

Albemarle ABC Board

Performance Audit Report



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Alcoholic Beverage Control

June 2, 2025

CHAIRMAN:

Hank Bauer

Albemarle ABC Board

John McIntyre, Chair

1930 E. Main St

Albemarle, NC 28001

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon

Raleigh

David Sherlin

Raleigh

Chairperson McIntyre,

DEPUTY COMMISSIONER:

Mike DeSilva

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

LOCATION:

400 East Tryon Road

Raleigh NC 27610

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, 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.

Albemarle is a city located in Stanly County, North Carolina, serving as the county seat. As of the 2020 census, it had a population of 16,432. The city is home to several historic districts, including the Downtown Albemarle Historic District, the Five Points Historic District, and the Second Street Historic District, each showcasing unique architectural styles and historical significance.

The City of Albemarle is the largest municipality in Stanly County and is the county seat. We're a community of thriving businesses and friendly neighborhoods with the charm of a small town.

Located in the beautiful Uwharrie Lakes region near two of the state's largest urban areas—Charlotte and the Piedmont Triad area—Albemarle offers incomparable outdoor activities, including camping, hiking, boating, fishing, and swimming.

Whether you are looking for a welcoming environment to locate a business or industry, or the perfect situation to settle and raise a family, Albemarle is the ideal place to live, work and play.

The general manager is responsible for the oversight of all daily operations, inventory management, accounts payable, human resource organization and other administrative decisions for the board. The board hired an external accountant who assists with payroll, financial reporting, the annual audit, and other bookkeeping duties as needed. All store employee's primary responsibility is to provide friendly customer service to all customers, store upkeep and stock maintenance.

A mixed beverage referendum occurred on February 10, 1998, and it passed. *Currently, the Albemarle ABC Board appoints a chairperson, two "2" additional board members and a general manager to serve on the ABC board.* The Albemarle ABC Board currently operates one (1) retail store. The board staffs thirty (14) in total personnel. These include four (4) full-time employees and ten (10) part-time personnel. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The board's General Manager is the Finance Officer and provides the board with fiscal management, administrative support, and oversees routine operations of the ABC stores. Sales associate responsibilities include, selling products, daily stocking, and floor upkeep & maintenance.

The last performance audit for the Albemarle ABC Board occurred in 2015. 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 Thursday, March 27, 2025, ABC Board Program Analyst II Eric McClary, visited the Albemarle ABC Board and interviewed Cathryn Clayton (General Manager). 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) 2024, the Albemarle ABC Board had a profit percentage to sales of 10.25%. 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 Albemarle ABC Board's gross sales totaled \$5,915,530, which was a 2.6% increase from the previous fiscal year.

The operating cost ratio for the Albemarle ABC Board was 0.53 in FY 2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Albemarle ABC Board met the profitability standard and commendably made 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 2023-2024	FY 2022-2023
Gross Profit on Sales	\$1,416,603	\$1,457,411
Income from Operations	\$606,174	\$656,745

Factors affecting profitability and cost include:

- Surrounding areas with other ABC systems which are within a 25-mile radius include Locust ABC, Norwood ABC, Mount Pleasant ABC, and Montgomery ABC.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year.
- The Albemarle ABC Board's cost of goods sold was approximately **52.8%** in FY 2024.

BUDGET ANALYSIS

	FY 2023-2024 Budget Projections	FY2023-2024 Actual	Variance	Variance %
Sales	\$5,521,000	\$5,996,000	(\$74,782)	(1.3) %
Revenue over or (under) Expenditures		(\$7,639)		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues exceeded forecasted projections by 1.3%. After reconciliation, the change in the Board's net position was \$114,220.

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).*

Albemarle ABC made a total of \$1,374,548 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 Stanly County.

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

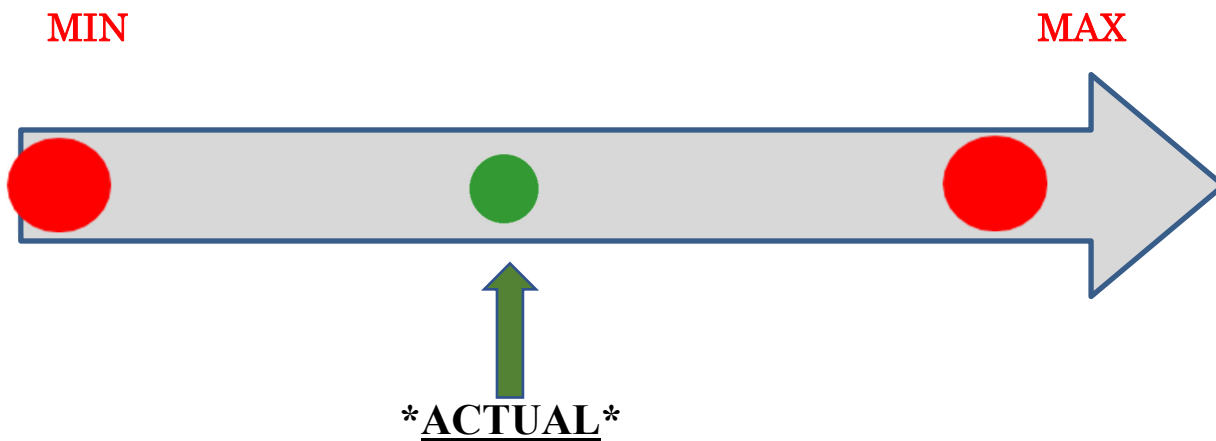
- One Hundred percent (100%) to town general fund.

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 more than \$1.5M an amount equal to four (4) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Albemarle ABC Board is required to maintain a minimum working capital of \$292,835 with a maximum working capital amount of \$1,903,433. The Albemarle ABC Board had a working capital balance of \$ 1,327,401 which falls below the Commission requirements for this section (*).

*** FY 2023-2024: *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 3rd Wednesday of each month at 4:00 PM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized in a folder for review. They record regular meeting minutes and provide public notification and awareness of these meetings. The meetings are organized by session and kept in a book. Board meetings were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired, however do not possess a conflict of interest.

° Training Records: Board members and board personnel are fully compliant on ethics training referencing GS 18B-706.

- Oath of Office: All board members have taken an oath per the general manager's recollection. All board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written template is available in the operations manual on Commission website.*
- General Manager (GM) Salary and Board Member compensation: GM salary fully adheres to 18B-700(g1) statute requirements. The Board member compensation complies with statute 18B-700(g) requirement.
- 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 better 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 is very meticulous with oversight and recordkeeping including keeping board meeting minutes in heavily reinforced binder. The GM provides board members with monthly sales information and previous year's applicable sales and operational concerns along with financials from accounting firm. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The board does not have a personnel manual. For travel policy, Commission records indicate the board adheres to the states travel policy, however the Commission nor the Board has an electronic copy.
- Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings or employee tastings, and social media.

- **FINANCIAL INSIGHT:** Invoices are processed monthly by the General Manager. 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. The board's accountant uses Quick Books for routine journal entries.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Bank deposits are routinely made each business day per review of bank Statements and discussion with GM. 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.
- All board members and applicable personnel are each bonded for \$50,000 per G.S. 18B-700(i).
- Law Enforcement (LE) Contract: The board has an active contract on file. The contract is dated 1998 and there is a new Police Chief on board. The Board will provide an updated LE Contract. The board also has been submitting LE reports since January 2024, however the reports do not have record of any LE activity.
- The annual CPA audit was received and logged by the Commission on November 4, 2024.
- **STATUTORY DISTRIBUTIONS:**
 - **Net Profit Distributions** - The Albemarle ABC Board has routinely made the minimum mandatory distributions to the designated recipients over the last three years referencing NCGS 18B-805(c)(1). **The table below references distributions calculated by CPA on the left and total net profit distributions made by the ABC Board for the last three (3) years on the right.**
 - **Law Enforcement Distributions:** Have been properly disbursed at or above the regular 5% statute amount over the last three (3) fiscal years.
 - **Alcohol Education Distributions:** Have been properly disbursed at or above the regular 7% statute amount. This distribution category has been increased moderately annually.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Albemarle 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-2024	\$134,442	FY-2024	\$440,000
FY-2023	\$160,418	FY-2023	\$580,000
FY-2022	\$143,772	FY-2022	\$550,000

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **LAW ENFORCEMENT (LE) REPORTS:** Reports have been submitted online routinely since January 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The Commission has an electronic copy of a law enforcement contract, dated FY 1998.
- **INVENTORY:** Full store inventories are conducted quarterly. Outside of this, spot checks in certain categories are conducted at random intervals.
- **INTERNAL CONTROLS:**
 - The board has a part time manager and three full-time employees to support the general manager. The board also employs (2) two sales floor managers that rotate day and night shifts (but do get a full 40 hours a week) and (1) full time warehouse manager which is the GM's assistant.
 - The board has 8 tills, 1 Mixed Beverage with \$50.00 in it and 7 tills for retail sales with \$175.00 in each till.
 - The opening manager gets loan out of the safe for the clerk. The manager will then gauge how much and what change is required.
 - The accountant prepares monthly financial statements for the board. The GM reviews the statements and makes these available for the monthly board meetings.
 - Invoice information is entered into Quick Books, cash requirements are printed for the truck shipments and the Purchase Orders History from the computer system and is utilized to balance totals to make sure invoices / inventory match the system.
 - Bank Deposits are made each day by the general manager. Personnel review deposits and the general manager compares deposit slips with bank statements and the Finance Officer reviews at monthly reconciliation. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.*
- **EXPENSES:**
 - Total operating expenses increased 1.2 % from the last fiscal year.
 - Board salaries were roughly 9.6% of total annual sales.
 - Cost of Goods Sold (COGS) were an impressive 52.8%.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store has a modern layout, good ergonomics for shoppers, and plenty of inventory on the shelves.
- Sales associate interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers.
- The board has eighteen (18) MXB customers as of March 27, 2025. The board does not provide deliveries and will not consider any within the future.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, there were two that required updating and were updated immediately. Every item reflected the correct quarterly or monthly SPA price. The board highlights the monthly SPA products very well with visual aids.

- Besides closing on the two (2) required annual holidays and every Sunday, the board may opt to continue closing on New Year's Day, July 4th, and Labor Day annually.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808. A new poster was provided to replace the older one.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf and very organized and very detailed oriented, bottles were also neatly fronted and dusted. Bottles are also organized from top to bottom on some shelves, to increase the possibility of sales.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.
 - *Thirty-four (34) cameras work to cover the property footprint with eight outside and twenty - six interior cameras.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board does not have copies of oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths should be available at the board's administrative office*
- The Commission recognizes that the board follows the state's travel policy, however the Board does not have a policy on site. As a reminder, 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).
- 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. 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.
- The board is recommended to forward an updated law enforcement contract due to age of current contract and signed members are no longer with the municipalities. Please provide a copy to the Commission *per G.S. 18B-501(f)*.
- Please ensure all newly adopted policies or any updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. Electronic copies of the personnel manual should be emailed to Commission personnel for recordkeeping. A credit card policy is recommended to established authorized use (sample copy forwarded for consideration). A tastings policy is recommended if tastings are done routinely.

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 Sept 30th.
- 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.*
- 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.
- 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.*
- 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.

Albemarle ABC Board

P.O. Box 1880
Albemarle, NC 28002-1880

May 30, 2025

Mr. Eric McClary
ABC Board Auditor/Program Analyst
NC ABC Commission
400 East Tryon Road,
Raleigh, NC 27610

Dear Mr. Eric McClary;

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: Board Copies of Oath of Office

The Albemarle ABC Board members have all taken an oath of office. An electronic copy has been attached per *G.S. 11-7*. With written copies available at The Albemarle ABC Board.

Item 2: Travel Policy

The General Manager has updated the travel policy for The Albemarle ABC Board. An electronic copy has been attached per *G.S. 18B-700(g2)*

Item 3: Certificate of Accountability

The Board Members and General Manager/Finance Officer have signed. An electronic copy has been attached per *G.S. 18B-702(m)*

Item 4: Law Enforcement Contract

The General Manager has been in contact with Albemarle Police Department in order to update Law Enforcement Contract with the city. Attached is a copy of the proposed contract. Upon receiving signature from Chief of Police the final copy will be sent to the Commission per *G.S. 18B-501(f)*

Item 7: Policy and Procedure Manual

The General Manager has attached the Policy and Procedure Manual for record keeping and review per NCAC 15A .1102 Rule.

Item 8: Additional Policies

The General Manager is looking into additional policies to update. Such as credit card policy and tasting policy. Once completed will be submitted to the Commission.

Item 9: Reappointing of Board Member

All board members are updated for terms. Statement of latest update attached.

The Board and General Manager appreciate your time and energy in preparing the performance audit. We were very pleased with the results and feel confident that the future of the Albemarle ABC Board is bright and likewise that the communities we will serve will continue to benefit from its efficient operation.

Sincerely,

A handwritten signature in cursive script, reading "John McIntyre". The signature is written in dark ink and is positioned above the printed name and title.

John McIntyre
Chairman, Albemarle ABC Board


April 16th 2025
Month Day Year

Albemarle ABC Board
ABC Board

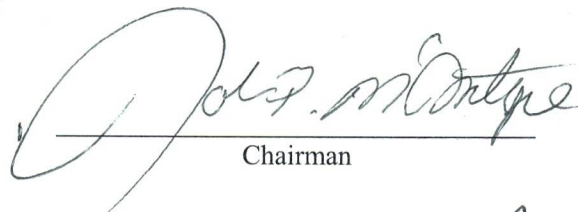
Certificate of Accountability

This document assures this Board and the State of North Carolina that the following statutory duties required of local ABC Boards have been properly performed.

1. The system has complied with all State uniform pricing requirements pursuant to NCGS §18B-804.
2. That all alcoholic beverages sold have been approved by the Commission for sale in this State pursuant to NCGS §18B-800.
3. That all "gross receipts" pursuant to NCGS §18B-805(a) have been properly accounted for and are lawful.
4. That all taxes due and board expenses have been properly and timely paid pursuant to NCGS §18B-805(b).
5. That all distributions pursuant to NCGS §18B-805 have been properly and timely paid.
6. That the finance officer for the board has properly performed all duties as required pursuant to NCGS §18B-702(k).


General Manager


Financial Officer


Chairman


Board Member


Board Member

Board Member

Board Member