

# Chatham County 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

COMMISSIONER:  
Norman A. Mitchell, Sr.  
Charlotte

May 6, 2023

Chatham County ABC Board  
Walter Harris, Chair  
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Chairperson Harris,

Deputy Commissioner:  
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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 Chatham County 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.

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

Chatham County is in the Piedmont region of North Carolina. Agriculture continues to be vital here, and the county is one of the state leaders in the poultry industry. Also, forage crops are grown in large quantities and organic agriculture farmers are prevalent. Industrial growth has been primarily based in the areas of Siler City and Moncure. The scenic rural environment has attracted artists and has influenced the arts-related tourist economy here. In 2020, Chatham County's population per the Census was approximately 76,000 residents which increased roughly 20% since 2010.

NC General Statute 18B-601(b) authorized Chatham County to hold an election for an ABC store. The referendum was held on May 8, 1984. The vote for a store passed 5,918 to 5,234. The date of the first retail sales was April 21, 1986. A mixed beverage election was held on May 5, 2009, and it passed 5,187 to 2,756. Since 2013, the board consists of a chairperson and four (4) additional board members who are appointed by the county to serve on the ABC board.

The Chatham County ABC Board currently operates four (4) retail stores. The board staffs approximately twenty-eight (28) total employees. These include fourteen (14) full time employees and fourteen (14) part-time personnel. The general manager / is responsible for the daily store operations including supervising personnel, inventory management, and various retail functions. The finance officer provides the general manager/budget officer and the board with fiscal management, administrative support, and assist with routine operations of the ABC stores.

*The last performance audit for the Chatham County ABC Board occurred in 2012. 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, March 22, 2023, Deputy Commissioner Mike DeSilva, and ABC Board Auditor Quinn Woolard visited the Chatham County ABC Board and interviewed Matt Williams (General Manager), Megan McElhaney (Finance Officer), and Walter Harris (Chairman). Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.

## FINANCIAL ANALYSIS

### PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2021-2022, the Chatham County ABC Board had a profit percentage to sales of 6.77%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales more than \$2M yet less than \$10M is 6.5%. The Chatham County ABC Board’s gross sales totaled \$9,136,187, which was a *substantial* 33.1% increase over the previous fiscal year.

The operating cost ratio for the Chatham County ABC Board was .71 in FY 2021-2022. The NC ABC Commission standard for ABC Boards with three or more stores and mixed beverage sales is .63 or less.

Thus, the Chatham County ABC Board formally met the profitability standards yet did not meet the operating cost standards 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 2021-2022	FY 2020-2021
<b>Gross Profit on Sales</b>	\$2,365,325	\$1,706,373
<b>Income from Operations</b>	\$618,114	\$394,921

*Factors affecting profitability and cost include:*

- Municipal boards within the county include Siler City ABC and Pittsboro ABC. Adjacent counties with ABC stores include Alamance, Durham, Lee, Moore, Orange, Randolph, and Wake.
- An ABC Board’s average cost of goods sold (COGS) is between 52% & 54% per year. The Chatham County ABC Board’s cost of goods sold was approximately **51.6%** in FY 2021-2022.
  - *Mixed beverage sales were roughly 3.5% of total sales in FY-2022, and there are currently around fourteen (14) mixed beverage customers.*

## BUDGET ANALYSIS

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	FY 2021-2022 Budget Projections	FY2021-2022 Actual	Variance	Variance %
<b>Sales</b>	\$9,014,476	\$9,136,187	121,711	1.4%
<b>Total Expenditures (to include Distributions)</b>	\$11,078,482	\$10,189,947	888,535	8.0%

In reviewing the budget to actual analysis of the FY 2021-2022 financial audit, actual sales revenues were over budgeted projections by 1.4%. In addition, total expenditures were below budget by 8.0%. Overall, revenues were under expenditures in the amount of \$1,053,620 for the fiscal year period. The chart above shows the final budget to actual amounts and the appropriate positive or negative variances. *The board's ending net position on June 30, 2022, was around \$2M; the net position has steadily risen over the last five (5) fiscal years, increasing nearly 60% during this period.*

## DISTRIBUTIONS

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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 distribute at least five percent (5%) of applicable gross receipts to law enforcement and 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 specific recipients are designated by an official local enabling act (and thus will vary).*

In FY 2021-2022, Chatham County ABC made other statutory distributions totaling \$298,866 (*Net profit distribution recipients received \$254,972 of this*). The amount of \$2,059,466 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), NC Department of Health & Human Services (NCDHHS), and the county commissioners of Chatham County.

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

- One hundred percent (100%) to Chatham County General Fund

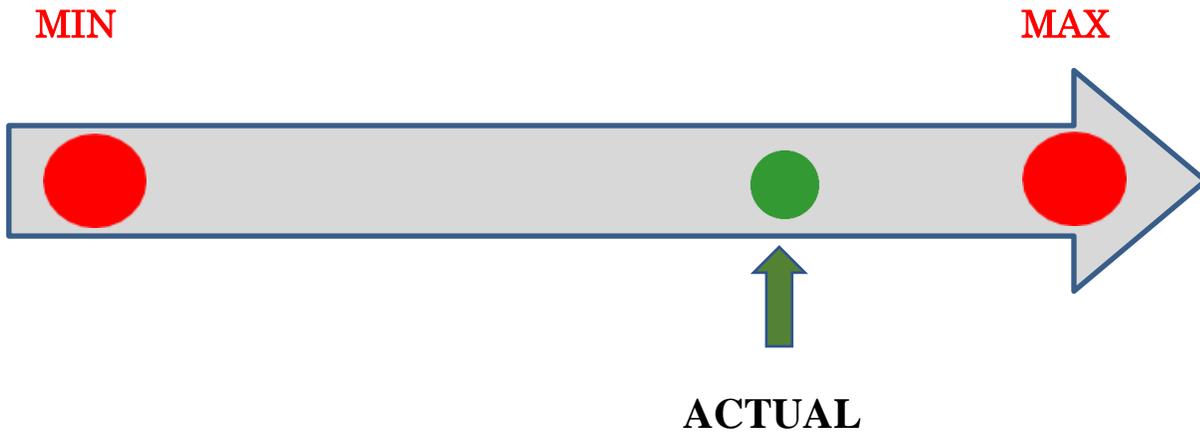
## WORKING CAPITAL

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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 yet less than \$50M an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2022, the Chatham County ABC Board is required to maintain a minimum working capital of \$272,182 with a maximum working capital amount of \$1,769,180. The Chatham County ABC Board had a working capital balance of \$1,418,601, which falls well within the Commission requirements for this section (\*).

### **\* FY 2021-2022: 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**

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

- The board routinely holds board meetings the first Wednesday of each month at 11:30 AM, records regular meeting minutes, and provides public notification and awareness of these meetings. The minutes provided have the conflict-of-interest disclosure statements and discussion. The meeting minutes are organized in a binder for review and are also routinely signed by the Chairman.
  - Training records review: All board members and personnel are fully compliant across the board on ethics training requirements.
  - Board member compensation & General Manager (GM) salary: Board member compensation per discussion with General Manager was recently increased to \$200 per meeting which exceeds statute amount. The GM salary exceeds salary authorized by the clerk of superior court in Chatham County. *County BOC meeting minutes for these recent approval actions are not immediately available as they have not been drafted.*
  - Board website review: The GM provided helpful information which in turn enabled solid updates to Commission records on board member terms. **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 in most cases. As a value-added measure for all ABC boards and Commission records tracking in 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 better manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members might resign before a term has ended.*
  - Board Personnel & Board Members: The general manager provides board members with operational updates and concerns. The finance officer provides various financial reports for the board's review; among these are helpful spreadsheets and profit & loss statements. Board members are heavily encouraged to use checks and balances to ensure that cash management practices are upheld. *Some board members have a financial officer background and/or experience in local government. The Chairman discussed a focus on watching bottle counts for sales. Board members are cognizant of financial statement review including routine monitoring of payroll from month to month.*
- POLICIES: The board has a personnel policy manual, credit card policy, and the Commission has electronic copies.
  - The Commission has an unsigned electronic copy of the code of ethics.
- BUDGETS: The board exceeded original budgeted sales in FY-2022 in the final days of June 2022 and was well adept at forecasting sales. *Based on sales trajectory for the current fiscal year, the forecasted sales are tracking along well at 90% of budgeted sales per month equivalent across eight (8) months into the fiscal year.*
- FINANCIAL INSIGHT: The finance officer is signing checks as required per statute with the general manager or Chairman as the secondary signature. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid in a routine and timely manner.
  - Chatham County ABC uses SGC (Steven Gaskins Consulting) for their point of sale (POS) system which is cloud-based.
  - Traverse software is used for routine financial statements and payroll processing, which is also cloud-based.

**PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

- Bank deposits are made daily for all the store locations. The board encounters logistics issues at one location where only mobile deposits are allowed with no teller. Consequently, the board is not allowed to deposit loose change and only whole dollars here. Thus, the board will hold loose change until approximately five dollars has accumulated for deposit.
- The finance officer is diligent at researching discrepancies on monthly reconciliations and in cases where register counts have discrepancies.
  - Discussion provided described that clerks by default will triple check their cash totals at the end of day or applicable shift.
- Purchase orders from the system for liquor shipments do not routinely have the pre-audit certificate stamped and finance officer signature at the time they are placed. Checks bear the proper disbursement certificate, and the board pays some liquor invoices via ACH transactions to save money on postage.
- Payroll occurs bi-weekly via direct deposit. The finance officer processes payroll with the general manager being involved in the process by reviewing and approving time.
- The general manager essentially also serves as the deputy finance officer.
- All board members and applicable personnel are each bonded for \$50,000 per G.S. 18B-700(i).
- The annual CPA audit was received and logged by the Commission on October 25, 2022.

➤ **STATUTORY DISTRIBUTIONS:**

- Net Profit Distributions - The Chatham County ABC board has been routinely meeting the minimum required distributions to the county as the sole designated recipient. **Reference table below - The left side is CPA calculated amount & right side reflects the actual combined amount distributed to net profit recipients.**
- Law Enforcement Distributions: Have been properly disbursed at or above the 5% statute amount on a regular basis.
- Alcohol Education Distributions: Have been properly disbursed at or above the 7% statute amount on a regular basis. The board attests to receiving annual documentation from recipients on use of funds in accordance with GS 18B-805(h).

<b>NC GENERAL STATUTE: 18B-805 (c)(1)</b>			
<b>Minimum Mandatory Distribution for Net Profit to Designated Recipients</b>		<b>Chatham County ABC Net profit distribution made annually by fiscal year</b>	
<i>Note: Referencing CPA Audit Reports</i>			
<b>CPA Calculated Amount</b>		<b>What was paid to recipient(s)</b>	
FY-2022	\$252,473	FY-2022	\$254,972
FY-2021	\$190,479	FY-2021	\$190,479
FY-2020	\$151,627	FY-2020	\$151,627
FY-2019	\$124,181	FY-2019	\$124,181
FY-2018	\$110,456	FY-2018	\$110,456

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

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- **LAW ENFORCEMENT (LE) REPORTS:** Reports have been entered online routinely over the last several years and contain helpful information. A few reports are missing from 2022. There were a few reports filed online in a saved status yet not final submitted. These have all now been final submitted. *The GM discussed that the Sheriff's department personnel direction input the data.*
- **LAW ENFORCEMENT (LE) CONTRACT:** The Commission records reflect the board having a law enforcement contract with the Town of Pittsboro from 2012. The Commission will need to obtain a current valid law enforcement contract from the board.
- **INVENTORY:** Monthly inventories are routine at all stores for a robust posture on inventory management and inventory scanners are utilized. A long-term employee serves as the buyer for the ABC board and has done well with opportunities to purchase liquor on sale. In 2022, the Moncure store was replaced with a new construction location. As a result, all the deliveries are made here every Wednesday (except any 5<sup>th</sup> Wednesdays). *Special notes: The board is awaiting arrival of a new delivery truck to greatly enhance logistics for inventory transfer. The deck of the existing truck is below grade of the loading dock which has made the transfer of liquor inventory a difficult process.*
- **INTERNAL CONTROLS:**
  - Finance Officer and General Manager (GM) collaborate on payroll activities.
  - GM serves as the deputy to support finance officer.
  - Buyer has been with the board long-term and can support the GM for operational continuity.
  - Some board members have a finance background and local government experience to aid in oversight & stewardship efforts.
- **EXPENSES:**
  - Total expenses increased roughly thirty-three percent (33%) over the last fiscal year. The main category increases are payroll, group insurance, lease amortization, and credit card fees.
  - In 2021, the board eliminated Other Post Employment Benefits (OPEB).
  - Board payroll was roughly 7.8% of total annual sales. *Payroll increased nearly thirty percent (30%) from the previous fiscal year.*
  - Cost of Goods Sold (COGS) was around 51.6% for the fiscal year. The board has taken superior advantage of buy-ins to aid in significant reduction of liquor costs.
  - Operating Cost Ratio was a little under Commission recommended standards based on total sales, having mixed beverage (MXB) sales, and the number of stores. These metrics have reasonably improved over the previous fiscal year.
- **MISCELLANEOUS:**
  - Chairman is one of the eight members comprising the board of directors for the NC Association of ABC Boards.
  - The full-time board employees participate in the North Carolina State Health Plan.

## STORE INSIGHT & OVERVIEW

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*The findings for store insight & overview are as follows:*

- Stores visited (Wilsonville & Moncure) both have a very modern layout and strong aesthetics for an appealing shopping experience.
  - The Wilsonville store by Jordan Lake is the board's headquarters. Opening in 2021, it also represented a new store location bringing the board's total number of stores to four.
  - *The Moncure location represents a key strategic operational objective for the board. Consequently, this store has become the location where all truck deliveries are now made.* It is the only store owned and not leased by the board, with the relocation opening here in September 2022. The former store was located behind a fueling station.
  - An ABC sign is still present on the former Moncure store location. The board should collaborate with the former landlord on measures to physically remove the sign.
- Communication was provided on current plans to obtain signs for both the Moncure & Wilsonville stores. The new Moncure store is almost immediately off US-1 Highway. However, it is not immediately identifiable from the two-lane road.
- Sales associate interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers.
- The board has around fourteen (14) MXB customers as of March 2023. None of the business customers are really interested in delivery service. However, the board has provided a delivery service policy to the Commission - Referencing Rule 15A . 1903 Delivery of MXB Permittee Orders.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, only one item had a shelf price that did not reflect the current quarterly or monthly SPA price due to being offered in both glass and plastic. The shelf tag was immediately updated.
- The board closes on the five (5) required annual holidays and every Sunday.
- The stores visited display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808.
- North Carolina products are cross merchandised according to product category.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf. Regular occurrences were found with various bottle sizes of the same products increasing appropriately from left to right. Bottles were fronted and dusted.
- Vodka inventory is laid out very well with similar brands being presented in a horizontal layout. This makes the various brands more noticeable and able to be found with less hassle.
- Outside area surrounding the stores visited are well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.

## RECOMMENDED ACTIONS (PER STATUTES, RULES, OR OPS MANUAL)

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- 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.*
- A signed Code of Ethics policy should be forwarded to the Commission via email [Referencing G.S. 18B-706].
- Documentation from the Chatham County BOC approving board members compensation at more than \$150 per meeting needs to be obtained and provided to the Commission. Also, documentation reflecting approval for the General Manager to be paid a salary which exceeds clerk of superior court salary should also be obtained and forwarded. [Referencing G.S. 18B-700(g),(g1)].
- The Commission needs to obtain a copy of a valid law enforcement (LE) contract from the ABC Board in connection with G.S. 18B-501(f).
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by applicable board members and personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.
- Per G.S. 18B-700(g2), the board must annually obtain approval from the appointing authority to continue adhering to their local government travel policy and annually provide the Commission a copy of this approval and latest annual travel policy. **Note:** *As another option, the board can alternately move to 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 & adhering to the State of NC government travel policy during an official board meeting. If the board were interested to make this travel policy change, a copy of the applicable meeting minutes showing the adopted travel policy change would then simply be forwarded via email to Commission personnel as a one-time action.*
- 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 would 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.
- Based on G.S. 18B-702(s), ABC boards submit annual CPA audits to the appointing authority and the Commission. The Commission requests for the audits to be submitted by September 30<sup>th</sup> each year outside of any unanticipated scenarios.
- ABC board members must complete ethics training within one (1) year of each appointment and again following all reappointments. **Special note:** Currently, one board member term will expire in summer of 2023. Then, the one-year window for ethics training starts at the time of new term beginning or appointment/reappointment. *General managers, finance officers (and any applicable deputies) have a one-time training requirement for ethics training but are encouraged to complete training periodically as a good refresher along with any other personnel interested.*

## ADDITIONAL CONSIDERATIONS & GUIDANCE ....

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- 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 before Oct 1<sup>st</sup>.
  - 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). Board 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*.
- 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 7<sup>th</sup> of each month referencing G.S. 18B-501(f1). Board should make sure reports are in a "Final Submitted" status and not in saved status. For any saved reports, the only transaction necessary is to click the preview button and then click the submit button for the reports.
- 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.
- NCAC Rule 15A .1701 requires quarterly reports be submitted 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.*
- 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.**

# APPENDIX A

## CHATHAM COUNTY ALCOHOLIC BEVERAGE CONTROL BOARD

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Chatabcl@att.net

WALTER HARRIS, Chair  
DEBRA OLDHAM, Secretary/Board Member  
MATTHEW WILLIAMS, General Manager

Board Members  
JOSEPH McEVOY  
CHRISTINE HARRELSON  
LARRY MILLER

May 4<sup>th</sup>, 2023

Quinn Woolard  
NC ABC Commission  
400 East Tryon Rd.  
Raleigh, NC 27699

The Chatham County ABC Board would like to thank you as well as Deputy Commissioner Mike DeSilva for your support and recommendation following the recently performed audit. The Board has read, reviewed, and discussed the reports. Below are our responses to the findings and recommendations in “red”. Let me know if you need any additional information.

- 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.*
  - All recommendations will be followed.
- A signed Code of Ethics policy should be forwarded to the Commission via email [Referencing G.S. 18B- 706].
  - Updated Code of Ethics will be submitted to the Commission as they are received from the Board Members
- Documentation from the Chatham County BOC approving board members’ compensation at more than \$150 per meeting needs to be obtained and provided to the Commission. Also, documentation reflecting approval for the General Manager to be paid a salary which exceeds clerk of superior court salary should also be obtained and forwarded. [Referencing G.S. 18B-700(g),(g1)].
  - Waiting on approved minutes from Lindsay Ray, Clerk to the Board of Commissioner’s. Board member and GM increases were approved at the March 2023 Commissioner’s meeting.
- The Commission needs to obtain a copy of a valid law enforcement (LE) contract from the ABC Board in connection with G.S. 18B-501(f).

- Law Enforcement Contract attached.
- In connection with the periodic audit, a Certificate of Accountability attestation form should be reviewed and signed by applicable board members and personnel. A signed copy would then only need to be emailed to Commission personnel for recordkeeping.
  - Certificate of Accountability attached.
- Per G.S. 18B-700(g2), the board must annually obtain approval from the appointing authority to continue adhering to their local government travel policy and annually provide the Commission a copy of this approval and latest annual travel policy. **Note: As another option, the board can alternately move to 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 & adhering to the State of NC government travel policy during an official board meeting. If the board were interested to make this travel policy change, a copy of the applicable meeting minutes showing the adopted travel policy change would then simply be forwarded via email to Commission personnel as a one-time action.**
  - Request to be added to next Commissioner’s meeting to obtain approval to adopt local government travel policy. Once approved will forward approval to ABC Commission.
- 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 would 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.
  - Implemented purchase order process for all LBB orders submitted as well as purchase order form for all supplies orders that exceed \$5000. Purchase order form to be filled out by General Manager and signed off by Finance Officer. See attached purchase order form.
- Based on G.S. 18B-702(s), ABC boards submit annual CPA audits to the appointing authority and the Commission. The Commission requests for the audits to be submitted by September 30<sup>th</sup> each year outside of any unanticipated scenarios.
  - All recommendations will be followed.
- ABC board members must complete ethics training within one (1) year of each appointment and again following all reappointments. Special note: Currently, one board member term will expire in summer of 2023. Then, the one-year window for ethics training starts at the time of new term beginning or appointment/reappointment. *General managers, finance officers (and any applicable deputies) have a one-time training requirement for ethics training but are encouraged to complete training periodically as a good refresher along with any other personnel interested.*

- All recommendations will be followed.
- 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 before Oct 1<sup>st</sup>.
  - 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.*
  - All recommendations will be followed.
- 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). Board 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*.
  - All recommendations will be followed.
- 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.
  - All recommendations will be followed.
- Law enforcement reports must be submitted on the Commission’s board website by the 7<sup>th</sup> of each month referencing G.S. 18B-501(f1). Board should make sure reports are in a “Final Submitted” status and not in saved status. For any saved reports, the only transaction necessary is to click the preview button and then click the submit button for the reports.
  - GM monitors monthly reporting by the Chatham County Sheriff. Will notify the Sheriff’s Office if reports are being submitted later than 7<sup>th</sup> of each month.
- 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.

- **All recommendations will be followed.**
- NCAC Rule 15A .1701 requires quarterly reports be submitted 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.*
  - **All recommendations will be followed.**
- 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.
  - **All recommendations will be followed.**
- 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.
  - **All recommendations will be followed.**

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