

Marshville ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
400 East Tryon Road, Raleigh, NC 27610
p: 919-779-0700 | f: 919-661-5927 | <http://abc.nc.gov>



ABC
COMMISSION
NORTH CAROLINA

TABLE OF CONTENTS

ABC Commission Statement.....	3
Objective, Purpose, and Scope.....	4
Performance Standards and Findings.....	5
Marshville ABC Board Response.....	8



ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

CHAIRMAN:

A. D. "Zander" Guy, Jr.

January 6, 2020

COMMISSIONERS:

Norman A. Mitchell, Sr.
Charlotte

Karen L. Stout
Black Mountain

R.L. Morgan, III, Chairman
Marshville ABC Board
201 W Main Street, NC 28103
Marshville, NC 28103

ADMINISTRATOR:

Agnes Stevens

Dear Chairman Morgan,

On the following pages you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Marshville ABC Board.

LOCATION:

400 East Tryon Road
Raleigh NC 27610

The report consists of an executive summary, an overview of the objective, purpose and scope, and a digest of your board's performance standards and related findings. Included in the findings are recommendations for action on the part of your board.

MAILING:

4307 Mail Service Center
Raleigh NC 27699-4307

PHONE: (919) 779-0700

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

I encourage you to review the report and let me know if you have any questions or require assistance in implementing any of the recommendations.

On behalf of the NC ABC Commission I thank you and your staff for your assistance and cooperation in conducting this review and in implementing the changes that will reduce expenses and increase profitability of your board.

Sincerely,

A handwritten signature in black ink, appearing to read "Agnes Stevens".

Agnes Stevens
Administrator

cc: NC Association of ABC Boards

OBJECTIVE, PURPOSE, AND SCOPE

In addition to regular and special financial audits, G.S. 18B-705 (a) authorizes the N.C. ABC Commission to conduct performance audits of all local ABC boards in the state. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvement.

The audits are designed to ensure that all local ABC Boards comply with established performance standards pursuant to G.S. 18B-203 (a) (20). The audits' scope addresses compliance with ABC laws and rules, store appearance, operating efficiency, solvency, and customer service.

To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, and Administrative Policies
- Review applicable reports and studies of ABC boards with similar size and geography
- Consult with specialists at the UNC School of Government
- Verify compliance with Commission and Board policies
- Verify results of previous performance audit recommendations
- Review organizational chart and job descriptions
- Review ABC board annual independent financial audits
- Visit the store(s)
- Interview key ABC board personnel.

FINANCIAL ANALYSIS

The Marshville ABC Board opened a store in November 2018. A financial analysis will not be available at the time of the fieldwork. However, factors that affect sales and profitability are as follows:

- The board operates a single store with mixed beverage
- The ABC Board currently leases the building from the Town of Marshville
- The closest neighboring ABC Boards within a ten-mile radius include Wingate ABC and Wadesboro

STORE APPEARANCE

The findings for store appearance are as follows:

- The required Fetal Alcohol Syndrome poster is displayed as required by G.S. 18B-808.
- A North Carolina product selection is displayed within their own section.
- Products are placed within designated categories; premium products are found at eye-level or top shelf. A consistent size flow shows a pattern from largest size on the right and smaller size on the left. New products and bestselling items are located at the front of the store on end caps or where space allows. Products made in North Carolina are displayed within its own section or within the brand category.

OPERATIONAL AND ADMINISTRATIVE COMPLIANCE

1. While inspecting the store, a random sample of approximately forty-five items was selected to determine if uniform pricing is displayed. Of those selected, two were incorrect.

REQUIRED ACTION: *Conduct a routine check of shelf prices along with the register to ensure accuracy. All prices must match what is in the register, the shelf, and in the NC Liquor Quarterly, and/or memorandums. Refer to the ABC Commission's website to verify product pricing.*

CORRECTIVE ACTION TAKEN: *Management has taken action to ensure the prices are matched along with the NC ABC Commission, the register, and the shelf price.*

2. Board members are appointed by the Town of Marshville for three-year staggered appointment terms. Board members are required to complete ethics training provided by the NC ABC Commission within one year of appointment or reappointment. One board member has been reappointed and has not yet completed the required ethics training.

REQUIRED ACTION #3: *As a reminder, board members who have been newly appointed or reappointed must complete the required ethics training within one year of appointment status.*

CORRECTIVE ACTION TAKEN: *Management has taken action to notify all board members of the current ethics training.*

3. ABC Boards are required to remit distiller payment within thirty days (30) days of receipt of products. Multiple correspondences from distiller representatives have been sent to the NC ABC Commission regarding non-payment. A sample of paid invoices revealed that liquor payments are not paid within the pay schedule (30 days) as required.

REQUIRED ACTION #4: *Pay all liquor vendor invoices within thirty days of receipt. NCAC 02R .1407 (c) states, "Local boards shall remit full payment of the distiller's invoice within thirty (30) days of delivery of the liquor."*

CORRECTIVE ACTION TAKEN: *Management has implemented procedures to ensure the distiller invoices are paid within the thirty day (30 day) requirement.*

4. The ABC Board has submitted employee manual and additional policies to the NC ABC Commission. However, specific policies do not align with the practices of the ABC Board. The board utilizes a credit card to make purchases for store and office supplies. A board credit card policy has not been adopted.

REQUIRED ACTION #5: *Adopt a personnel manual and/or policies that incorporate board practices. The ABC Commission encourages ABC boards to model personnel policies and procedures after those of the appointing authority. However, certain ABC procedures must be clearly presented in the employee manual. Include steps the board will take in the event employees were to sell to a minor.*

REQUIRED ACTION #6: *Submit policies to the NC ABC Commission before adoption procedures takes place. NC AC 15A .1102 states, "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."*

CORRECTIVE ACTION TAKEN: *Management has submitted policies that conform to current practices. Copies of policies have been forwarded to the NC ABC Commission. Future policies will follow the current rule as indicated above.*

5. All ABC Boards are required to adopt a travel policy that follows the State's or that of the appointing authority. The Marshville ABC Board does not have a travel policy.

REQUIRED ACTION #7: *All ABC Boards are required to adopt a travel policy that conforms to the appointing authority or the Office of State Budget and Management. If the board elects to adopt a travel policy that conforms with the appointing authority, the board must submit a copy of the appointing authority's written minutes as to the travel policy and the board's travel policy annually. G.S. 18B-700(g2) states, "Approved travel on official business by the members and employees of local boards shall be reimbursed pursuant to G.S. 138-6 unless 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. The local board shall annually provide the appointing authority's written confirmation of such approval to the Commission and a copy of the travel policy authorized by the appointing authority."*

REQUIRED ACTION #8: *Retain all documentation pertaining to travel and other expenses according to the Records Retention Schedule. The Records Retention Schedule is found in the NC ABC Commission Operations Manual for ABC Boards.*

CORRECTIVE ACTION TAKEN: Management has submitted a travel policy that follows the Office of State Budget and Management. Documentation will be retained for future reference.

6. The general manager serves as the finance officer. An approval from the NC ABC Commission has not been granted.

REQUIRED ACTION #9: Submit a written request to the NC ABC Commission allowing the general manager to serve as the finance officer. G.S. 18B-702(j) states, "The Commission, for good cause shown, may grant a waiver to allow the general manager of a board also to be the finance officer. Good cause includes, but is not limited to, the fact that the board operates no more than two stores, and any approval for the general manager also to be the finance officer shall apply until the board operates more than two stores; in any event, the approval shall be effective for 36 months. The Commission may grant one or more waivers to a board."

CORRECTIVE ACTION TAKEN: Recent employee changes have eliminated the need for approval allowing the general manager to serve as the finance officer. As indicated in the response, the board's assistant manager serves as the finance officer.

*Marshville ABC Board
201 West Main Street
Marshville, NC 28103*

December 5, 2019

Moniqua S McLean, MAFM

Alcoholic Beverage Control Commission

400 East Tryon Road

Raleigh, NC 27610

Re: Marshville ABC Board
Performance Audit Report

Operations and Administrative Compliance Finding Responses:

1. With our POS system, we receive a dropbox monthly with NC sale prices. This dropbox has been found to be incorrect twice. In order to make certain our prices are correct; we now go onto the state website and double check our dropbox from MACRO before download/uploading any prices. Also, routine checks of shelf prices are being done. Employees randomly pick items on the shelf and compare the shelf price to the register price. If errors are found, they are corrected immediately.
2. All Board members reappointments will be addressed at the next Town Council meeting January 2020. Once reappointments have been done, all Board members will complete the required ethics training. At our September 24, 2019 board meeting, our general manager stated she would provide detailed information for the ethics class to each board member. With the resignation of that manager and the appointment of a new interim general manager and interim assistant manager, this did not get handled. The current manager is working to provide this information to board members.
3. As of October 31, 2019, all past due distiller payments have been paid and are current.
4. Board credit card policy...
5. Sell to a minor policy
If an employee sells to a minor, the following actions will take place.

- a. The employee will be suspended without pay until an investigation has taken place by a law enforcement agent.
- b. Once the investigation has taken place and if the employee is found guilty of selling to an underage person(s) without having followed the policies already put into place to prevent such
 - Did the clerk check the ID?
 - Did the clerk follow up with asking the age and birthdate of said underage person(s)?

If not, the employee will be terminated.

- c. If the employee did check the ID and asked the age and birthdate and the purchaser was found to have a fake ID, the employee will need to take an education class in underage alcohol prevention and retrain with the GM of Marshville ABC Spirits. Once those have been completed, the employee may return to work.
 - d. Selling to an underage person(s) with a fake ID may only occur once. If the same employee is found guilty of this the second time, immediate termination will follow.
6. Submit policies to NC ABC Commission before they are adopted – The Board was unaware this was the process. The Board is currently following these procedures to adopt new policies.
 7. Travel Policy – See attached copy of policy
 8. Retain travel documentation – See attached copy of travel policy
 9. NC ABC Commission approval for General Manager serving as the finance officer. On August 27, 2019, the general manager at the time informed the Board that this request was made to Laurie Lee via email. Please let us know if this has not been done. Currently our Maurice Caple is serving a dual role as finance officer and assistant manager. Does the Board need to request approval for his position?

Please let us know if there are any questions or if you need additional information.

Sincerely,



Stephanie Baumer

Board Member