses must be less than \$200,000. *An analysis of historical data on operating expenses and common expenses is found under Charts.*

Recommendations:

- Monitor budget monthly to ensure that expenses do not exceed budgeted amounts.
- Because salaries are the largest segment of operating expenses, analyze personnel hours to assess efficient personnel usage.
- Request bids annually from various vendors to get the best rates possible on audit, credit card processing fees, and insurance and bonding rates.

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

The Jones County ABC board has a profit percentage to sales of -2.30% and does not meet the targeted rate set by the Commission.

Recommendations:

- Analyze and reduce operating expenses to increase profits. Refer to above recommendations.
- Economic indicators do not support any significant increase in future sales.
- Consider closing one or more of the unprofitable stores and perhaps expanding the Wyse Forks store which is profitable.

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 G.S. 18B-805(b)(2),(3), and (4). The Commission has set efficiency goals based on the following breakdown:

- 4 months for boards with gross sales less than \$1.5M
- 3 months for boards with gross sales less than \$50M and greater than or equal to \$1.5M
- 2 months for boards with gross sales equal to or greater than \$50M

In 2011, Jones Co ABC Board had working capital of \$90,668 and met the minimum goals set by the Commission.

5. Store Appearance

The linear footage for the Jones County ABC stores ranges from approximately 400 to 800 feet of shelf space. Each store holds approximately 800 product codes. *Refer to Appendix A for photos.*

- The stores overall were clean and free from clutter in the counter area.
- The Pollocksville store contained multiple signs on the main entrance door.
- There is no comprehensive shelf management system in place; products are arranged in code number order.
- Shelves were empty giving the appearance that there were not enough products available for sale
- Televisions were present in all locations. The televisions in the Pollocksville and Wyse Forks locations were tuned to channels other than weather or news.
- The lighting in all stores was dim making it difficult to view products.
- The ceiling in the Pollocksville store has numerous holes needing repair. The parking lot at the same location contained numerous pot holes.
- Upon entering stores, each employee greeted the ABC Commission auditor as well as customers.

Recommendations:

- Minimize the number of signs on the entrance door to include only store hours
- Develop an effective and efficient shelf-management system that better utilizes the spacing areas. Shelf management needs to be consistent and easily understood. *Refer to Appendix B (1) for rule.*
- Utilize end caps to display monthly sales and discontinued items.
- Have all televisions tuned to weather or news channels and lower volume so as not to disturb customers.
- Replace lighting fixtures in all stores to help make products more visible.
- If the Pollocksville store is to remain open, repair ceiling and exterior areas to make it more inviting.

6. Policies and Procedures

- Board meeting minutes were available and followed the order of proceedings for conducting business meetings. The meetings referenced the conflict of interest statement.
- The board's budget was submitted on August 17, 2011 past the deadline set in 18B-702(g). The board based the budget on two stores while maintaining three stores.
- Board information on the Commission website does not reflect the board members' latest appointing date nor the current store hours. Board members' compensation meets the current statutory requirements.
- Law enforcement contract has not been adopted nor submitted to the Commission. However, law enforcement reports have been submitted to the Commission as required.

- Nepotism – The board does not employ any immediate family members.
- Board does not have a price discrepancy policy on file.
- Board does not have a credit card policy.

Recommendations:

- Submit a budget message and budget to the appointing authority and Commission no later than July 1 of each fiscal year. All monies received and expended must be included in the budget. *Refer to Appendix B (2) for statute.*
- Update board information on the Commission website to reflect current board member appointment dates, compensation amounts, and store operating hours.
- Adopt a 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 B (3) for statute.*
- Adopt a price discrepancy policy and submit to the Commission. 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 book the difference to cash over/short. The Commission will provide a sample policy upon request. *Refer to Appendix B (4) for rule.*
- Adopt a credit card use policy. Include a maximum limit allowed on purchases before a board member is notified for approval. The board is to be notified of all purchases over the limit. Once adopted, submit a copy to the Commission. Procedures for usage of the credit card should include:
 - Who has 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

7. Personnel/Training Compliance

- Employee training is conducted when need arises and whenever new information is available.
- Employees have not attended RASP training in five years.
- Employees rely on a calendar for scheduling hours and are required to monitor hours worked by a weekly time sheet. The employee and general manager currently approve hours worked by signing the time sheet.
- No employee has been cross-trained to fill in for the general manager should he become unable to work.

Recommendations:

- Attend annual training, such as the Responsible Alcohol Seller Program, offered by the Commission.
- Create a checklist for use in training new and existing employees and have each employee sign once training is complete.
- Have regular training for employees on customer service, policy changes, and store functions.
- 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

8. Administrative Compliance

- Purchase orders are not used for ordering store and office supplies.
- Orders to LB&B and purchase orders do not bear the pre-audit certificate required by GS 18B-702(m). Effective May 1, all purchase orders and contract must bear the certificate.
- All checks display the approved certificate required by GS 18B-702(q).
- Price tags on the shelves in some cases did not match the pricing in the register or the pricing set by the State. Shelf tags were not updated to reflect the list price for products that were no longer on sale. Svedka .75L and Boru Vodka 1.75L showed May 2011 prices.

Recommendations:

- Use purchase orders for ordering all store and office supplies. Purchase orders are required to have the pre-audit certificate signed by the finance officer. *Refer to Appendix B (5) for statute.*
- Orders to LB&B for liquor must have a pre-audit certificate signed by the finance officer.
- North Carolina statutes require uniform pricing in all ABC stores. Request additional training, if necessary, from computer vendor on handling monthly price reductions. Immediately audit all shelf tags in the store and the cash register system for correct pricing. Verify all shelf tags to ensure they reflect the correct retail price.

9. Internal Control

- Currently, the general manager performs the finance officer duties. The general manager and board chairman currently sign checks with the invoices attached.
- The board chairman has pre-signed a portion of blank checks.
- A deputy finance officer has not been appointed to fill in if the finance officer or board chairman is absent.
- Monthly inventory counts are performed by the general manager and staff. Board members do not assist, however, spot check are performed outside the inventory schedule by clerks.

- All employees share a single cash drawer for the entire sales day. The cash drawer is counted by each shift before the start of business. Normally, the same clerk works open to close. A policy is enforced if the cash drawer is short, all working employees will split the shortage and make the cash drawer correct.
- The general manager maintains the change fund. The change fund is counted monthly.
- The general manager is the authorized user of the credit card and also reconciles the monthly credit card statements.

Recommendations:

- Appoint a finance officer other than the general manager. *Refer to Appendix B (6) for statute.*
- Blank checks must never be pre-signed.
- All checks must be physically signed by the authorized signers and accompanied by the invoice and/or a signed purchase order.
- Appoint a deputy finance officer to aid in the duties of the finance officer when he/she is absent. *Refer to Appendix B (7) for statute.*
- To ensure stronger internal controls on cash management, the following need to occur:
 - Each employee maintains a separate cash drawer.
 - At the start and close of each shift, employees count their drawer to verify totals and are held accountable for only their own cash drawer.
- Have a written policy for the cash drawer overages/shortages and include it in the personnel manual.
- Since the general manager is authorized to make purchases with the board credit card, appoint someone other than the general manager to open the monthly credit card statement and reconcile it.

Chart 1

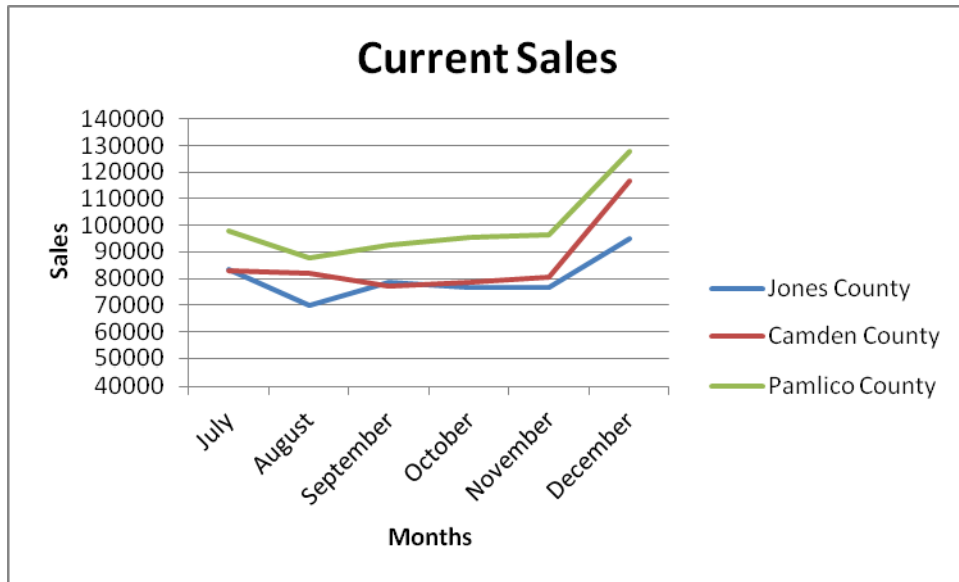


Chart 1 reflects current sales comparisons of similar size boards.

Chart 2

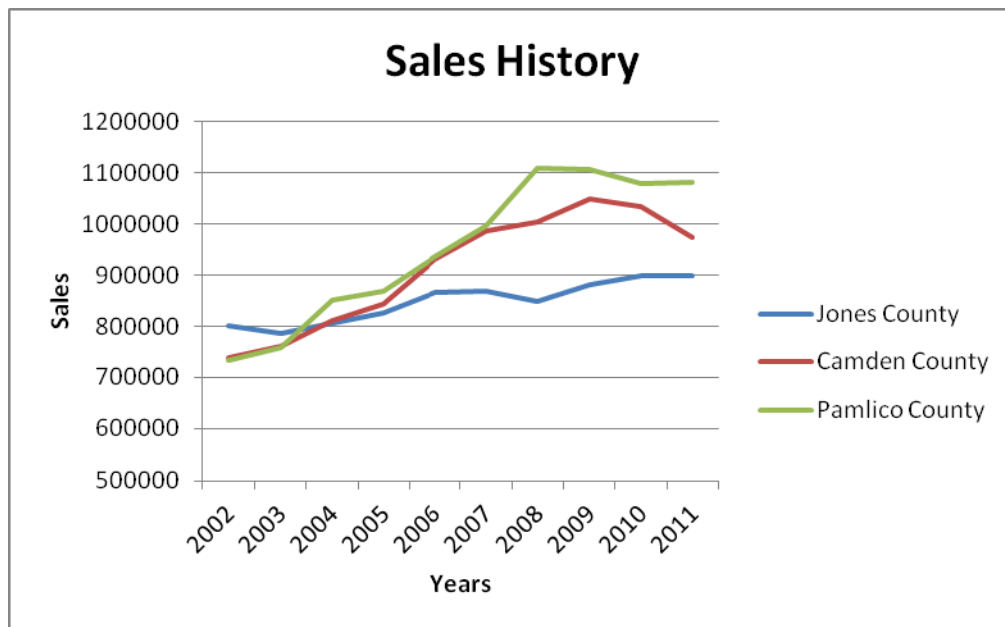


Chart 2 reflects historical sales growth of similar size boards.

Chart 3

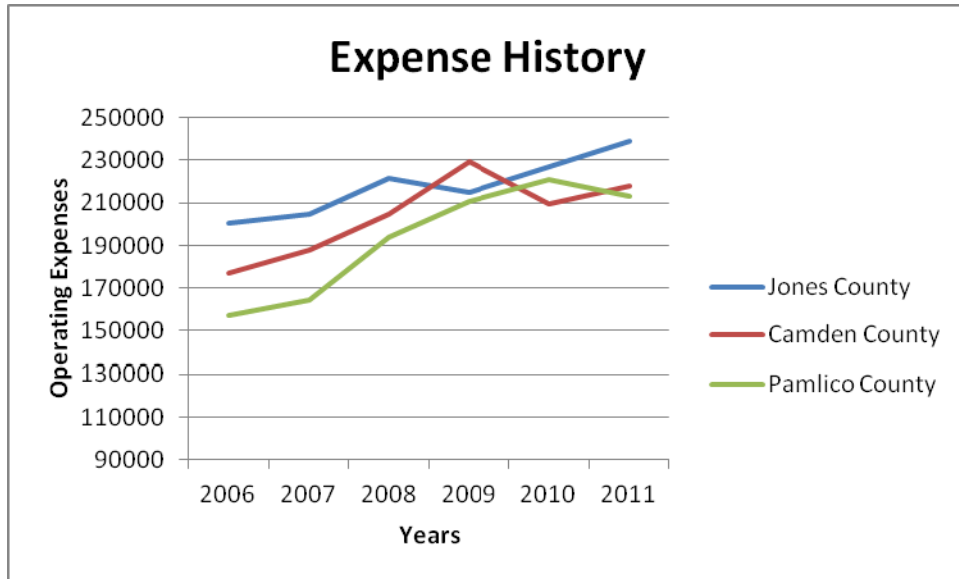


Chart 3 reflects the historical trend of operating expenses of similar size boards. Note: The chart is comparing Jones County with two-store boards, so the expenses will be slightly higher.

Chart 4

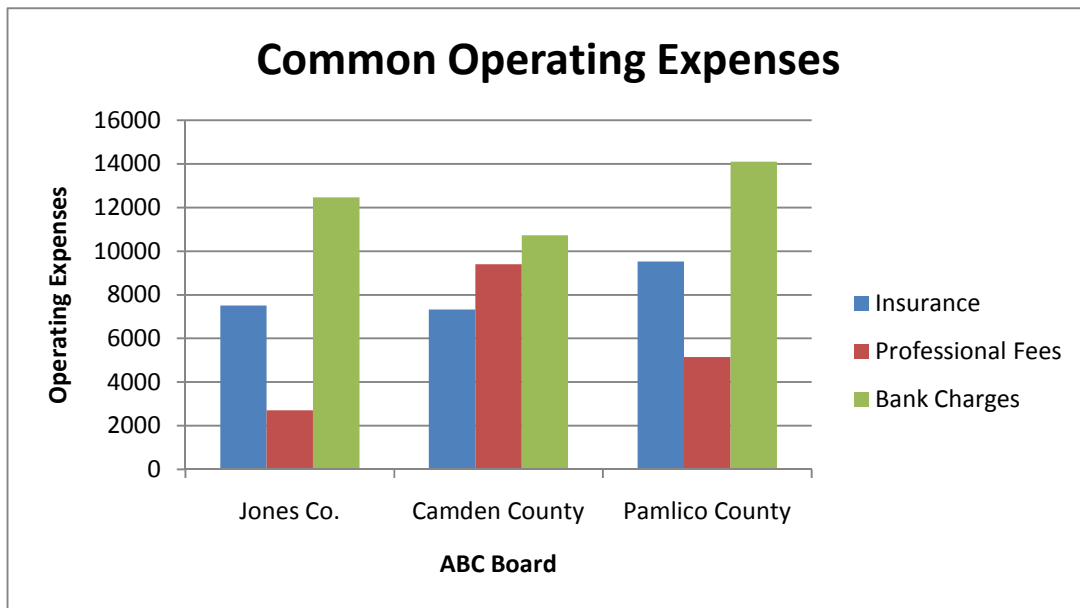


Chart 4 reflects common expense comparisons of similar size boards.

Chart 5

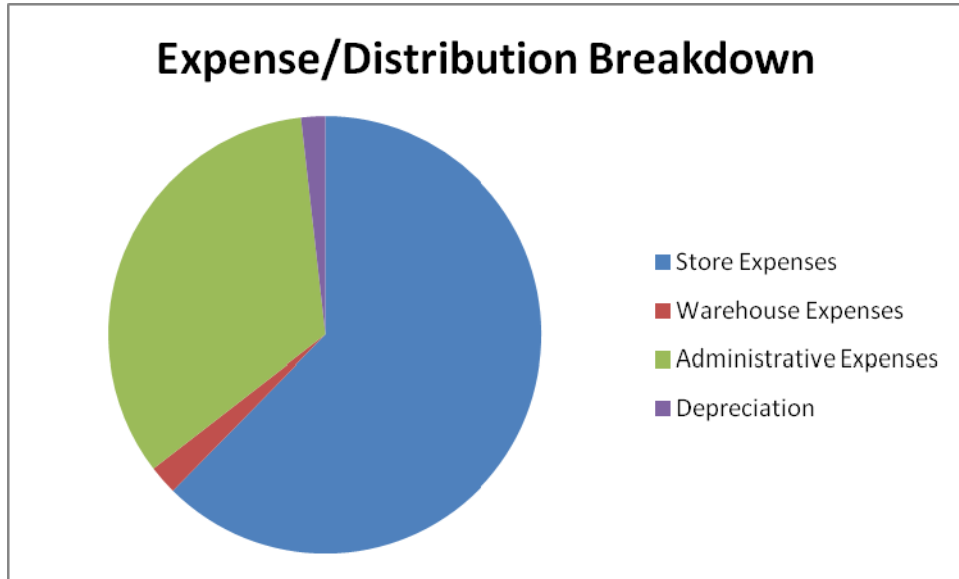


Chart 5 reflects the breakdown of expense and distribution allocation.

APPENDIX A

Picture 1



Shelf-management system not clearly defined.

Picture 2



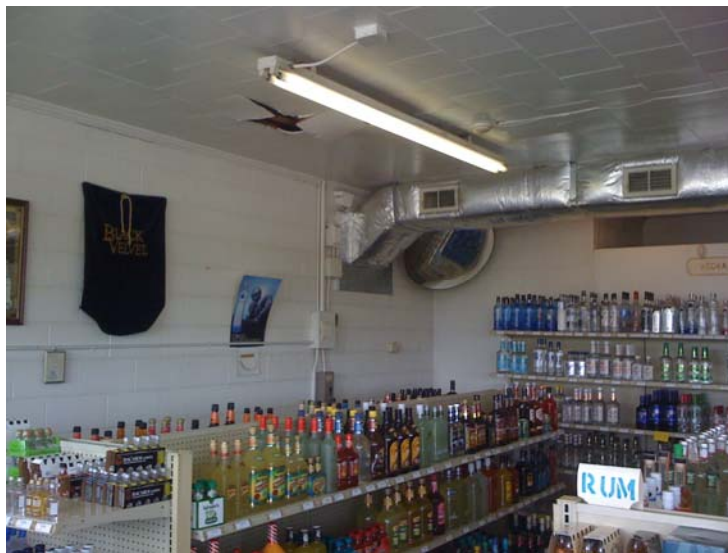
Empty shelving reflecting not enough products available.

Picture 3



Bottles not fronted.

Picture 4



Pollocksville store ceiling.

Picture 5



Holes in parking area. Parking area does not have definitive parking spaces.

Picture 6



Prices do not reflect the current list price.

APPENDIX B

(1) 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."

(2) GS18B – 702(c) states, "Each local board shall operate under an annual balanced budget administered in accordance with this section. A budget is balanced when the sum of estimated gross revenues and both restricted and unrestricted funds are equal to appropriations, which the funds are appropriated. It is the intent of this section that all monies received and expended by a local board should be included in the budget. Therefore, notwithstanding, any other provision of law, no local board may expend any monies, regardless of their source, except in accordance with a budget adopted under this section. The budget of a local board shall cover a fiscal year beginning July 1 and ending June 30.

(d) "...The budget, together with a budget message, shall be submitted to the local board, the appointing authority, and the Commission not later than June 1. The budget message should contain a concise explanation of the goals fixed by the budget, set forth the reasons for stated changes from the previous year in appropriation levels, and explain any major changes in fiscal policy.

(3) 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."

(4) 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."

(5) 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)

(6) GS 18B-702 (j) states "...the local board shall designate (i) a part-time or full-time employee of the board other than the general manager or (ii) the finance officer of the appointing authority with consent of the appointing authority to be the finance officer for the local board."

(7) GS 18B-702 (p) states "...all checks or drafts on an official depository shall be signed by the finance officer or a properly designated deputy finance officer."

**JONES COUNTY ABC BOARD RESPONSE
TO THE N.C. ABC COMMISSION
ANNUAL PERFORMANCE AUDIT DRAFT
OF AUGUST, 2011
PERFORMED BY MS. MONIQUA MCLEAN**

INTRODUCTION

THE JONES COUNTY ABC BOARD HAS PROVIDED SERVICE AND CONTROL OF PACKAGED ALCOHOLIC BEVERAGES TO THE RESIDENTS OF JONES COUNTY AND THE CITIZENS OF NORTH CAROLINA SINCE ITS INCEPTION IN 1957. THROUGHOUT ITS EXISTENCE, THE BOARD HAS MADE EVERY EFFORT TO BE AN ETHICAL AND CONTRIBUTING ASPECT OF ITS APPOINTING AUTHORITY, BUT THERE ARE SOME ASPECTS OF THE BOARD'S PAST POLICIES THAT ARE NOT IN STRICT ACCORDANCE WITH THE ABC COMMISSION'S INTENDED PURPOSE AND GOALS. THESE DESCREPAANCIES WILL BE IDENTIFIED AND DISCUSSED IN DEPTH WITHIN THE RESPONSE.

IN ORDER TO SAVE TIME, ONLY THOSE PARTICULAR ASPECTS THAT REQUIRED ATTENTION WITHIN THE PERFORMANCE AUDIT WILL BE ADDRESSED.

1.) INVENTORY TURNOVER

A.) THE CURRENT SUPERVISOR HAS RECOGNISED THAT A HISTORIC ADHERANCE TO MAINTAINING CERTAIN ITEMS SIMPLY BECAUSE OF SALES IN EARLIER YEARS IS NO LONGER ACCEPTABLE OR PRACTICAL, AND HAS ALREADY INSTITUTED MEASURES TO HELP CLEAR THESE ITEMS FROM INVENTORY BY INFORMING HIS CLERKS TO RECOMMEND THE ITEMS TO CUSTOMERS WHO ARE SEACHING FOR PARTICULAR TYPES OF WHISKEY RATHER THAN BRANDS. HE HAS ALSO SHIPPED CERTAIN SLOWER MOVING ITEMS TO THE STORES THAT HAVE HISTORICALLY HAD SALES OF THE PARTICULAR BRANDS.

B.) THE SUPERVISOR HAS BEEN TAKING FULL ADVANTAGE OF SPA'S AND QUATERLY BUY-INS, EXCEPT ON THOSE ITEMS THAT HAVE BEEN IDENTIFIED AS SLOW MOVERS.

C.) THE JONES COUNTY ABC BOAD HAS HAD SPECIAL DIFFICULY OBTAINING RECIPE CARDS OR PROMOTIONAL ITEMS BECAUSE IT IS A SMALLER BOARD, BUT

THE BOARD DOES MAKE FULL USE OF ALL PROMOTIONAL AIDS RECEIVED.

D.) THE SUPERVISOR HAS INTRUCTED HIS CLERKS ON PLACING SLOWER MOVING ITEMS IN DIFFERENT LOCATIONS WITHIN THE STORES TO HELP INCREASE VISIBILITY OF THOSE ITEMS.

E.) END CAPS ARE CURRENTLY BEING USED IN THE STORES TO HELP DISPLAY 50 ML., 100 ML., AND 200 ML. ITEMS, BUT THE SUPERVISOR IS CURRENTLY INVESTIGATING ALTERNATIVE MEANS OF MERCHANDISING, AS FLOOR SPACE PERMITS.

2.) OPERATING COSTS

A.) THE BOARD HAS PERFORMED HOURLY PRODUCTIVITY STUDIES AT ALL THE STORES, AND HAS DETERMINED THAT ALL STORES SHOULD OPEN NO EARLIER THAN 11:00 A.M. THIS MEASURE WAS INSTITUTED BEGINNING OCTOBER 17, 2017, AND HAS REDUCED OPERATING COSTS (PRIMARILY IN SALARIES) BY APPROXIMATELY \$3400.00 IN THE SECOND FISCAL QUARTER, WITHOUT ADVERSELY AFFECTING OVERALL SALES. ADDITIONALLY, THE LOSS OF THE BOARD'S CHIEF FINANCIAL OFFICER HAS SAVED AN ADDITIONAL \$4000.00, APPROXIMATELY. THE BOARD REALISES THE NEED FOR THE POSITION OF C.F.O., AND HAS ELECTED TO TRAIN A SUITABLE CANDIDATE IN-HOUSE, RATHER THAN HIRE FROM OUTSIDE THE BOARD, WHICH WILL HELP MAINTAIN A MUCH LEANER PAYROLL.

B.) THE BOARD IS CONSTANTLY SEEKING BIDS FOR GOODS AND SERVICES THAT IT UTILISES REGULARLY, AND HAS REDUCED THE COST OF BANK SERVICE CHARGES AND OFFICE SUPPLIES. THE BOARD WILL CONTINUE TO SEEK NEW BIDS FOR THESE AND OTHER SERVICES.

3.) PROFIT PERCENTAGE TO SALES

A.) THE BOARD HAS ALREADY INSTITUTED MEASURES TO HELP INCREASE ITS PROFIT-TO-SALES MARGIN (SEE #2, ABOVE).

B.) THE BOARD IS NOT CURRENTLY ACTIVELY INVESTIGATING THE POSSIBILITY OF CLOSING ONE OR MORE STORES, AS PRELIMINARY AUDIT RESULTS SHOW A PROFIT FOR THE FIRST HALF OF THE 2011-12 FY OF APPROXIMATELY \$16,000.00. THE BOARD BELIEVES BY FURTHER ADJUSTING STORE HOURS (AND SUBSEQUENT PAYROLL) THAT AN ACCEPTABLE PROFIT-TO-SALES MARGIN CAN BE ACHIEVED WITHOUT RESORTING TO MORE DRASTIC MEASURES.

4.) WORKING CAPITAL

5.) STORE APPEARANCE

A.) ALL NON ESSENTIAL SIGNS HAVE BEEN REMOVED FROM THE DOORS AND WINDOWS OF ALL STORE, THEREBY REDUCING VISUAL CLUTTER AND IMPROVING VISIBILITY.

B.) SHELF MANAGEMENT PLANS HAVE BEEN STUDIED AND IMPLEMENTED IN A LIMITED MANNER IN ALL LOCATIONS, DUE TO THE LACK OF TIME THAT THE SUPERVISOR HAS AT HIS DISPOSAL TO MORE FULLY INCORPORATE THEM. THE SUPERVISOR WILL BE IMPLEMENTING A MORE COMPREHENSIVE PLAN AT ALL LOCATIONS BY FIRST IDENTIFYING "DEAD SPACE" (SPACE WHERE MECHANDISE HAS MORE FACINGS THAN ARE JUSTIFIED BY SALES), AND BY INCREASING FACINGS ON BRANDS AND TYPES OF LIQUOR THAT ARE EXPERIENCING RAPID GROWTH (I.E. VODKAS).

C.) A TELEVISION USAGE POLICY WILL BE ADOPTED AND ENFORCED BY THE BOARD.

D.) INTERIOR LIGHTING AT ALL LOCATIONS HAS BEEN ASSESSED AND STEPS HAVE BEEN MADE TO HELP INCREASE ILLUMINATION AT ALL LOCATIONS. NEGOTIATIONS HAVE BEGUN WITH A LOCAL ELECTRICIAN TO REPLACE THE OUTDATED FIXTURES AT THE TRENTON LOCATION WITH NEWER, HIGH-EFFICIENCY FIXTURES (NOTE; THE NEWER FIXTURES, INCLUDING THE BULBS, COST THE SAME AS REPLACING THE FLOURESCENT BALLASTS IN THE OLDER FIXTURES).

E.) THE "POTHOLES" MENTIONED AT THE POLLOCKSVILLE LOCATION ARE ACTUALLY THE BURIED REMAINS OF STEEL POSTS THAT ORIGINALLY SUPPORTED A DRIVE-UNDER CANOPY. AT SOME TIME IN THE PAST, THE BOARD ELECTED TO HAVE THE CANOPY REMOVED AND THE STEEL POSTS CUT LEVEL WITH THE SURFACE OF THE EXISTING PAVEMENT, WITH THE RESULTING HOLLOWES FOR THE POSTS FILLED WITH CONCRETE. FULL REMOVAL OF THE POSTS AND THE PATCHING OF THE PAVEMENT IS AN EXPENSE THAT THE BOARD IS UNWILLING TO UNDERTAKE AT THIS TIME. ADDITIONALLY, PART OF THE SOUTHERN EDGE OF THE PARKING LOT IS THE PROPERTY OF J.A.S. AMBULANCE SERVICES, AND IS THEIR RESPONSIBILITY, EVEN THOUGH SOME CUSTOMERS DO TAKE ADVANTAGE OF ITS PRESENCE.

FURTHER NOTES ABOUT THE POLLOCKSVILLE STORE:

THE POLLOCKSVILLE STORE WILL BE BYPASSED WHEN THE NEW FOUR-LANE HIGHWAY 17 IS COMPLETED, BUT THE COMPLETION DATE FOR THAT PROJECT IS STILL UNDETERMINED AT THIS TIME. THE BOARD BELIEVES THAT IT MAY BE TEN OR MORE YEARS BEFORE THE NEW HIGHWAY BEGINS TO ADVERSELY AFFECT THE SALES AT THAT STORE, AND IS EAGER TO BEGIN SOME RENOVATIONS TO THE STORE. THESE PROPOSED RENNOVATIONS INCLUDE:

- i.) ADEQUATELY SEALING THE EXISTING FLAT-ROOF TO PREVENT LEAKAGE (THE PRIMARY CAUSE OF CEILING TILE DAMAGE)
- ii.) REPLACING THE OUTDATED ELECTRICAL SEVICE PANEL (CURRENTLY A 60 AMP SCREW FUSE PANEL LOCATED ON THE WALL OF THE SALES FLOOR) WITH AN UPDATED 200 AMP SERVICE PANEL TO BE LOCATED IN THE BACK STORE ROOM. THIS WILL MAKE THE SOUTH WALL OF THE SALES ACCESSABLE TO UTILISE A FULL WALL SHELF, THEREBY OPENING UP THE SALES FLOOR AND INCREASING SHELF SPACE, AS WELL AS PRODUCT VISIBILITY. ADDITIONALLY, THE BOARD PLANS TO INSTALL A SUSPENDED CEILING, THEREBY COVERING THE EXISTING WIRING CONDUIT AND HEATING DUCTS, AS WELL AS PROVIDING A MEANS TO INSTALL UPDATED LIGHTING FIXTURES,WHICH WOULD NOT ONLY MODERNISE THE APPEARANCE OF THE SIXTY YEAR-OLD STORE, BUT MAKE IT MORE ENERGY EFFICIENT OVERALL. (NOTE: THE POLLOCKSVILLE STORE WAS BUILT IN OR ABOUT 1960 AS A COUNTER STORE; ASIDE FROM REMOVING THE BULLET-PROOF GLASS, NO MAJOR RENNOVATION HAS TAKEN PLACE).

6.) POLICIES AND PROCEDURES

- A.) THE BOARD RECOGNISES THE NECESSITY FOR SUBMITTING A BALANCED BUDGET, BUT HAS BEEN HESITANT ABOUT SUBMITTING A FULL COPY IN LIEU OF THE FACT THAT THE BOARD SUSTAINED A LOSS FOR THE LAST TWO FISCAL YEARS, AND WAS EAGER TO BEGIN IMPLEMENTING STRATEGIES TO REVERSE THE TREND (SEE ABOVE).ADDITIONALLY, THE LOSS OF THE BOARD'S C.F.O. IN AUGUST HAS PLACED AN ADDITIONAL WORK LOAD ON THE SUPERVISOR, OVER AND BEYOND IMPLEMENTING THE BOARD'S DIRECTIVES. THE SUPERVISOR HAS RECENTLY BEEN TRAINING A CLERK TO LEARN THE DUTIES OF C.F.O., AND HOPES TO BE ABLE TO GET ALL NECESSARY DOCUMENTATION PREPARED SOON.
- B.)ALL BOARD INFORMATION SHOULD BE CURRENT AT THIS TIME.
- C.) THE BOARD RECOGNISES THE NEED FOR A LAW ENFORCEMENT CONTRACT PER

STATUTE, AND HAS CONTACTED SEVERAL LAW ENFORCEMENT AGENCIES REGARDING THIS, BUT ALL QUOTES SUBMITTED TO DATE HAVE BEEN OUTSIDE THE REALM OF POSSIBILITY FOR THE BOARD'S CONSIDERATION. THE SUPERVISOR HAS CONTACTED DANNY HEATH, SHERRIFF OF JONE COUNTY INFORMALLY TO NEGOTIATE A CONTRACT CONTIGENT ON A PROFIT BEING MADE BY THE BOARD. THOSE NEGOTIATIONS ARE STILL ONGOING.

D.) WHILE THE BOARD DOES NOT HAVE A WRITTEN PRICE DISCREPANCY POLICY IN PLACE, IT DOES USE THE HISTORIC PRACTICE OF OFFERING THE LOWER PRICE TO THE CUSTOMER AT THE TIME OF SALE, WITH THE SUPERVISOR PAYING THE DIFFERENCE. THIS HAS BEEN SUCH A RARE OCCASION THAT THE BOARD HAS NOT SEEN THE NEED FOR SUCH A POLICY TO DATE, BUT WILL BEGIN DRAFTING ONE TO INCORPORATE INTO THE BOARD'S OPERATION MANUAL.

E.) THE BOARD HAS ADOPTED A CREDIT CARD POLICY, WITH A COPY GIVEN TO MS. MONIQA MCLEAN AT HER PRESENTATION OF THE PERFORMANCE AUDIT RESULTS.

7.) PERSONNEL TRAINING/ COMPLIANCE

A.) THE SUPERVISOR DOES TRAIN NEW EMPLOYEES TO BE RESPONSIBLE SELLERS OF ALCOHOLIC BEVERAGES, BUT SEES A GREATER NEED TO HAVE SOME OUTSIDE TRAINING CONDUCTED BY THE COMMISSION. HE WILL BEGIN INQUIRIES ABOUT LOCAL VENUES THAT MAY BE HOSTING SUCH TRAINING.

B.) THE SUPERVISOR RECOGNISES THAT A SIGNED CHECKLIST OUTLINING THE DUTIES AND RESPONSIBILITIES OF ALL EMPLOYEES TO BE SIGNED BY EACH EMPLOYEE IS NECESSARY TO MAINTAINING PROPER STORE OPERATION AND EMPLOYEE ATTITUDE, AND WILL BEGIN DRAFTING SUCH DOCUMENTS AT THE EARLIEST POSSIBLE TIME.

C.) THE SUPERVISOR DOES HAVE ONE-ON-ONE TRAINING SESSIONS WITH EACH EMPLOYEE REGARDING CUSTOMER SERVICE, POLICY CHANGES, ETC., BUT SEES A GREATER NEED FOR REGULAR GROUP SESSIONS, WITH APPROPRIATE TEACHING MATERIALS, ALONG WITH SIGNED ACKNOWLEDGEMENTS OF ATTENDANCE FROM EACH EMPLOYEE. THE SUPERVISOR WOULD LIKE TO SEE SOME OF THESE SESSIONS INCORPORATED WITH R.A.S.P. TRAINING.

D.) THE SUPERVISOR HAS FOUND QUALIFIED EMPLOYEES TO BEGIN CROSS-TRAINING IN THE DUTIES OF C.F.O AND ORDERING CLEK, AND HAS BEGUN TRAINING THEM IN THEIR PROSPECTIVE DUTIES.

8.) ADMINISTRATIVE COMPLIANCE

A.) PURCHASE ORDERS ARE NOW USED FOR ALL PURCHASES THAT ARE NOT INVOICED AT THE TIME OF PURCHASE.

B.) PRICES ARE USUALLY DOUBLE-CHECKED BY EMPLOYEES AT THE BEGINNING OF EACH MONTH, BUT AT THE TIME OF THE AUDIT THE CLERK USUALLY RESPONSIBLE FOR THE TASK WAS OUT WITH A JOB-RELATED INJURY, AND THE SUPERVISOR DID NOT CHECK THEM HIMSELF. THIS SITUATION HAS BEEN SINCE CORRECTED.

9.) INTERNAL CONTROL

A.) THE BOARD DECIDED TO TRAIN AN INDIVIDUAL FOR THE POSITION OF C.F.O.FROM AN EMPLOYEE ALREADY EMPLOYED BY THE BOARD, RATHER THAN EMPLOY AN OUTSIDE INDIVIDUAL. THIS INDIVIDUAL ALREADY HAS SOME ACCOUNTING AND BOOKKEEPING EXPERIENCE, AND HAS RECENTLY BEGUN THEIR TRAINING.

B.) ALL CHECKS ARE NOW SIGNED BY THE C.F.O AND A BOARD MEMBER AT THE TIME THEY ARE PAID WITH THE APPROPRIATE INVOICE OR PURCHASE ORDER ATTACHED. NO CHECKS ARE PRE-SIGNED WHATSOEVER.

C.) A COPY OF THE BOARD'S POLICY REGARDING MAINTAINING CASH COUNTS FOR ALL EMPLOYEES WAS GIVEN TO MS. MONIQUA MCLEAN WHEN SHE PRESENTED THE RESULTS OF THE PERFORMANCE AUDIT TO THE BOARD. IN BRIEF, IT STATES THAT THE TILL IS TO BE COUNTED AT THE BEGINNING AND END OF EACH SHIFT, AND THAT ALL SHORTAGES ARE TO BE PAID BY THE CLERK(S) WHO USED THE TILL. THE POLICY IS ALREADY PART OF THE PERSONNEL MANUAL.

D.) THE MONTHLY CREDIT CARD STATEMENT IS CURRENTLY OPENED AND RECONCILED BY A BOARD MEMBER, AND NOT BY THE SUPERVISOR OR C.F.O.

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FEB 05 2012

NC ABC COMMISSION

JONES COUNTY ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>Store Appearance: **Have a definitive, consistent, shelf management system.</p> <p>Repair the interior damage and unattractive areas to the Pollocksville store.</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Note: Required by rule.</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input checked="" 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>Management is in the process of implementing a new shelf management plan as time permits. Due to the increase in sales, the board is in the process of making the necessary repairs to the Pollocksville store. Because of previous restraints in the parking area, the board is unable to repair at this time.</p>
<p>Policies and Procedures: Submit a budget to the appointing authority and Commission no later than July 1.</p> <p>Adopt a law enforcement contract and submit to the Commission.</p> <p>**Adopt a price discrepancy policy.</p> <p>Adopt a credit card policy. – Note: Not required by statute or rule.</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 checked="" type="checkbox"/> Fully Implemented</p> <p><input checked="" type="checkbox"/> Partially implemented 40% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>The Board has submitted a budget based on two store revenues. The Board is currently negotiating an agreement with the Jones Co Sheriff's Department. Once an agreement is established, a copy of the contract will be submitted to the Commission. The Board has adopted a credit card policy and was submitted to the Commission. A written price discrepancy policy has not been adopted.</p>

JONES COUNTY ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>Personnel/Training Compliance: Have all employees attend RASP training annually.</p> <p>Cross train employees to fill in for the general manager should he become unable to work.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<p>(Please provide documentation supporting implementation status.)</p> <p><input checked="" type="checkbox"/> Fully Implemented <input checked="" type="checkbox"/> Partially implemented % complete. (Explain below.) <input type="checkbox"/> Not implemented (Explain below.)</p> <p>Management will begin seeking approved training opportunities for employees. Management is also cross training qualified employees to perform duties of the finance officer and of the general manager when they are absent.</p>
<p>Administrative Compliance: Use purchase orders when ordering all store and office supplies.</p> <p>Affix the pre-audit certificate on all orders to LB&B and have the finance officer sign.</p> <p>Audit all shelf tags for correct pricing with the register.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>(Please provide documentation supporting implementation status.)</p> <p><input checked="" type="checkbox"/> Fully Implemented <input type="checkbox"/> Partially implemented ____% complete. (Explain below.) <input type="checkbox"/> Not implemented (Explain below.)</p> <p>Management is currently using purchase orders for all purchases. Prices are checked regularly to ensure accuracy between the register and shelf tags.</p>

JONES COUNTY ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>Internal Control: Appoint a finance officer other than the general manager.</p> <p>Refrain from signing blank checks. <i>Note: Not a statute or rule but good internal control methods.</i></p> <p>Appoint a deputy finance officer.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>(Please provide documentation supporting implementation status.)</p> <p><input checked="" type="checkbox"/> Fully Implemented</p> <p><input type="checkbox"/> Partially implemented ____% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>The Board has appointed a finance officer. Checks are not pre-signed but signed by the appropriate persons.</p>