

Asheville ABC Board

Performance Audit Report



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Alcoholic Beverage Control

CHAIRMAN:

Hank Bauer

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon
Raleigh

David Sherlin

Raleigh

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August 21, 2025

Asheville ABC Board

Robin Cape, Chair

24 Old Brevard Rd.

Asheville, NC 28806

Chairperson Cape,

On the following pages, you will find the performance audit report conducted by the staff of the ABC Commission reviewing the operations of the Asheville 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, Reports, and Administrative Policies
- Verify compliance with Commission and Board policies
- Verify results of previous performance audit recommendations
- Review ABC Board annual independent financial audits
- Review ABC Board reporting and documentation reports
- Visit the store(s)
- Interview key ABC Board personnel

Asheville is a city in western North Carolina and was originally established in 1793 as “Morristown”. Renamed as Asheville and incorporated in 1797, it is the seat for Buncombe County and largest city in western North Carolina. The city’s population per the 2020 census was 94,589 residents, up nearly 13.5% from 2010. The population for Buncombe County per the 2020 census was 269,452, up over 13% from 2010. The Asheville ABC Board operates nine retail stores and one mixed beverage only outlet and is one of four boards with stores in the county.

Chapter 1083 of the 1947 Session Law authorized the City of Asheville to hold an election for an ABC store upon a petition of at least fifteen percent (15%) of the register voters. The referendum was held on November 14, 1947, and passed 8,839 to 6,139. The first retail sale occurred on December 15, 1947. A mixed beverage election was held on February 16, 1979, and passed 7,765 to 6,091. The first mixed beverage sale occurred on February 28, 1979. Upon election of an ABC store, the city was authorized to create an ABC board consisting of a chairman and two board members to serve for staggered three-year terms. House Bill 1543 of the 2003 Session increased the membership from three to five board members. Current board members include Robin Cape, Chair, Charles Triber, Jan Davis, Kimberly Collins, Chappell Carter, board members.

The last performance audit for the Asheville ABC Board concluded in 2014. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.



24 Old Brevard Rd. Asheville, N.C.

OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS

On Tuesday, April 29, 2025, ABC Commission Program Analyst Edwin Strickland visited the Asheville ABC Board and interviewed the General Manager, Mark Combs, Operations Manager, Jason Thacker, and Chief Financial Officer, Hannah Franklin. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



145 Tunnel Rd. Asheville, N.C.



205 Louisiana Ave. Asheville, N.C.



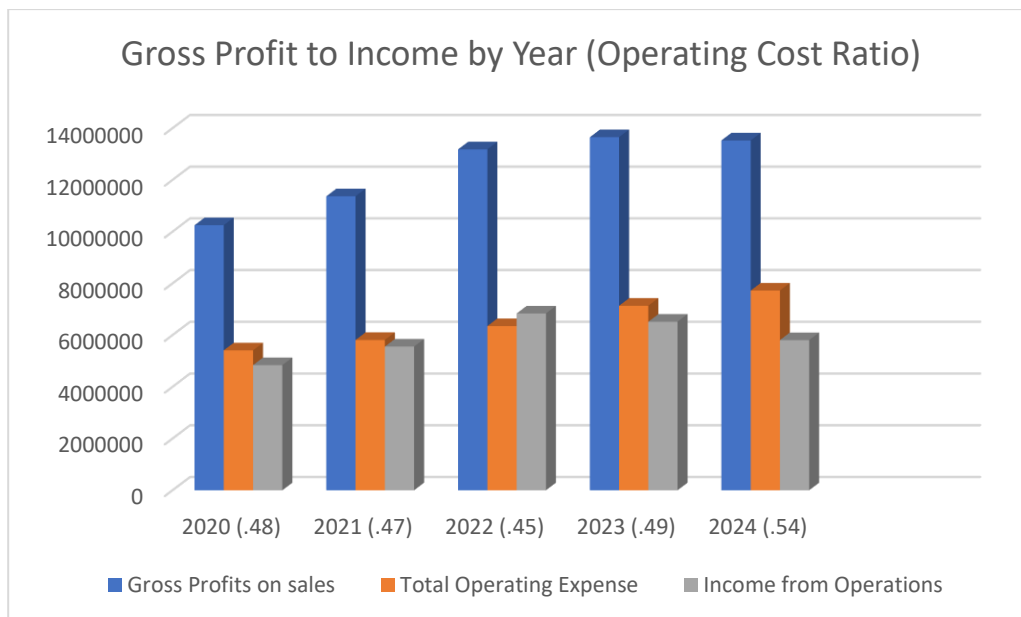
167 Broadway St. Asheville, N.C.

FINANCIAL ANALYSIS

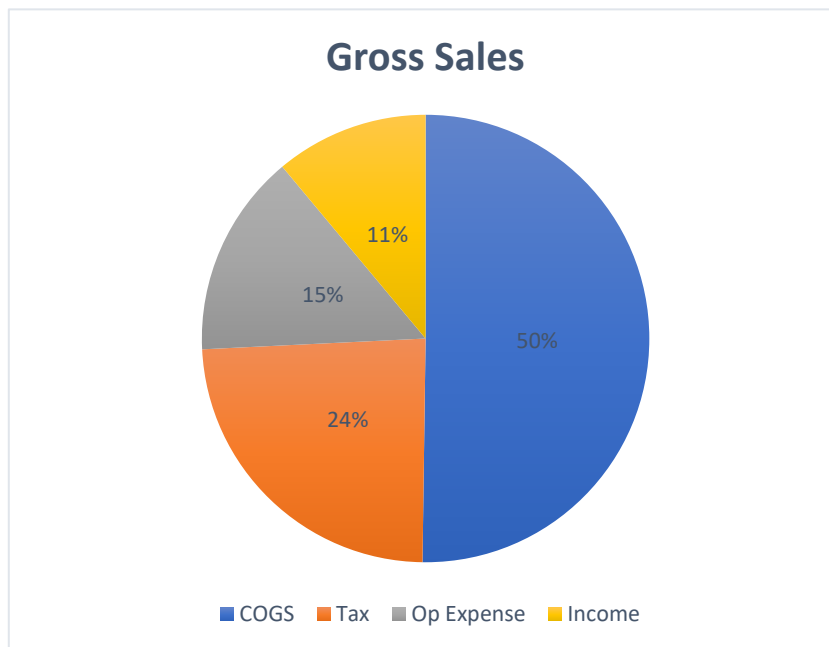
PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2023-2024, the Asheville ABC Board had a profit percentage to sales ratio of 11.06%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$10M is 9%.
 - The Asheville ABC Board's gross sales totaled \$52,503,672 which was a less than .5% decrease from the previous fiscal year.
 - The board's sales have grown over 30% over the last five completed fiscal years.
- Asheville ABC Board operates ten stores with mixed beverage sales. The operating cost ratio for the board was .54 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with three or more stores and mixed beverage is .63 or less.
 - Operating cost ratio is calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).
- Thus, the Asheville ABC Board meets both the profitability and the operating cost standards set by the NC ABC Commission. Below are charts showing gross profit on sales, total operating expenses, and income from operations for recent years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$13,526,022	\$13,651,607
Total Operating Expense	(\$7,721,222)	(\$7,134,754)
Income from Operations	\$5,804,800	\$6,516,853



- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, or as additional distributions beyond the minimum requirement.



- *Factors affecting sales:*
 - Asheville ABC Board's stores are within a 30-mile radius of eight other ABC board's stores.
 - A 3.1% unemployment rate in Buncombe County in June of 2024 with a .3% increase from the previous year.
 - The board currently has an indeterminable amount of active mixed beverage customers due to Hurricane Helene's aftermath. *In FY 2023/2024 mixed beverage accounted for over 36% of gross sales.*

INVENTORY TURNOVER

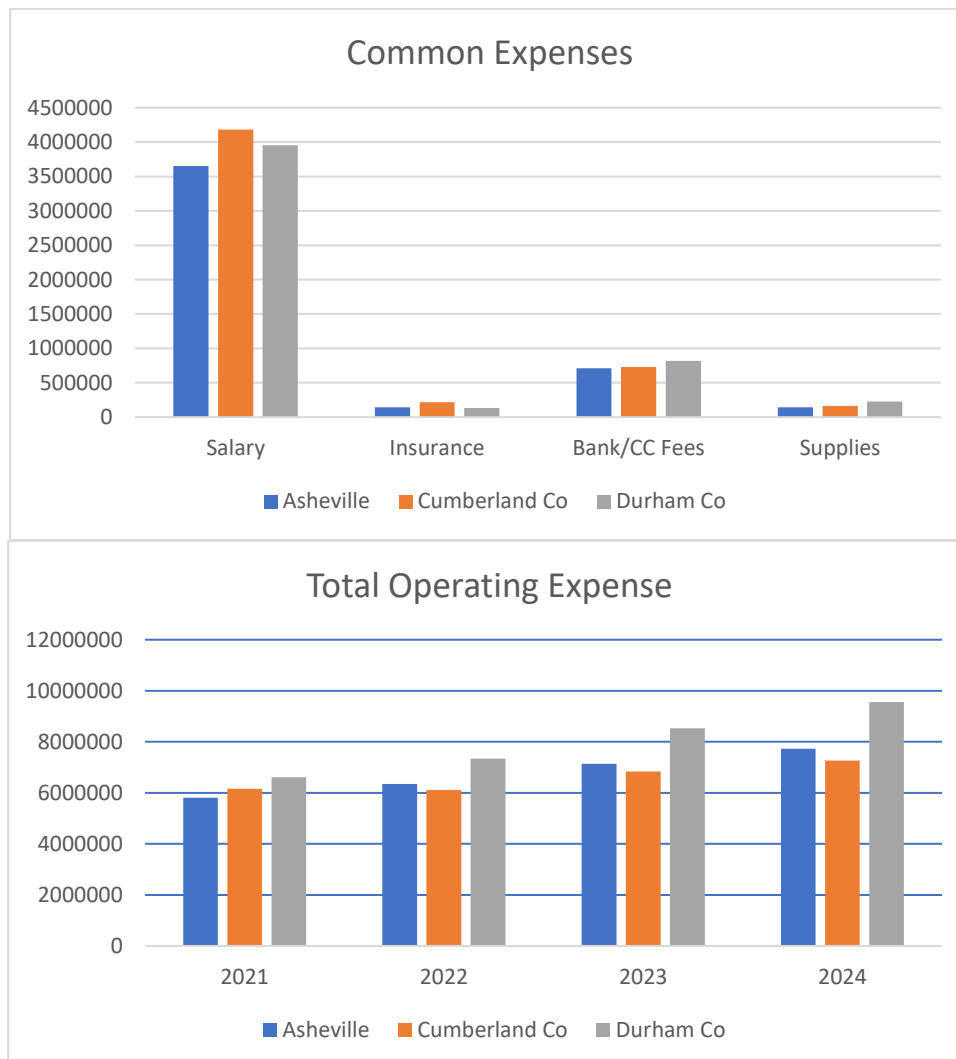
- The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set these goals for determining an effective rate based on the frequency of deliveries.
 - Once a week deliveries target at 6 times 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 Asheville ABC Board receives shipments weekly with a target inventory turnover rate of 6. The inventory rate in (FY) 2023-2024 was 3.5, which is below the goal.
 - The Board has a high inventory due to its robust buy-ins program, which inflates inventory and results in a lower turnover rate.

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased approximately seven percent (7%) from the last fiscal year and were roughly fifteen percent (15%) of total annual sales in FY-23/24.
- Board salaries and wages were about eight percent (8%) of total annual sales. Salaries and wages increased nearly twelve percent (12%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 50.2% for the fiscal year with a normal range being 52% to 54%.

- A common expense report and a total operating expense report show the Asheville ABC Board has similar categorical and total operating expenses comparable to other ABC boards within a similar gross sales range and other variables. *Common expense report categories can, sometimes, be unreliable as different CPAs may include different expenses in their line items.*



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	<i>FY2023-2024 Actual</i>	Variance	Variance %
Total Revenues	\$52,784,410	\$52,559,581	(\$224,829)	(.4%)
Total Expenditures	\$48,126,545	\$48,132,816	(\$6,271)	(.01%)
Distributions	\$4,502,291	\$4,408,164	\$94,127	
Revenue over or (under) Expenditures		\$18,601		
After Reconciling Items		\$1,016,251		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual total revenues were .4% below final budget amendments.
 - The net income change during the fiscal year was \$1,016,251. *The board's collective net position on June 30, 2024, was \$16,068,541; the net position has increased over 36% over the last five (5) fiscal years.*
- Based on sales trajectory for the current fiscal year with nine months (75%) of the budget year completed, the board is tracking at around 74% of annual budgeted sales.
 - *The board has made amendments to their FY 2024-2025 budget to date.*

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 2023-2024, Asheville ABC made other statutory distributions totaling \$4,752,714 (Net profit distribution recipient received \$4,064,996).
- The amount of \$12,636,105 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Buncombe County.
- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 75% to Asheville General Fund
 - 25% to Buncombe County General Fund

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Asheville ABC board has made net profit distributions the last five (5) fiscal years at or above the minimum mandatory distribution 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.**
- Law Enforcement Distributions: Have been properly disbursed at or above the standard 5% statute amount over the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount over the last five (5) FYs.

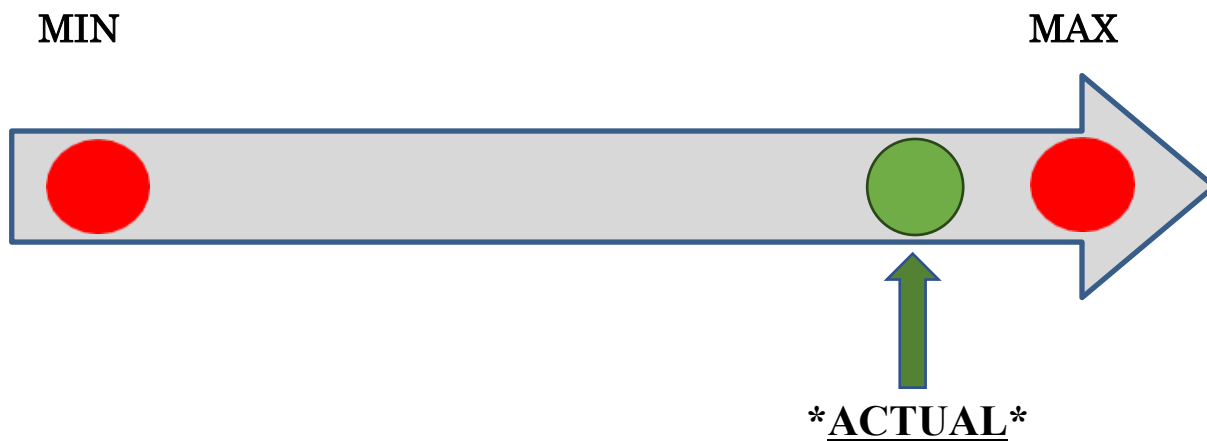
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Asheville ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$1,405,011	FY-2024	\$4,064,996
FY-2023	\$1,413,375	FY-2023	\$4,622,684
FY-2022	\$1,351,097	FY-2022	\$4,797,234
FY-2021	\$1,212,652	FY-2021	\$3,698,077
FY-2020	\$1,089,002	FY-2020	\$3,230,608

- Since inception, the board has made distributions as follows:
 - *City of Asheville (75%) \$63,953,350*
 - *County of Buncombe (25%) \$21,317,775*

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.
 - NCAC 15A .0902 sets a working capital maximum standard for boards with annual gross sales greater than \$1.5M as an amount equal to three (3) months of gross sales.
 - G.S. 18B-702(g)(3) defines "Working Capital" as the total of cash, investments, and inventory less all unsecured liabilities. As it pertains to working capital computation, gross sales mean gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).
- Based upon the existing rules, as of June 30, 2024, the Asheville ABC Board is required to maintain a minimum working capital of \$1,530,888 with a maximum working capital amount of \$6,633,847.
 - The Asheville ABC Board had a working capital balance of \$5,212,413 which is more than the minimum and less than the maximum Commission requirement for this section (*).

*** FY 2023-2024: *Working Capital (WC) graphic***



- Under G.S. 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:

Board Members

- The board consists of four members and a chairperson, each receiving compensation for their services above the maximum \$150.00 per meeting.
 - In compliance with G.S. 18B-700(g) written approval from their appointing authority for adjusted member compensation is on file in Commission records retention.
 - All board members are currently compliant on ethics training and all term end dates are appropriately staggered.
 - Four members are serving in their first term with the Chairperson having served multiple terms with the board.
 - Members have a variety of experience in business, realty, non-profits, and human resources.
- All members have not taken an oath of office per G.S. 11-7. *Copies of oaths should be kept available at the board's administrative office.*
- Meetings are generally held the last Tuesday of each month and public notice is provided to the city and advertised on the city's official website.
- Meeting minutes are well organized and follow the order of proceedings, providing detail of business discussed in a transparent and easily comprehensible manner.
 - An abundance of financial reports, law enforcement activities, and operational and other informative information is discussed and chronicled through a well-crafted packet.
 - 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 also, routinely review any notes and recommendations provided by the CPA firm on annual audits.
- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store locations.

Law Enforcement

- The board has an active internal law enforcement agency who provides substantial documentation on activities for accountability monthly to the Commission and to the board as required by G.S. 18B-501. *Commission staff is currently investigating why, inexplicably, only some law enforcement reports populate on the board login website when all data is available through records search on the Commission's public website.*
 - The department is comprised of a chief, one full time officer, and a part time officer.
 - Informative data and other communications on policy activity, programs, and campaigns are discussed at board meetings.
 - The board and department have initiated some creative and successful programs to curb overserving, drunk driving, underage drinking, and the management of other risks associated with alcohol sales and consumption.
 - The department provides internal alcohol sales education programs to the board's staff and others locally.

Board Personnel

- The board currently staffs seventy-nine total employees, with fifty-three full time and twenty-six part time, across ten stores, a central warehouse, an administrative office, and law enforcement.
- General Manager has served in this role with the board for approximately fifteen years and has previous experience with two local municipalities.
 - General Manager is part time, their salary is below the maximum allowable compensation per G.S. 18B-700(g1), and they are compliant on ethics training.
 - Their responsibilities include administrative oversight of operations, law enforcement, human resources for administrative positions and management, they work directly with the board and appointing authority, and they mentor the administrative team.
- The Operation Manager is full time and has been with the board for over twenty years and has held most front line and management positions. Their responsibilities cover supervision of store and distribution managers, ordering and pricing, broker representatives, and they manage social media accounts among other tasks.
- The Chief Financial Officer is full time and has been with the board for approximately five years. Their responsibilities include the oversight of a deputy finance officer and other administrative team member(s) to ensure full compliance with regulatory governmental principles on all things accounting and budgetary.
- The distribution manager is full time and has been with the board for many years. Their core responsibilities include ordering and the supervision of warehouse team for receiving, stocking, and distributing liquor and other supplies.
- All stores have a manager and assistant manager whose focus is on their store's team's affectively providing service to their patrons, ordering, and store upkeep.
- All other store employees are sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- Training is provided to new employees from managers and other personnel and is mentorship styled.
 - Internal RASP training from the board's law enforcement department has been extended to many current employees and future training is expected for all team members.
 - Product knowledge training is provided from managers who attend trade shows and through informal discussions.
 - *The board's website has some general alcohol education information available to the staff and others, and some fundamental product education material.*
- Full time employees are enrolled in LGERS, and 401(k) opportunities are extended to all employees.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a comprehensive personnel manual that details various policies associated with employment, payroll, benefits, behavioral standards, conduct, and discipline. *An updated copy was provided at visit and is now in Commission records retention.*
- The board has an equally comprehensive operations manual that covers additional policies, behavioral standards, cash management, returns, price discrepancies, equipment usage, lawful sales, and employee benefits. This manual contains many additional documents used in the operations of the board pertaining to incidents, payroll and pay scale, requests, and counseling. *An updated copy of this manual was also provided at visit and is now in Commission records retention.*
- For travel, the board chooses to adhere to a travel policy that generally conforms to their appointing authority's travel policy. For compliance with G.S. 18B-700(g2), the board has supplied the Commission written approval from the city clerk and minutes of the city's board discussing the approval.
- Additional policies in Commission records include a code of ethics, credit card usage agreement, job descriptions, vehicle safety, and mixed beverage sales and delivery.
- Policies not on file with the Commission that could be considered by the board include lottery, tastings and employee tastings. *The board should work to ensure all updated policies are forwarded to the Commission for approval in compliance with NCAC 15A .1102.*

Alcohol Education

- The board has a committee for overseeing an extensive alcohol education grant program. Multiple recipients are awarded funds. Potential candidates provide financial documentation of their plans for awarded funds. All recipients provide reports describing how funds were expended at least annually, and these records are available to the board's appointing authority.
- In the FY 2023/2024, the board granted funding to nineteen (19) different programs, schools, facilities, and similar organizations totaling \$343,168.

Operations

- Inventory is conducted monthly at all stores and the warehouse.
 - Participants include those regularly scheduled to work.
 - Scanners are used and discrepancies are investigated by the distribution manager.
 - After a secondary review, the administrative office makes necessary adjustments.
 - Strategies for slow moving products include price reductions with some stores having a D-listed shelf area.
- Board receives multiple deliveries for goods each Wednesday at their main warehouse and is afforded an additional truck delivery option when needed.
 - Pallets are pulled and cases are checked against the manifest and/or order list.
 - Variances are reviewed and recounted before sending notification to LB&B.
- The board currently has around 375 mixed beverage active customer accounts.
 - This number is expected to change as multiple accounts will likely not renew this period due to constraints from Hurricane Helene.
 - Invoices are provided to permittees at the time of the transaction and copies are retained in a file for each account.
 - Orders are generally picked by one associate and verified at stamping by a different colleague.
 - The board has one store devoted to mixed beverage and three other stores designated as mixed beverage outlets.
 - Permittees are assigned a mixed beverage outlet, and the board works to ensure any inventory not available at one location is made available if ordered.
 - The board has a very accommodating mixed beverage policy, and a copy is in Commission record retention.
- Each store manager makes their liquor order by reviewing a suggest order and adjusting for their current inventory and other variables. This is submitted to the distribution manager who reviews orders and adjusts, in conjunction with the Operations Manager, for special monthly or quarterly pricing. Store requests are filled from current inventory in the warehouse and the distribution manger orders to replenish warehouse inventory.
- The central warehouse and the distribution manager's team facilitate all deliveries from the warehouse to the stores on a revolving basis.
- Allocated products are available for mixed beverage accounts at a proportion similar to their percentage of mixed beverage sales. Additionally, the board holds bourbon drops and has an annual Holiday lottery.
- The board has an innovative website which serves to provide the public information about hours, locations, specially priced items, employment, contact information, sales data, RASP training, regulatory and other frequently asked questions.

Financial, Administrative, and Internal Controls

- Invoices for liquor are usually processed on a three-week cycle by the finance officer's team.
 - *A small sample of payment dates was reviewed and indicated invoices were paid within the thirty-day requirement.*
- Board's checks have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - The general manager and finance officer sign checks with the board chair and deputy finance officer as authorized alternates.
- Per the finance officer, purchase orders are utilized and preaudited for non-recurring payments over \$250. However, the pre-audit stamp required by G.S. 18B-702(m) is not being properly affixed to recurring payments or liquor orders. *For liquor purchases, this could most reasonably be accomplished by stamping and having the finance officer sign the order edit list or comparable document with the anticipated purchase amount.*
- The board has five credit cards all for the same account.
 - A monthly credit card charges report is provided to members at meetings and outlines the date, vendor, what was purchased, and amounts for each card user.
 - Itemized invoices and receipts for credit card purchases are retained in board records.
 - At Commission visit a credit card agreement/policy was provided and is now in Commission records. The policy details how and when the card(s) may be used and how records for usage are to be maintained and provided as documentation.
- The board uses two registers at each store with tills beginning at \$100.00. Stores designated as mixed beverage outlets have an additional register without cash.
 - Drawers are counted at shift change and again at end of business.
 - Deposits are made daily except on Saturday.
 - Store reports are provided to the administrative office where the financial team verifies cash deposits received by the bank match the register's total for cash.
- Funds are kept in a pooling bank(s) approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the finance officer's team through ADP.
 - The team accounts for all leave and financial benefits.
 - Time Clock is used for hourly paid employees.
 - Payroll records are routinely reviewed by the general manager and finance officer.
 - *A quick review of recent payroll records indicates accurate pay rates for board members and the general manager.*
- Travel records for recent activity are maintained at the board with all or most charges to the board's credit card.
- Records for unsaleable merchandise reports are retained at the board. Each representative has a designated area for their lost product.
 - The board routinely submits breakage reports to the Commission in compliance with NCAC 15A .1701(c).
- The annual CPA audit was received by the Commission on September 24, 2024.
- All board members and the general manager and finance officer are each bonded for \$100,000 per G.S. 18B-700(i). Additionally, all store managers and other employees who have access to funds are bonded under a blanket bond for \$100,000.

STORE INSIGHT & OVERVIEW

- Commission staff visited the board's administrative offices and central warehouse, two retail outlets, and their mixed beverage only location.
 - All locations visited are in busy commercial areas and the mixed beverage outlet is near the downtown bar and restaurant area.
 - Outside area surrounding the stores are free of trash or debris, have well-maintained land scaping, and general professional commercial appearances.
- The retail areas are well-lit and shelving, endcaps, and other displays are well organized.
 - Show rooms are modern, have good categorical signage, and space is maximized but still allows for easy flow for patrons and staff.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 was not displayed at one of the stores visited.
 - A quarterly price book is kept at the counters for customers.
 - Floors are modern, clean, and signs are not faded or worn.
 - Shelf tags include some broker supplied and some custom-made highlights for special pricing.
 - Shelf tags for North Carolina products are not always utilized.
- The mixed beverage only outlet has a product display shelf which allows permittees to browse and shop for products that may not be familiar to them.
- The warehouse and administrative areas are not attached to a store.
 - Warehouse space is plentiful, well lit, and organized.
 - Loading docks allow for easy access for deliveries.
 - The administrative area is professional and accommodating to staff and visitors.
- Shelf management practices are fully implemented correspond with NCAC 15A .1708.
 - Products are fronted and dusted, and most are placed in categorized areas.
 - Premium products are generally found at eye-level or top shelf.
 - Bottles are generally arranged so they increase in size left to right of the same item.
 - Products are cross-merchandised.
- Sales associate interactions with customers are attentive, courteous, and the staff is eager to meet the needs of the customers.
- A sample of approximately 100 items were selected at two stores to determine if uniform pricing is displayed. Of those selected, all items price tags reflected current pricing.
 - Price discrepancies will be handled in the customers favor if the shelf tag were to be lower than the current price mandate and the customer objects. The board has a form which is completed to track any discounts provided because of inaccurate pricing.
- All stores are open from 10:00 am until 9:00 pm. They are currently closed every Sunday, the five (5) previously required annual holidays, and Martin Luther King Jr. and Memorial Days.
- Security systems are in place and functional in all designated areas.
 - All stores have alarms, security cameras, and panic buttons.
 - Law enforcement routinely visit store locations.

RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES)

- Board members should take an oath before taking office or before the execution of the office per G.S. 160A-61 and G.S. 11-7. *A written account of the oaths should, please, be available at the board's administrative office.*
 - Post Commission visit, board personnel were able to verify some current members have taken an oath of office, and the board has plans to immediately have oaths administered to the other members.
- *While the finance officer currently reviews non-recurring payments and other purchase orders and agreements the board should reestablish compliance with G.S. 18B-702(m) for recurring payments and supplies to include liquor orders. 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." For liquor, this could most reasonably be accomplished by the finance officer stamping and signing the order edit list or similar summary of the anticipated dollar amount for the order.*
- 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.

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

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 September 30th of each year.
 - 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.
- For compliance with G.S. 18B-808, ensure all stores and each store manager displays the required warning sign for the effects of alcohol consumption during pregnancy. *One store visited by Commission staff did not have the proper warning poster displayed, and the manager and other personnel were unsure why the poster had been removed. Posters were supplied to the Operations Manager by Commission staff at visit and assurance was given that all stores would be verified for compliance with this statute following the visit.*
- With the anticipated construction of a new state warehouse in the foreseeable future, boards should evaluate the need for updates or expansions to efficiently accommodate the expected increase in products and their availability.
- As a reminder, remove all faded posters and replace with new ones when applicable. Reach out to the Commission to provide fetal alcohol syndrome posters, NC Dept of Labor can provide wage & hour posters, and OSHA can provide some applicable federal posters if any are needed.
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission Education Outreach as well as partnering with other ABC boards or the Association of ABC Boards on specific areas such as best retail and marketing practices.



24 Old Brevard Road
Asheville, NC 28806
Phone: 828-251-6192
www.ashevilleabc.com

July 2, 2025

N.C. ABC Commission
Attention: Edwin Strickland
400 E. Tryon Road
Raleigh, N.C. 27610

Mr. Strickland:

On behalf of the Asheville ABC Board ("Board") and staff, we appreciate you joining us in our monthly board meeting on April 29th. Your attendance showcased our commitment in providing concise summarized information on the machinations of the board to include important subjects requiring board input and/or formal action. It is our constant goal to ensure compliance with all statutes, rules and Commission policies necessary to run a successful publicly-owned operation.

In reference to your comprehensive audit of Board operations and procedures, on May 2nd you sent me your draft report of your audit for our review and comments. As part of the audit process, we are to respond to the final audit within 45 days of issuance. This letter is our response to your audit as follows (I will reference your 19-page audit):

Item #1 (Page 12): "Copies of oaths of office should be kept available at the Board's Administrative Office."

Response:

All oaths have been updated and certified with copies maintained at our Administrative Office and in the Asheville City Clerk's Office.

Item #2 (Page 12): "Commission staff is currently investigating why, inexplicably, only some law enforcement reports populate on the board login website when all data is available through records search on the Commission's public website."

Response:

Each month law enforcement staff dutifully submitted all proper reports as proscribed, and will gladly do whatever is necessary as directed by Commission IT staff (once they have determined how to rectify the problem).

Item #3 (Page 14): "The Board should work to ensure all updated policies are forwarded to the Commission for approval in compliance with NCAC 15A.1102."

Response:

- A) *Bourbon Lottery:* Currently, Asheville ABC does not have a formal written policy regarding the sale of the most rare allocated bourbons because to date we have not determined the optimal system to distribute such items. We have modified our lottery system over the last three years to improve the distribution process. Our quest is to ensure the selection process is fully transparent to lottery participants. We are clear to state that no politician, ABC Board member or staff are eligible to purchase lottery products. Monthly bourbon allocations (sent out by Greg Stallings) are distributed via "drops" whereby products are set up in a randomly selected retail store, the time and location are then posted on Facebook, and purchases are limited to one bottle per customer.
- B) *Consumer Tastings:* All consumer tastings in our retail stores are conducted in strict compliance with 18B-1114(c) Additional Limitations on Tastings in ABC Stores, (1) through (11). The Operations Manager coordinates with distributors regarding date, time and location(s) to ensure space and product availability (for sale). No additional Board policies exist.
- C) *Employee Tastings:* The Asheville ABC Store Operations Manual, as revised in January 2025 (copy provided to Commission) states: *"Alcohol Sampling: No store or warehouse employee is allowed to sample products at a scheduled tasting event or when offered by a sales representative while on duty."* In consideration of the multiple stores in our system, employee tasting is limited to administrative staff at 24 Old Brevard Road and in strict compliance with §GSNC 18B-209 and 18B-707. No other Board policies exist.

Item #4 (Page 16): "For liquor purchases, this could most reasonably be accomplished by stamping and having the finance officer sign the order edit list or comparable document with the anticipated purchase account."

Response:

Our process was modified whereby the Finance Officer receives the store order list from the Warehouse Manager, reviews the document and certifies the order.

Regarding recurring payments to various services vendors such as IT support, janitorial services, etc., such vendors have been formally approved for payment (after services are rendered, invoiced and paid, typically monthly) by the ABC Board upon formal adoption of our annual operating budget, which is provided to both the ABC Commission and our approving authority (City of Asheville). Additionally, all payments (checks) issued by the Board have the following statement: *"This disbursement has been approved in the manner required by G.S. 18B-702"*.

Item #5 (Page 19): "For compliance with G.S. 18B-808, ensure all stores...display the required warning sign for the effects of alcohol consumption during pregnancy."

Response:

The appropriate sign was installed on the same day of your inspection. The Door at 205 Louisiana Avenue (Store #5) was recently replaced and staff neglected to promptly reattach the sign.

Item #6 (Page 18): Certificate of Accountability.

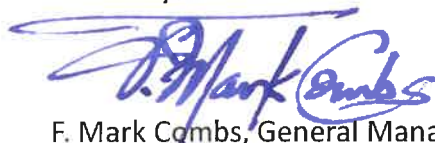
Response:

A signed copy will be e-mailed to the ABC Commission after the last signature is procured.

I hope that our response has addressed the Commission's comments and concerns regarding the audit. I will gladly work with Commission staff should there be any additional comments or recommendation regarding my administration of the system.

Again, thank you for your feedback and our mutual mission to meet all statutory and regulatory requirements in order to provide our customers the products they desire.

Cordially:



F. Mark Combs, General Manager

CC: Asheville ABC Board

MAY 27 2025
Month Day Year

ASHEVILLE
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

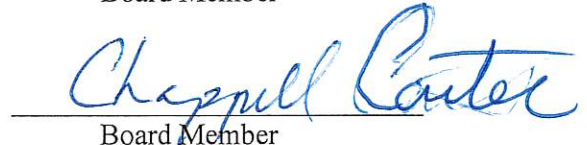

Financial Officer


Chairman


Board Member


Board Member


Board Member


Board Member