

Youngsville ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

TABLE OF CONTENTS

ABC Commission Statement	3
Objective, Purpose & Background Information.....	4
Financial Analysis, Observations & Findings	6
Recommended Actions & Additional Considerations	13-16
Appendix A -Youngsville ABC Board Response Letter.....	17-18



ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

CHAIRMAN:
Hank Bauer

July 3, 2024
Youngsville ABC Board

COMMISSIONER:
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Chairperson Hurt,

LOCATION:
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On the following pages you will find the performance audit report conducted by the staff of the ABC Commission Reviewing the operations of the Youngsville 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.

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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.

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, and Administrative Policies
- Review applicable reports and studies of ABC Boards with similar size and geography
- 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

The Town of Youngsville is found in northcentral North Carolina in Franklin County. The quaint town is known for its neighborly attitude towards residents and visitors and its downtown area. The town's population per the 2020 Census was approximately 2,016 residents which was an approximate 74% population increase since 2010.

1971 S.L Chapter 328 authorized the town to hold a referendum for an ABC store. The referendum was held June 15, 1971, and the vote passed 104 to 80. The first retail sales here occurred on August 2, 1971. A mixed beverage referendum was hold on November 3, 2015, and passed 47 to 13. The Youngsville ABC Board is one of four (4) boards in the county. *Currently, the Youngsville Mayor and Town Council appoint a chairperson and four (4) additional board members to serve on the ABC board.*

The Youngsville ABC Board operates one (1) retail store. *A second store is slated to open within the year.* The board currently staffs eighteen (18) total employees including five (5) full time and thirteen (13) part time. Five (5) of the current full-time personnel are enrolled in the NC457 (b) retirement plan based on employee and company contributions. The general manager is responsible for all aspects of store oversight focusing on administrative responsibilities to include Human Resources, marketing, finance, and operations. The finance officer provides the general manager/budget officer and the board with fiscal management, all things accounting and administrative, to include payroll, payables, and reconciliation, and a host of other responsibilities. Assistant general manager is responsible for ordering, inventory, and many other operational duties. Store manager(s) facilitate day to day operations of the store including opening and closing, transactions, stocking, and supervision of employees. **Customer Experience Specialists** responsibilities include selling products, daily stocking, floor upkeep-maintenance and enhancing the customer's experience.

The last performance audit for the Youngsville ABC Board occurred in 2014. 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 Tuesday, May 21, 2024, ABC Board Program Analyst Edwin Strickland, visited the Youngsville ABC Board and interviewed Bridget Stanley (General Manager) and Amy Hernandez (Finance Officer) and spoke with other team members. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.

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 Youngsville ABC Board received shipments 4 times a month. The inventory turnover rate in (FY) 2022-2023 was 5, which is slightly lower than the target goal of 6 or more times per year.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2022-2023, the Youngsville ABC Board had a profit percentage to sales of 11.95%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Youngsville ABC Board's gross sales totaled \$6,655,434, which was a 18.6% increase from the previous fiscal year. The board's sales have grown an astonishing 372% over the last five completed fiscal years.

The operating cost ratio for the Youngsville ABC Board was .48 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 Youngsville ABC Board met 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	\$1,629,124	\$1,355,788
Income from Operations	\$795,107	\$686,734

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores within an approximate twenty-five (25) mile range of Youngsville ABC: Franklinton, Louisburg, Bunn, Wake County, Granville County, and Vance County.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Youngsville ABC Board's cost of goods sold was approximately **53.2%** in FY 2022-2023.
 - *The board has three (3) mixed beverage accounts.*

BUDGET ANALYSIS

	FY 2021-2022 Budget Projections	FY2021-2022 Actual	Variance	Variance %
Sales	\$6,655,434	\$6,655,434	0	0.0%
Revenue over or (under) Expenditures		\$236,775		

In reviewing the budget to actual analysis of the FY 2022-2023 financial audit, final budget amendment yielded no variance in budget to actual sales. The net income changeduring the fiscal year was \$572,461. *The board's collective net position on June 30, 2023, was \$1,490,519; thenet position has steadily increased over the last five (5) fiscal years, and the FY-2023 figure reflects the board's highest overall net position during the five-year period.*

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, Youngsville ABC made other statutory distributions totaling \$200,019 (Net profit distribution recipients received \$135,557 of this). The amount of \$1,484,8432 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Franklin County.

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

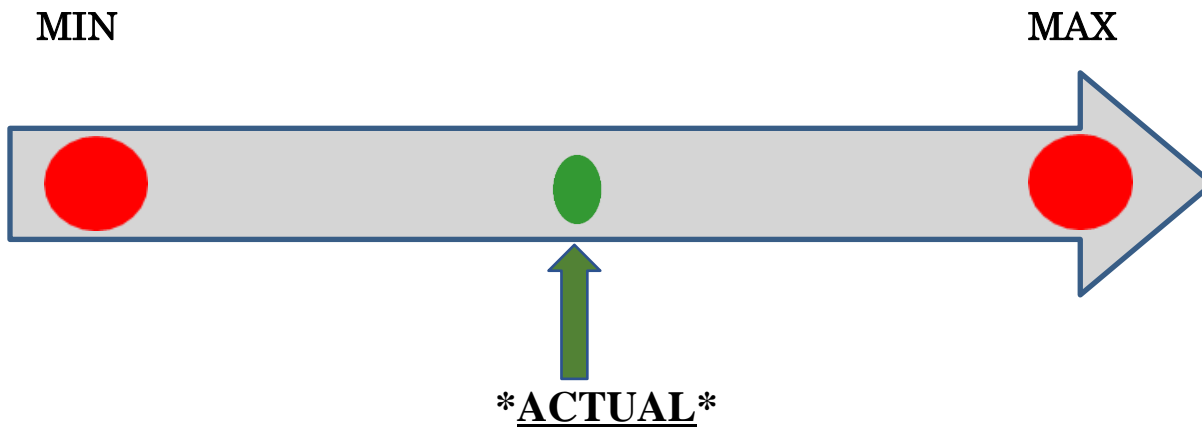
- One hundred percent (100%) to Youngsville General Fund

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 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 Youngsville ABC Board is required to maintain a minimum working capital of \$198,868 with a maximum working capital amount of \$1,723,516. The Youngsville ABC Board had a working capital balance of \$962,518, which falls within the 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.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

- The board holds board meetings the third Tuesday of each month at 7:30 PM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized electronically for review at the board, in a book at town hall, and are published on town's website and board's website. Additionally, the board meetings are recorded and available via YouTube. The minutes provided have the time and date, conflict-of-interest disclosure statements, and distinguished between new and old business. *The board and deputy town clerk have plan for approved minutes to be routinely signed by the Chairperson.*
 - Training records review: Board members and board personnel are compliant on ethics training referencing NCGS 18B-706(b). One board member's term slated to end in June 2024. *If reappointed or if new appointment is established, member would need to complete ethics training in an appropriate amount of time not to exceed one year from appointment.*
 - Board member compensation & General Manager (GM) salary: Board members receive compensation for their services less than or equal to the maximum \$150.00 per meeting. The General Manager has updated 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 monthly sales information to include actual versus forecasted and specific areas, rankings, and focuses. The finance officer provides updates on accounts and other activities associated with the financial operation of the board. Both serve to answer inquiries from board members questions and points of clarification are routinely asked. *Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll. Boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.* Board members have an array of experience including business and professional services and community involvement.
- POLICIES: The board has a variety of policies and SOPs to include mixed beverage and mixed beverage delivery, credit card, shelf management, rules of conduct, and a newly adopted parental leave policy. The GM and FO have created a very well-crafted policy for ACH payments that is serving as a template for other boards. For travel policy, the board now chooses to adhere to their municipal travel policy. *The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-702(g2).*
- BUDGETS: In FY-22/23, the board exceeded budgeted sales in June 2023. A year end reconciliation budget amendment was found in Commission records. *Based on sales trajectory for the current fiscal year with 83% of the budget year completed, the board is tracking higher than forecasted at 94% of annual budgeted sales.*
- FINANCIAL INSIGHT: The finance officer (and others) has worked diligently to collect ACH payment information from suppliers and other payees. All payments are made via Quick Books and Melio by Finance Officer. General manager verifies payments monthly and auto signs verification report. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid monthly. Daily deposits are reviewed by team members and balanced by finance officer with real account data. Full bank reconciliation is completed monthly by finance officer and reviewed monthly by general manager to correct codes and provide full oversight.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE(cont.)

- Bank deposits are routinely made each business day per review of bank Statements and discussion with the finance officer and general manager. Tills are counted by store leaders and discrepancies are verified and documented if they exceed \$20.00. Daily cash balance sheets for balancing deposits and variance, and for tracking bill denominations and coinage. For safeguard measures and adherence to *Commission rule 15A .0905 Daily Deposits*, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.
- Assistant General Manager reviews timecards and submits payroll file to Quick Books. Payroll is reviewed and processed bi-weekly by the finance officer through Quick Books. Payroll is reviewed by general manager and records are retained via Quick Book reporting. Bank reconciliation report was reviewed for current period. Board does have check books available for select key personnel which are seldom used. *Please verify any checks issued contain dual signatures to include finance officer and general manger or chairperson.*
- Purchase order requests forms require signatures from both finance officer and general manager. The pre-audit certificate is not on liquor orders at the time they are placed; however, the preaudit approval and general manager signatures are now on ACH payments history for liquor orders. *Board has developed and implemented a means for FO to verify liquor purchases orders are pre-audited. Staff sends final order total to FO who digitally signs as pre-audited.*
- All board members, General Manager and Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board should consider insuring bonds cover other applicable staff to include store manager(s) and other employees per G.S. 18B-803(b)(c).*
- The annual CPA audit was received and logged by the Commission on September 22, 2023.

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Youngsville ABC board has made net profit distributions over the last three (3) fiscal years, meeting the 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.** FY’s ending 2018 and 2019 board made distributions below minimum per agreement with appointing authority. *Distributions are made monthly.*
- Law Enforcement Distributions: Have been properly disbursed at or above the standard 5% statute amount for the last five (5) FYs. *Distributions are made monthly.*
- Alcohol Education Distributions: Have been properly disbursed at or above the standard 7% statute amount for the last five (5) FYs. *Distributions are made monthly.*

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipient(s)		Youngsville ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
CPA Calculated Amount		Total paid to recipient(s)	
FY-2023	\$135,557	FY-2023	\$135,557
FY-2022	\$156,417	FY-2022	\$156,417
FY-2021	\$66,610	FY-2021	\$66,611
FY-2020	\$52,015	FY-2020	\$37,089
FY-2019	\$40,786	FY-2019	\$36,478

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **LAW ENFORCEMENT (LE) REPORTS:** Reports are being submitted routinely, and they are current to date as well. Submitted reports come from CPT B. Lemons
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract on file at the Commission with the Youngsville Police Department. *Contract on file in Commission retention records is from 2019 and has signatures from different board members and possibly town officials. If more recent contract is available board should send electronically to Commission.*
- **INVENTORY:** Full store inventory is annual with categorical inventories conducted weekly; thus, inventory is perpetual. Assistant General Manager heads inventory discrepancies and adjustments. Multiple key personnel involved with deliveries and scanning for discrepancies between order, manifest, and actual shipment. Strategies for slow moving stock include dual displays, requested tastings, and price reductions. General manager has developed a matrix for staggered price reductions. *Additional space availabilities from new store and warehouse will allow for opportunities to escalate SPA buy ins.*
- **INTERNAL CONTROLS:**
 - The general manager (GM) has a long tenure and a wealth of experience in the retail industry. Assistant general manager (AGM) and store leaders provide additional experience and knowledge with regards to retail and specifically the alcohol industry.
 - Finance officer (FO) has an extensive knowledge of all things related to accounting and bookkeeping. FO formerly owned/operated a bookkeeping service, is a Quick Books pro advisor, and has very innovative strategies for administrative projects.
 - The executive team and other personnel meet frequently in person and/or through teams or other remote services to discuss ideas, changes, issues, and other relevant topics to operations.
 - Invoice information from DSD Link is exported in excel and entered into a bulk invoice website, Sasset, which imports into Quick Books. Payment service Melio is linked to Quick Books and ACH payments are made capturing all applicable invoices to reduce payment quantities. FO matches Quick Books to accounts and generates reports to verify paid/unpaid. GM goes through monthly to verify payments and auto signs report verifying payments are made to appropriate sources.
- **EXPENSES:**
 - Total operating expenses in FY 22/23 increased over twenty-four percent (24%) from the last fiscal year.
 - Board payroll and taxes was approximately seven and a half percent (7.5%) of total annual sales. Payroll salaries and taxes increased by roughly twenty nine percent (29%) from the previous fiscal year.
 - Cost of Goods Sold (COGS) was roughly 53.2% for the fiscal year with a normal range being 52% to 54%. *The board could explore more buy-ins to keep the COGS low with new warehouse opportunity.*

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Board location store has a modern layout and promotes a festive and energetic feeling. Shelving and displays are maximized but allow for easy flow for patrons/staff. *Some additional new shelving is planned to increase from the current 1463 linear feet.*
- Warehouse space is beyond fully utilized. *New store will help serve as additional warehouse space for current store as that warehouse is at capacity.*
- Customer Experience Specialist's interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers and enhance their overall experience. Entire staff actively engages with patrons at a high level.
- All team members receive full on-boarding for all policies and expectations in initial phase of employment. *Board has a digital training video with quizzes to facilitate training and product knowledge they plan to implement in the coming months.*
- Board has a comprehensive website that provides a variety of information for the public to include alcohol rules and law education, recipes, community involvement, fund distribution, events, contact information and career opportunities. Additionally, the board has multiple social media platforms.
- Store has mobile ordering, and the public can view inventory of items other than limited or allocated. Orders are filled and await customers visit.
- Special orders requests from patrons are fulfilled as quickly as possible and board will order any requests.
- Tastings are held frequently, and the board encourages industry members to visit and conduct. *Board has digital agreement and on-line booking system for vendors.*
- Board utilizes a survey for feedback from visitors asking questions to enhance customer experience.
- The board has three (3) mixed beverage customers and works to accommodate orders to include delivery. *Board personnel will sometimes call customers to encourage an order prior to busy periods to help ensure order fulfillment is manageable.*
- Board has lottery ticketed events for allocated product.
- Price discrepancies are handled in the customer's favor and prices are updated immediately.
- The board closes on the five (5) required annual holidays and every Sunday.
- 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 very professional labels and sticker system to indicate special priced items.* The store has good categorization and signage. Managers and team members have innovative ideas for product placement.
- Board has breakage bin and tabs of unsaleable reports for each broker.
- The stores display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808.
- 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. *Some shelf management guidelines were not fully adhered to with some bottles not increasing from left to right in size.*
- Outside area surrounding the stores are well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.
 - *Ten (10) cameras work to cover the retail area.*
 - *Additional cameras planned to be added in future.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2). *NOTE: As another option the board can alternately adopt the official State of NC government travel policy referenced under G.S. 138-6. This would allow the board an option to eliminate the annual travel policy update requirement by instead formally adopting the state government travel policy at an official board meeting and providing a copy of minutes to the Commission.*
- NCAC Rule 15A .1701 requires quarterly reports be submitted to Commission for any unsaleable merchandise (breakage) and retain original copies for three (3) years. *All breakage reports should only be transmitted via email submission to Commission staff; copies should not be mailed.*
- 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)*
- The recipients of alcohol education distributions must provide annual documentation to the board describing the activity for which these awarded funds are spent *per G.S. 18B-805(h). The board may want to consider obtaining documentation before the funds are officially awarded / transmitted to any recipients.*
- Board could consider staggering board member terms to have at least one term end date a year and no more than two term end dates each year. *Currently there are three board members with term end dates at the sametime.*
- 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 (*status*)

- Closely monitor monthly overhead and business expenses. Request bids from vendors to ensure that the best price is offered for services provided, such as insurance, professional fees, some utilities, and bank/credit card charges. *Board complies.*
- In FY 2012, Youngsville ABC had a working capital of \$33,617 which is equivalent to less than four months gross sales and is not within the limits of NCAC 02R .0902 (Now 15A .0902). *Working capital requirements currently within required range.*
- Consider modernizing the store to increase shelf space and encourage impulse shopping and will in turn increase profitability. *Board complies.*
- Consider developing a strategy for product placement utilizing the marketing and industry standards. An efficient shelf management plan focuses on the growing market. Recommended practices are as follows: a. Brand blocking products with bottles with mid-price, or premium products, at eye level, high-priced, or ultra-premium products, on top shelves and lower priced, value products, on lower shelves; b. Cross-merchandising by placing products that mix together on the same shelves. Intermingle North Carolina products within their specific category as well as having a designated area; c. Reallocating shelf space from declining categories to those showing growth; d. Allow more space for your more popular brands and re-allocating space when eliminating underperforming brands. *Board complies.*
- Bring all board members into compliance with the state ethics requirement. All newly appointed board members must receive ethics education with 12 months of appointment. Refer to Appendix B (1) for statute. *Board complies.*
- 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 B (2) for statute. *Board complies.*
- Update employee handbook to reflect current practices and policies expected and outlines the duties and responsibilities of each employee, board policies, and benefits offered, if any. Forward copies to all employees and request a signed acknowledgement of receipt from every employee to be filed in the designated personnel files. Once adopted, submit to the Commission. Refer Appendix B (4) for rule. *Board complies.*
- To strengthen inventory controls, consider implementing procedures that would segregate duties. Physical inventories should be performed by someone other than the person(s) responsible for that inventory on a daily basis. When this is not possible, the physical inventory should be spot-checked by the bookkeeper, a board member, and/or finance officer (someone not handling the inventory daily). *Board could still consider cross personnel for inventories.*
- Adopt a written cash shortage and overage policy. While this is understood, it is good business practice to have written procedures in place for current and future employees. Once adopted, submit a copy to the Commission and include in the employee personnel manual. *Board could still consider.*
- Have the board chairman read the conflict-of-interest statement to all board members at the start of each meeting. Reference the conflict-of-interest statement was read in the board minutes. Refer to Appendix B (5) for rule. *Board complies.*
- Update the bonding insurance to include the general manager and the finance officer as bonded for \$50,000 along with all board members. Refer to Appendix B (6) for statute. *Board complies.*
- Follow the Records Retention Schedule that explains how long to keep the documentation of board meeting minutes, liquor invoices, etc. *Board complies.*
- Place the pre-audit certificate with the finance officer's signature on the order to LB&B. When ordering supplies, have a purchase order or order confirmation that will have authorization from the finance officer before the transaction takes place. Refer to Appendix B (7) for statute. *Board working to satisfy.*

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.*
- 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 board members must complete ethics training within one (1) year of each appointment and again following all reappointments following NCGS 18B-706(b). *General managers, finance officers (and any applicable deputies) have a one-time training requirement for ethics training yet are highly encouraged to complete training periodically as a good refresher along with any other personnel interested.*
- 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 utilized, occurring 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.*
- 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.*

- 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.
- 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. *Board should consider RASP training.*
- 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.
- 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.



Town of Youngsville Alcoholic Beverage Control Board

Official Response to the Performance & Standards Audit Report - 2024

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

July 3, 2024

On behalf of the Town of Youngsville Alcoholic Beverage Control Board, I thank you for your review and audit of our performance and standards. We truly appreciate your support and recommendations from the audit recently performed in June 2024, and genuinely support the present control system for the State of North Carolina. Our Board remains diligently focused on having a positive impact and relationship with our local and state communities through our efforts in the control of spirituous liquor, our monetary distributions to various community outlets, and the prevention of underage drinking and alcohol abuse through our alcohol education efforts. This performance audit has shown us a few new ways on how to continue to improve. Please find below our responses to the findings and recommendations.

Item 1: Adopt Travel Policy and provide documentation to the NC ABC Commission

All available options will be presented to our Board for vote by our August meeting. Once our Board has voted to implement an official policy version, we will follow the appropriate required process with our appointing authority and submit all supporting all supporting documentation to the NC ABC Commission.

Item 2: As stated in NCAC Rule ISA.1701, all breakage reports should be transmitted via email submission to the NC ABC Commission Staff each quarter and copies retained for 3 years.

All reports have been sent and we are currently up to date for all required breakage forms. Board Leadership will continue to send quarterly scheduled reports via email as required.

Item 3: As stated in NC AC Rule ISA.1708 (a)(3), the Shelf Management Plan should be followed to include arranging bottles, so they increase in size from left to right of the same item.

Corrections to be made as shelves are stocked over time to be completed by the end of the calendar year 2024.



Town of Youngsville Alcoholic Beverage Control Board

Item 4: Per G.S. 18B-805(h), require recipients of Alcohol Education distributions must provide annual documentation to the Board, describing the activity for which those awarded funds are spent.

Our Board will request this report from our current recipient, the Town of Youngsville, to document how they are utilizing these funds. For any future, new or different recipients, we will develop a grant program.

Item 5: ABC Board should consider staggering Board Member Terms to ensure no more than 2 term dates end each year.

One Board Members current term, currently our Chairman, will be extended by one year, which will create the appropriate staggering of all Board Member terms and fulfill this request.

Item 6: Certificate of Accountability attestation form should be reviewed and signed by Board Members and applicable personnel.

This has been signed and submitted back to the NC ABC Commission as of the time of this response letter.

Sincerely,

Mason Hurt, Chairman

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Youngsville ABC Board