

Spruce Pine ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

CHAIRMAN:
Hank Bauer

July 3, 2024

Spruce Pine ABC Board

COMMISSIONER:
Norman A. Mitchell, Sr.
Charlotte

McDaniel Robinson, Chair
12344 HWY 226 S.
Spruce Pine, NC 28777

Deputy Commissioner:
Mike DeSilva

Chairperson Robinson,

LOCATION:
400 East Tryon Road
Raleigh NC 27610

On the following pages you will find the performance audit report conducted by the staff of the ABC Commission Reviewing the operations of the Spruce Pine ABC Board. The report consists of an overview of the objectives & background summary, financial analysis and findings, and a summary of actions recommended based upon your board's performance and related findings. Additional considerations are listed as well to provide further guidance and enhance awareness to promote ABC board success.

MAILING:
4307 Mail Service Center
Raleigh NC 27699-4307

Please reach out if you have any questions or require assistance in implementing any of the statute requirements, Commission rules, or other recommendations included in the report. On behalf of the North Carolina ABC Commission, I thank you and your staff for your assistance and cooperation in conducting this periodic review. We appreciate the continued efforts by your board to comply with the performance standards, as well as the board's commitment to increase profitability and reduce expenses.

PHONE: (919) 779-0700
<http://abc.nc.gov/>

If we can be of assistance in the future, please do not hesitate to reach out to the Commission staff.

Respectfully,

Michael DeSilva

Deputy Commissioner

OBJECTIVE, PURPOSE & BACKGROUND INFORMATION

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

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

To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, Reports, and Administrative Policies
- Verify compliance with Commission and Board policies
- Verify results of previous performance audit recommendations
- Review ABC Board annual independent financial audits
- Review ABC Board reporting and documentation reports
- Visit the store(s)
- Interview key ABC Board personnel

Spruce Pine is in the north-western part of the North Carolina in Mitchell County. The town, originally a railroad stop, was chartered in 1907. The town is the largest in the County and neighboring Bakersville serves as the county seat. The town's population per the 2020 Census was 2,194 residents which was approximately a one percent (1%) population increase since 2010.

G.S. 18B-601(c) authorized the Town of Spruce Pine to hold an election upon either a written request for an election from the city governing body or a petition signed by at least thirty-five percent of registered voters. A referendum was held March 10, 2009, and passed 460 votes for and 372 votes against. The first retail sales occurred October 28, 2009. A mixed beverage election was held March 10, 2009, and passed 462 votes for and 366 votes against. *Currently, the Spruce Pine town board appoints a chairperson and two (2) additional board members to serve on the ABC board.* Current board members include McDaniel Robinson (Chair), Matt Miller, and Darlene Butler.

The Spruce Pine ABC Board operates one (1) retail store. The Board is currently the only board in Mitchell County. The board currently staffs seven (7) total employees, with two (2) full time and five (5) part time employees. The general manager is full time and responsible for many board operations including ordering, scheduling, inventory, deposits, some billing, and Human Resources. He has served as the dual financial officer for the last few years. The assistant manager is full time and assists the general manager with many of their responsibilities. Additionally, he provides and manages stocking, ordering, cleaning, and various retail functions. All other staff are engaged in customer service, daily operations, floor upkeep, truck delivery, and sales.

The last performance audit for the Spruce Pine ABC Board occurred in 2013. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.

OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On Wednesday, June 19, 2024, ABC Board Program Analyst Edwin Strickland visited the Spruce Pine ABC Board and interviewed the General Manager, Danny Burluson and the Assistant Manager, Stephen Hughes. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



12344 Hwy 226 S., Spruce Pine, NC.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set goals for determining an effective rate based on the frequency of deliveries. Below are the turnover rates based upon the delivery schedule:

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

The Spruce Pine ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2022-2023 was 5.8, which is above the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Spruce Pine ABC Board had a profit percentage to sales of 11.22%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Spruce Pine ABC Board's gross sales totaled \$2,108,221, which was an approximate 4% increase from the previous fiscal year. The board's sales have grown an impressive 52% over the last five completed fiscal years.

Spruce Pine ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .53 in FY 2022-2023. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Spruce Pine ABC Board meets both the profitability standard and the operating cost standard set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2022-2023	FY 2021-2022
Gross Profit on Sales	\$529,379	\$505,657
Income from Operations	\$236,625	\$223,814

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO (cont.)

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Spruce Pine ABC: Burnsville, Marion, and the High-Country ABC Board.
- A 3.6% unemployment rate in Mitchell County in June of 2023 down 1.3% from the previous year.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Spruce Pine ABC Board's cost of goods sold was approximately **51.9%** in FY 2022-2023.
 - *The board currently has ten (10) mixed beverage customer. In FY 2022/2023 mixed beverage accounted for approximately eleven (11%) percent of sales.*

BUDGET ANALYSIS

	FY 2022-2023 Budget Projections	FY2022-2023 Actual	Variance	Variance %
Sales	\$2,095,000	\$2,108,221	\$13,221	.6%
Revenue over or (under) Expenditures		\$28,662		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, actual sales revenues were .6% above forecast. In addition, the net income change during the fiscal year was \$15,296. *The board's collective net position on June 30, 2023, was \$690,003; the net position has steadily increased each year since at least FY-2019.*

DISTRIBUTIONS

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients. Some of these distribution percentages are designated by an official local enabling act (and thus distribution requirements and recipients are subject to vary).*

In FY 2022-2023, Spruce Pine ABC made other statutory distributions totaling \$221,329 (Net profit distribution recipients received \$200,000 of this). The amount of \$484,896 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Mitchel County.

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

- Spruce Pine General Fund 100%

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions - The Spruce Pine ABC board has made net profit distributions over three (3) of the last five (5) fiscal years which exceed the minimum mandatory distribution those years in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.** Board should obtain and provide to the Commission official documentation from the appointing authority before making distributions which are less than the minimum.
- Law Enforcement Distributions: Have been properly disbursed at or above the standard 5% statute amount for the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for the last five (5) FYs.

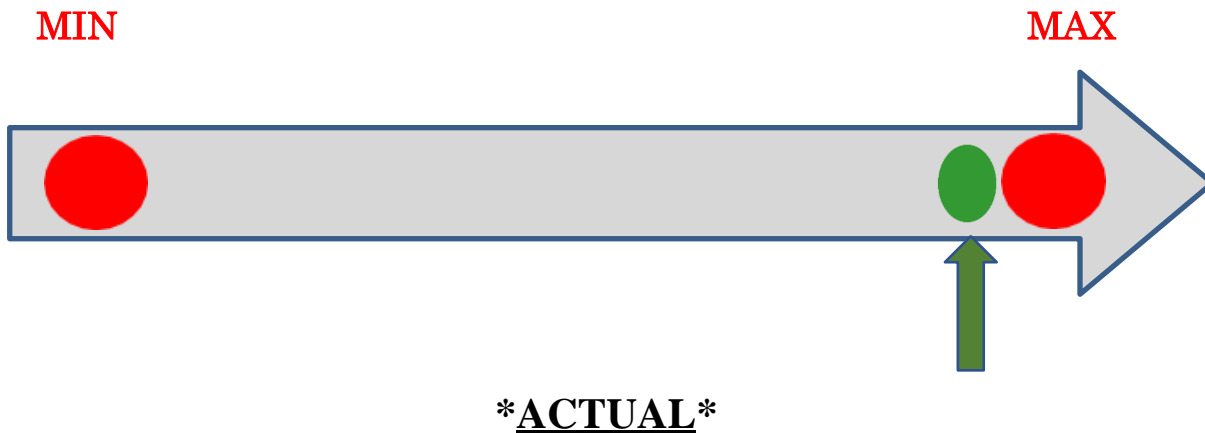
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Spruce Pine ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2023	\$53,480	FY-2023	\$200,000
FY-2022	\$56,723	FY-2022	\$41,677
FY-2021	\$52,195	FY-2021	\$0
FY-2020	\$44,045	FY-2020	\$50,000
FY-2019	\$39,497	FY-2019	\$57,700

WORKING CAPITAL

G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital maximum standard for boards with annual gross sales greater than \$1.5M but less than \$50M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2023, the Spruce Pine ABC Board is required to maintain a minimum working capital of \$62,147 with a maximum working capital amount of \$403,958. The Spruce Pine ABC Board had a working capital balance of \$376,668 which is less than the maximum Commission requirements for this section (*).

*** FY 2022-2023: Working Capital (WC) graphic**



Under 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded. *Board should obtain official documentation from appointing authority and provide to Commission for record retention if a capital improvement plan is approved.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

The findings for personnel, operational & administrative compliance are as follows:

- The board generally holds board meetings on the first Monday of each month. They record regular meeting minutes and provide public notification and awareness of these meetings. The meeting minutes are organized by session and kept in a book for review. The minutes reviewed did indicate the date, did review and approve old minutes, did have a conflict-of-interest statement, and did discuss new policies. *The minutes reviewed did not indicate the meeting time and did not distinguish new and old business.*
 - Oaths of Office: Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *General manager indicates oaths have been taken and will obtain copies at board for record retention.*
 - Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). *Chairperson Robinson, having been recently reappointed, would need to revisit ethics training in the coming months.*
 - Board member compensation & General Manager (GM) salary: Board members receive compensation for their services above the maximum \$150.00 amount and approval by the appointing authority for their salaries is on file with the Commission. The General Manager will update their salary for Commission records. *Any future salary changes should be relayed to the ABC Commission for record retention.*
 - Board website review: The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note**: As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
 - Board Personnel & Board Members: The general manager provides board members with financial reports for the board's review at meetings including sales from other local boards, comparisons to previous year's sales, inventory levels, current account statements, and other business to include budgetary and maintenance contracts. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits. Board members have an array of experience in business and local government.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **POLICIES**: The board has a robust personnel policy, and a copy has been provided to the Commission. Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings, social media, lotteries, or any others. *Board's personnel policy may cover many afore mentioned items.* For travel policy, Commission records indicate the board chooses to adhere to the state travel policy.
- **BUDGETS**: In FY 22/23, the board's actual sales were \$13,221 more than the final amended budgeted sales. *Based on sales trajectory for the current fiscal year with eleven months (92%) of the budget year completed, the board is tracking along very well at 90.5% of annual budgeted sales.* The board has submitted a final budget amendment for FY-23/24.
- **FINANCIAL INSIGHT**: All payments including liquor invoices are made by the general manager who has also served as a dual finance officer. Checks are made through the banks on-line service and physical checks are mailed by the bank with an electronic signature stamp. Other checks are by the general manager/finance officer and the Chairperson. All checks have the required disbursement approval. Invoice records for recent liquor purchases reflect them as being paid monthly and inside of 30 days. Taxes and distributions are paid either monthly or quarterly. Full bank reconciliation is completed monthly by the third-party accounting service.
- Bank deposits are always made each night by the closing clerk or manager. The general manager compares deposit slip with bank statements. *Board could consider taking deposits at different times of the day or having different staff members available to take deposits. For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board should utilize a locked fireproof safe for integrity of funds that remain at the board at any given time.*
- Tills are counted at the end of each shift and cash, coin, totals, and over/short is kept on a clerk checkout report. This data for the four daily shifts along with credit card and mixed beverage payments are kept on a daily checkout report. Store generally operates two tills starting at \$250.00 daily. An additional \$500.00 is kept for petty cash and change fund.
- Payroll is biweekly and processed by the third-party accounting firm. Both general and assistant managers verify hours and rates before sending to firm.
- Board members will review financial records at board meeting. Comprehensive data is supplied, to include financials and more, with chairperson signing minutes.
- Employee files are kept and include application and other information. Tax information is kept at third-party accounting firm.
- The pre-audit certificate is not stamped on the orders at the time they are placed as general manager has been serving as dual finance officer.
- Board does not utilize purchase orders for supplies or other non-liquor purchases.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- All board members, General Manager and Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
- In 2024 the board has not sent unsaleable merchandise reports to the Commission for record retention. Board administration has detailed records of unsaleable merchandise reports. *Commission requests unsaleable reports be sent quarterly and only by email. If there are no unsaleable reports for a quarter, please email indicating no reports for the quarter.*
- The annual CPA audit was received and logged by the Commission on August 15, 2023.

- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely but are currently one month past due date for May 2024. Submitted reports come from Spruce Pine Police Department Chief Kasey Cook.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Spruce Pine Police Department on file with the Commission from 2010. *An updated version could be supplied for Commission records.*
- **INVENTORY:** Full store inventory is conducted three or four times yearly. Spot checks are conducted, and different board personnel participate. Staff checks products when stocking, ordering, and for other various reasons, and adjustments are made. The inventory turns over at a 5.8 turnover ratio during the last fiscal year. Staff monitors trends and General Manager orders appropriately. General manager has strategies for slow moving stock to include moving around in store and does consider price reductions.

- **INTERNAL CONTROLS:**
 - The general manager has solid professional experience and has been with the board since its creation. He was originally a board member/chairman and became the general manager in 2018. The general manager has served as the dual role finance officer for over three years.
 - The Board members and Chairperson have extensive professional experience in business and local government and has a good mixture of longer tenures and some more recent appointees. *Board terms are appropriately staggered to have one term end date each year.*
 - All employees are subject to training and various behavioral standards. *Board could consider hosting RASP classes for staff and other local permittees.*
 - General manager and assistant manager make orders by analyzing recent sales, historical data, and current inventory.
 - Board receives two deliveries monthly. Counts are made by multiple team members and cross-referenced with manifest, order sheet, and off-load. Any variances are recounted, and actual discrepancies are reported to LB&B.
 - Invoices are paid via bank's website per truck.
 - General manager makes some purchases with credit card to for supplies. Credit card is issued to the general manager as an individual but does include the board's name on the card. *Board is encouraged to update credit card policy on file with Commission.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- No compliance issues regarding board members or personnel related to nepotism or other professional conflicts per discussion with general manager.
- The board receives an annual report from Mitchell County Schools covering how alcohol education funds are spent and what programs are supported.
- Board has a code of ethics policy on file with the Commission from 2010. *Board could consider an updated policy with signatures from current board members and applicable personnel.*

➤ EXPENSES:

- Total operating expenses increased around four percent (4%) from the last fiscal year and are roughly fourteen percent (14%) of total annual sales in FY-22/23.
- Board salaries were approximately seven percent (7%) of total annual sales. Salaries and benefits increased by roughly five percent (5%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 51.9% for the fiscal year with a normal range being 52% to 54%. *The board could explore more buy-ins to keep the COGS low.*
- General manager reviews maintenance and other store upkeep contracts for best pricing.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Board's store is two suites of a building now owned by the board on the main highway thoroughfare in Spruce Pine. The store has ample parking, well maintained exterior, and interior is well lit. Shelving is spacious and allows for easy flow for patrons and staff and is overall aesthetically pleasant. Retail space is approximately 3,500 sq. ft. and has some displays and interesting décor.
- Board's warehouse is approximately 1,000 sq. ft. and well organized. Inventory was appropriate for an inspection a week before/after truck delivery date.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price book is available.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- Store personnel do independent research on products and one staff member is lead on product knowledge. *An excellent source for increased sales and customer relations is product knowledge. Recommend the adoption of a product knowledge book or other sources for sales associates.*
- Board employees are not enrolled in a retirement system. Health insurance is offered for full time employees.
- General manager reserves portions of limited or allocated products for LBD and local customers. Other bottles are shelved.
- The board does not currently have a website. *Board could consider social media or other internet option for marketing or awareness.*
- The board has ten (10) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in a file for each account.
- Board has a mixed beverage delivery policy on file with the Commission and makes deliveries weekly. Travel reimbursement for milage is made to the general manager or assistant manager who make deliveries following state milage rate. *Board should discuss liabilities or behavioral standards for personnel involved in delivery and consider addressing in an updated policy if delivery is requested.*
- Board has conducted tasting but is not sure they were beneficial.

STORE INSIGHT & OVERVIEW (cont.)

- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items reflected the current quarterly or monthly SPA price. *The board has professional labels, stickers, and utilizes supplier displays to indicate special priced items.*
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is maximized. *Shelf management guidelines were generally followed at time of Commission visit.*
- General manager indicates price discrepancies are always handled in the customers favor if the shelf price is lower than the cash register. *Price discrepancy policy is included in the personnel manual and is on file with the Commission.*
- The board is generally open from 9:00 am until 9:00 pm. They are closed every Sunday, the five (5) required annual holidays.
- Security systems are in place and functional in all designated areas.
 - *Currently nine (9) cameras are operational with monitors in office.*
 - *Panic buttons are located under registers.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board should designate an official finance officer or consider requesting a waiver from the Commission allowing the general manager to also be the finance officer in accordance with G.S. 18B-702(j). Additionally, the board could consider a third-party finance officer if this accounting firm differs from the firm who conducts the annual CPA audit.
- Board should craft and provide to the Commission a policy covering the duties performed by the third-party accounting firm. The policy should clarify what services are provided by the firm and specifically who provides the services. *This is needed to establish compliance with G.S. 18B-702(s).*
- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *General manager indicates oaths have been taken and board should retain written records of oaths at the board.*
- When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years. *If no reports are available for a full quarter, please email Commission for awareness.*
- Board could provide additional training that will include alcohol education, customer service, and product knowledge. Contact other boards that have a training module(s) in these areas.
- Board should consider utilizing purchase orders for non-liquor goods and services and have them pre-audited. *A template is available on the Commission website.*
- Once a finance officer is established, board should ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, *“This instrument has been pre audited in the manner required by G.S. 18B-702.”* Special note: This could be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system before any liquor orders are placed with state warehouse.
- Consider adopting or updating any policies to include, but not limited to ACH payments, tastings, credit card, mixed beverage and delivery, store policies, social media, code of ethics, vehicle, or personnel manual. *Consider updates to any policies to include current administration where applicable.*
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by board members and applicable personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.

Previous Performance Audit Findings and Actions (2013)

- Analyze shopping patterns and history reports to plan orders and to take advantage of special purchase allowances. *Board complies.*
- Utilize caps and shelf space as much as possible to highlight slow moving or new products. *Board complies.*
- Cross merchandise or move stock in the store to increase visibility and to encourage impulse shopping. *Board tries to keep categories together.*
- Sell slow moving inventory to another board or request price reductions. *Board complies.*
- Request bids annually from various vendors to get the best rates possible on financial audits, professional fees, specific utilities, maintenance contracts, and credit card processing fees. *Board is mindful of expenses and does investigate options.*
- Monitor budget frequently and more closely to ensure that actual expenses do not exceed budgeted amounts. Provide year-to-date reports to board members detailing how much has been spent. *Board discusses budget every meeting monthly.*
- Improve sales strategies by developing new marketing techniques. Refer to recommendations addressed under inventory turnover. *Board's inventory turns-over above the target goal.*
- Analyze expenses more closely to increase profits by monitoring budget closely and reducing costs where possible. *Board is mindful of expenses.*
- Increase working capital by paying down line of credit while at the same time reducing payables. *Board is debt free and maximized working capital.*
- Obtain approval from appointing authority to withhold minimum distributions for a period of time in order to retain the minimum working capital. *Board has maximized working capital.*
- Provide additional training that will include alcohol education, customer service, and product knowledge. Contact other boards that have a training module(s) in these areas. *Board could still consider.*
- Adopt an employee handbook that outlines the duties and responsibilities of each employee, board policies, and benefits offered, if any. Once adopted, submit to the Commission. *Commission has copy of extensive employee manual.*
- Adopt a written mixed beverage policy. The Commission prefers a flexible mixed beverage policy that reflects good customer service and allows customers to order and pickup Monday through Saturday. *Should still provide to Commission.*
- Although understood by all employees, have a written price discrepancy policy. Having written procedures will allow future employees to be knowledgeable about current practices. *Price discrepancy policy in personnel manual.*
- Consider reducing the number of credit cards in circulation. Have one card for board members' that is checked out as needed. To ensure accountability, have board members view the monthly credit card statements. Adopt a written credit card use policy. *One credit card in GM's name.*
- Adopt a written cash shortage policy. *Covered in personnel manual.*
- Update the Commission internal website to reflect board members' current appointment dates. *Board Complies.*

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
 - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Oct 1st.
 - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. *A very tangible way to lower operating costs is to fully maximize monthly special purchase allowance (SPA) liquor products that routinely sell well in the store to lower cost of goods sold (COGS). ABC Boards can limit the number of personnel travelling to conference and convention events across the state. Other ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and credit card processing companies. Board could also consider ACH payments as a means of reducing expenses and eliminating fraud.*
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. *Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.*
- Shelf management plan should be fully followed to include arranging bottles, so they increase (in size) from left to right of the same item. *15A .1708 (a)(3)*
- Boards must keep full and accurate minutes of all official meetings, including all closed sessions, *referencing G.S. 143-318.10*. Regular minutes should make a general reference to the reason for closed session occurring. Closed sessions minutes could either be kept at the board location secured under lock and key, or with board attorney (or appointing authority attorney) for proper stewardship.

- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.
- Law enforcement reports must be submitted on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). *In cases where law enforcement provides no information in any given month, simply enter "No data provided by law enforcement" in narrative of report. ABC Boards should make sure reports are in a "Final Submitted" status and not just in saved status. For any saved reports, the only transaction necessary to finalize them is to click the preview button and then click the submit button.*
- As a reminder, remove all faded posters and replace with new ones when applicable. Reach out to the Commission to provide fetal alcohol syndrome posters, NC Dept of Labor can provide wage & hour posters, and OSHA can provide some applicable federal posters if any are needed.
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission as well as partnering with other ABC boards on specific areas such as best retail and marketing practices.

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

ABC BOARD
Spruce Pine 177

ABC Commission
400 E. Tryon Rd.
Raleigh, NC 27610

“07/02/22024

We truly appreciate your support and recommendations from the audit recently performed. This performance audit will help us with the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1: The board will take another Oath of Office. Two of the members had taken the oath in October of 2009. The new oaths will be sent to the commission and kept on file at the store.

All recommendations will be followed.

Item 2: Board will consider making bank deposits at different times of the day as recommended.

All recommendations will be followed.

Item 3: We will begin to use purchase orders for any items totaling more than \$100. The finance officer will sign off on these.

All recommendations will be followed.

Item 4: We will update a credit card policy and send it to the commission when completed.

All recommendations will be followed.

Item 5: A waiver has been requested for the GM to also be the finance officer. This is a small store and does not wish to incur the expense of another employee.

All recommendations will be followed.

Item 6: Our accounting firm will offer a document to the board and commission segregating the the duties of the auditor and the employee doing our everyday transactions. Ex. (payroll, bank reconciliations, weekly bills).

All recommendations will be followed

Item 7: A stamp has been ordered for all purchase orders stating, This instrument has been pre audited in the manner required by G.S. 18B-702.

All recommendations will be followed

Item 8: An unsaleable mdse. report will be sent to the commission at least quarterly.
All recommendations will be followed

Sincerely

A handwritten signature in black ink, appearing to read "MacDaniel Robinson". The signature is written in a cursive style with a large, prominent initial "M".

MacDaniel Robinson, Chairman
Spruce Pine ABC Board

