

Hamlet ABC Board

Performance Audit Report



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Alcoholic Beverage Control

May 1, 2025

CHAIRMAN:

Hank Bauer

Hamlet ABC Board

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon
Raleigh

Jerry Thomas, Chair

921 Hamlet Ave.

Hamlet, NC 28345

David Sherlin

Raleigh

Chairperson Thomas,

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 Hamlet 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, 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

Hamlet is a city in southeastern North Carolina near its border with South Carolina. The city was originally a railroad hub and was at one time the largest community in Richmond County. The town's population per the 2020 Census was 6,042 residents which was an approximate seven percent (7%) decrease from 2010.

Chapter 982 of the 1963 Session Law authorized the City of Hamlet to hold an election upon a signed petition of fifteen percent of voters. The referendum was held on September 24, 1963, and passed 1,168 to 586. The first retail sales date was on December 4, 1963. A mixed beverage election was held on September 19, 2000, and passed 793 to 466. Upon election of an ABC store, the City of Hamlet was authorized to establish an ABC Board consisting of a chairman and two members to serve for three-year terms. The number of board members was updated to four and a chairperson in 1979. Current board members are Jerry Thomas (Chair), Chad Woody, Maurice Stuart, Steve Mercer, and Dorothy Bynum.

The Hamlet ABC Board operates one (1) retail store and is one of two (2) boards in Richmond County with stores. The board currently staffs thirteen (13) total employees, with two (2) full time, and eleven (11) part time. The general manager is full time and responsible for many store operations, inventory, ordering, and human resources. The finance officer is also full time and responsible for many operations similar to that of an assistant general manager, and reviews different financial aspects including signing checks. The board utilizes a third-party accounting service who handles most things accounting including billing, distributions, and payroll. All other store employees are part time and primarily responsible for providing friendly customer service, general store upkeep, and stock maintenance. The board has limited contract help on truck delivery days.

The last performance audit for the Hamlet ABC Board concluded in 2019. 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, November 13, 2024, ABC Board Program Analyst Edwin Strickland visited the Hamlet ABC Board and interviewed the General Manager, Bonnie Minter, and the Finance Officer, Glinda Spencer. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



921 Hamlet Ave, Hamlet, N.C.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

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

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

The Hamlet ABC Board received shipments once a month with a target inventory turnover rate of approximately 4.5. The inventory rate in (FY) 2023-2024 was 3, which is below the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Hamlet ABC Board had a profit percentage to sales of 6%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Hamlet ABC Board's gross sales totaled \$2,028,335, which was an approximate 1.2% decrease from the previous fiscal year. The board's sales have grown an impressive 29% over the last five completed fiscal years.

Hamlet ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .60 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Hamlet ABC Board almost meets the profitability standard and does meet 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.

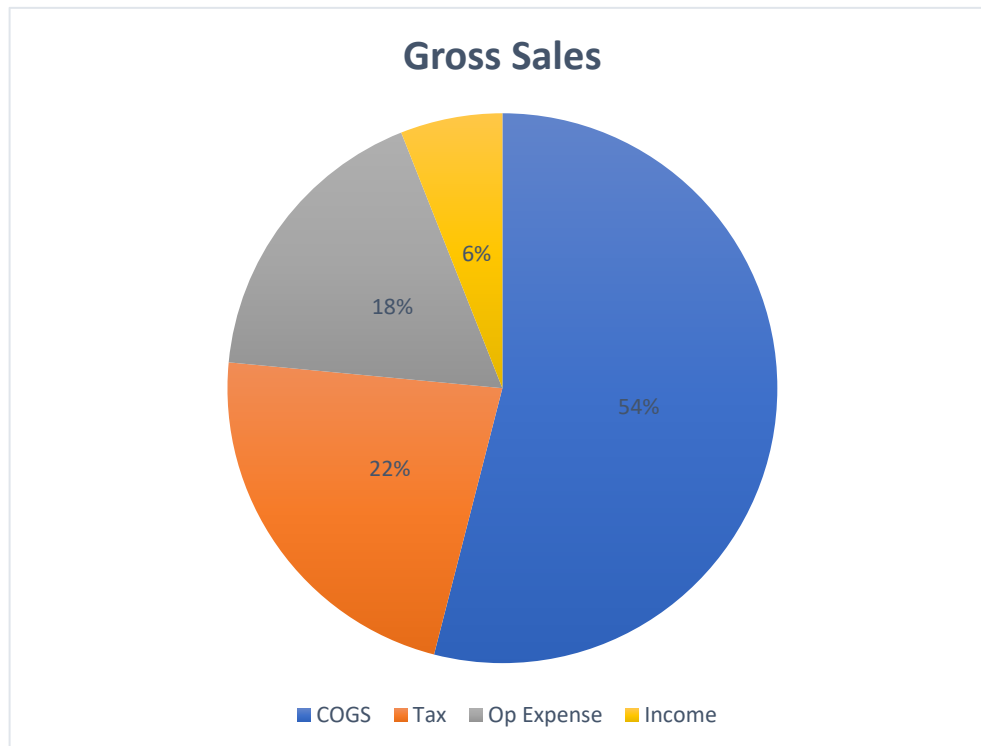
	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$374,769	\$307,078
Income from Operations	\$134,666	\$92,534

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting sales and profitability include:*

- Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Hamlet ABC: Rockingham, Wadesboro, Moore County, and Scotland County.
- South Carolina is less than 6 miles from the store with potential spiritous liquor outlets.
- A 4.7% unemployment rate in Richmond County in June of 2024 with a .5% increase from the previous year.
- The board currently has four (4) active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for approximately two (2%) percent of sales.*
- Cost of Goods Sold (COGS) was roughly 53.8% for the fiscal year with a normal range being 52% to 54%.
- Board owns its store's building and property.

- 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.



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Gross Sales	\$2,210,000	\$2,028,337	(\$181,685)	(8.2%)
Total Expenditures	\$2,156,280	\$1,894,180	\$262,100	12.2%
Distributions	\$53,720	\$116,281	(\$62,561)	(116%)
Revenue over or (under) Expenditures		\$17,876		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 8.2% below the original budget and total expenditures were 12.2% below forecast. *No budget amendments submitted for the fiscal year.* In addition, the net income change during the fiscal year was \$5,000. *The board's collective net position on June 30, 2024, was \$327,438; the net position has increased approximately 6.5% in the last five (5) fiscal years.*

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, Hamlet ABC made other statutory distributions totaling \$116,281 (Net profit distribution recipients received \$111,041 of this). The amount of \$459,992 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Richmond County.

- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 100% to Hamlet General Fund

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Hamlet ABC board has made net profit distributions over the last five (5) fiscal years 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 not been properly disbursed at the standard 5% statute amount for the last five (5) FYs. *Board has an agreement with the police department to make distributions at \$1,000 annually per their CPA's audit notes, but their contract in Commission records retention describes otherwise.*
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for the last five (5) FYs.

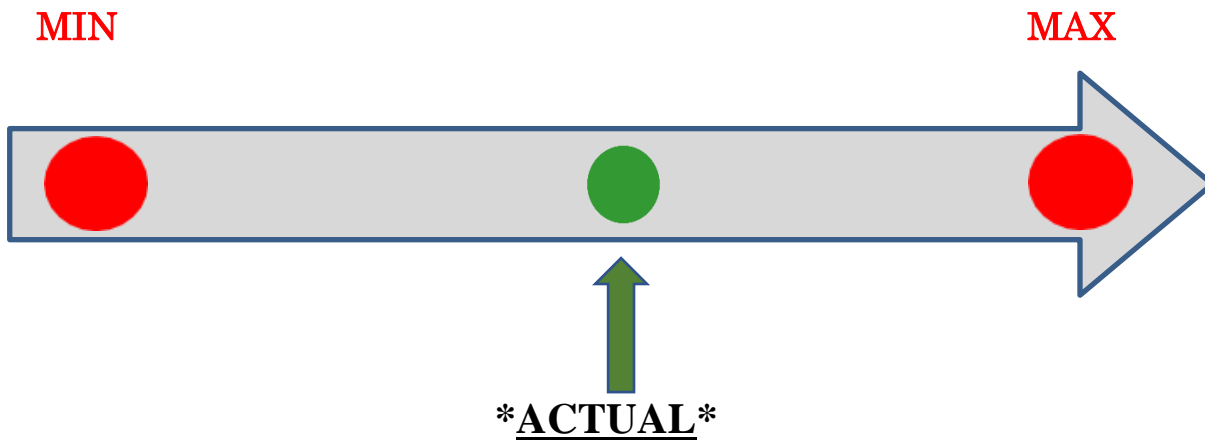
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Hamlet ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$60,712	FY-2024	\$111,041
FY-2023	\$59,545	FY-2023	\$152,557
FY-2022	\$60,279	FY-2022	\$186,496
FY-2021	\$60,571	FY-2021	\$174,920
FY-2020	\$60,081	FY-2020	\$123,364

WORKING CAPITAL

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

Based upon the existing rules, as of June 30, 2024, the Hamlet ABC Board is required to maintain a minimum working capital of \$60,321 with a maximum working capital amount of \$392,086. The Hamlet ABC Board had a working capital balance of \$188,607 which is greater than the minimum and less than the maximum 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:

- Board meetings: The board generally holds meetings the second Tuesday of each month. They record regular meeting minutes and provide public notification and awareness for these meetings. The meeting minutes are organized by session and kept for review. Board meeting minutes were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired. *Meeting minutes did not include a no conflicts of interest clause as required.* Board member terms are appropriately staggered with no more than one term end date per year. *To lessen confusion and for general consistency, the board could request the town council realign the member terms so that they all end on the same calendar month.*
- Oaths of Office: Board members take an oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths are available at the board's administrative office.*
- Training records review: Board members and board personnel are not fully compliant on ethics training referencing GS 18B-706(b). Currently, three board members and the finance officer need to take ethics training soon. *Please consult Commission staff for any guidance.*
- Board member compensation: Board members receive compensation for their services at or below the maximum \$150.00 per meeting.
- General Manager (GM) salary: The General Manager has updated their salary for Commission records and the salary is well below the maximum. *Any future salary changes should be relayed to the ABC Commission for record retention.*
- Board website review: The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note**: As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- Board Personnel & Board Members: Board personnel provide financial reports for the board's review at meetings including quarterly sales statements, disbursements, bottle sales, bank statements, and future business. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The board has a personnel handbook, and the Commission has a copy in record retention. Some recent modifications for eating, cell phone use, and dress code were added at Commission visit.
 - Other policies on file in Commission records include mixed beverage, price discrepancy, shelf management, and sales to underage.
 - Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings and employee tastings, overage and shorts, social media, lotteries, or any others.
 - For travel policy, the board adheres to the state's travel policy.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **BUDGETS:** In FY 23/24, the board's actual sales were 8.2% less than the final budgeted sales and the board did not submit a budget amendment. *Based on sales trajectory for the current fiscal year with three months (25%) of the budget year completed, the board is tracking at 20% of annual budgeted sales*
- **FINANCIAL INSIGHT:** Invoices for liquor are processed per truck. The general manager provides invoices to their accounting firm who cuts checks. Invoice records for recent liquor purchases reflect them as being paid within 30 days. Other payments, taxes and distributions are paid either monthly or quarterly by the accounting firm, who also completes full monthly account reconciliations.
 - All checks have the required disbursement approval and are signed by the finance officer and a board member with all members and the general manager as alternates. *Board could consult their bank regarding positive pay or other means to prevent check fraud.*
 - Pre-audit stamp verification is not being properly implemented on liquor orders. *Board could consider having the finance officer preaudit the full liquor order and sign.*
 - Bank deposits are currently being made each weekday by the general manager or applicable personnel in their absence. Their accounting agency reviews and verifies deposit slips to bank statements routinely, and again at monthly reconciliation.
 - Tills start at \$100.00 daily with a maximum of three registers operating. The cash drawers are counted daily at the beginning of each shift via denomination and coin total receipt which is initialed by applicable personnel. If any significant shortages arise, the employee responsible will make up the difference. Overages are the property of the store.
 - Payroll is bi-weekly and processed by the third-party accounting firm. Paper checks are cut and signed by the finance officer and general manager. Applicable staff log in to their clock management system via thumb print and general manager reviews hours and rates.
 - Employee files are kept in their administrative office and include application, some signed policy acknowledgement, medical information, and criminal background checks. Employee tax information is retained at their accounting service's office.
 - Petty cash (\$150) is kept in the administrative office. General manager and finance officer only have access and supply receipts after any usage. Some contract employees are paid through petty cash for help with truck deliveries.
 - Board keeps records for unsaleable merchandise reports but does not send reports to the Commission. *Commission requests unsaleable reports be sent quarterly and by email.*
 - The annual CPA audit was received and logged by the Commission on September 20, 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Hamlet Police Department on file with the Commission from 2011. The contract stipulates an annual payment of \$1,000 or an adjusted amount to equal the amount required by GS 18B-805(c)(2). The contract further specifies the law enforcement agency will provide service to the board and ABC law enforcement within the boundaries of Hamlet and shall report at least monthly to the board on its ABC law enforcement activity.
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are not being submitted routinely and are not current to date. Staff indicates no data is supplied from law enforcement. *Board could work to reemphasize the reporting requirements or discuss an updated law enforcement contract.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **INVENTORY:** Full inventory is conducted quarterly with all staff members participating. Final discrepancies are reviewed by the general manager and adjustments are made. Each staff member has a section of the store they are responsible for perpetual inventory spot checks and other assignments. Board's strategies for slow moving stock include moving stock to displays or profile areas and displaying with recipes.
- **INTERNAL CONTROLS:**
 - The general manager has worked for the board for approximately ten years, was previously the finance officer, and has been the general manager for about nine years.
 - The finance officer has been with the board for approximately seven years as a full-time clerk and assumed the current position in 2024.
 - The board utilizes a third-party accounting firm for all accounting related controls including billing, payroll, and reconciliations.
 - The Board members and Chairperson have a variety of experience in professional areas including law enforcement, education, business, and Human Resources. One member is the liaison for the city council and all others are multi-term members.
 - All board members, General Manager - Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
 - The board does not receive a report(s) describing expenditure of funds from their alcohol education and rehabilitation recipient, Samaritan Colony.
 - All employees are subject to RASP training and various behavioral standards. Board uses a shadow program for individual task development and general staff growth.
 - Full time employees are enrolled in LGERS.
 - General manager and finance officer make liquor order by analyzing previous off load sheet for anything missed from last delivery. Store is then fully stocked and show room and warehouse inventory levels are assessed and order is placed per item code needs.
 - Board usually receives one delivery monthly on the second Monday. Counts are made using load sheets and any variances are recounted, and actual discrepancies are reported to LB&B.
 - Board does not have a credit card.
 - Board uses scanners for bills to prevent counterfeit exchanges.
 - No conflicts pertaining to nepotism found and per discussion with general manager.
 - Board has a code of ethics policy on file with the Commission.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

➤ EXPENSES:

- Total operating expenses increased around ten percent (10%) from the last fiscal year and are roughly seventeen- and one-half percent (17.5%) of total annual sales in FY-23/24.
- Board salaries were approximately ten percent (10%) of total annual sales. Salaries and benefits increased by around six percent (6%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 53.8% for the fiscal year with a normal range being 52% to 54%.
- An operating expense report and common expense report shows the Hamlet ABC Board has categorical and total operating expenses comparable to other ABC boards within a similar gross sales range.



STORE INSIGHT & OVERVIEW

- Board's store is a free-standing building owned by the board and is located on the town's major commercial thoroughfare. It has good exterior signage and ample parking. The interior is well lit, aesthetically pleasant, and has had some recent upfit with flooring. The warehouse area is adequately sized comparable to showroom space and was well stocked and organized at Commission visit.
 - Outside area surrounding the store is well-maintained and free of debris or trash.
 - The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price book is available.
 - Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is well utilized. *Some products were arranged so that they did not increase in size left to right.*
 - Store has a Seasonal or Holiday display in the front of the store near the registers.
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- Product knowledge growth is accomplished through literature from brokers visiting and at conferences and management discuss new products and more at quarterly team meetings.
- Most allocated products are sold via lottery with county residents signing up between July and October.
 - Other products are shelved after delivery with a one bottle per customer restriction.
- The board does not have a web page.
- The board does conduct tastings and should consider a tasting policy.
- The board has four (4) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in a book for each account.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items except one reflected the current quarterly or monthly SPA price.
- A random sample of approximately 20 items was selected to verify accurate current inventory. All items actual quantities, except four, matched with system data correctly.
- General manager indicates price discrepancies are handled in the customers favor if the shelf price is lower than the cash register and the customer objects.
 - Personnel audit price tags frequently.
- The board's store is generally open from 9:00 am until 8:00 pm daily.
 - They are currently closed every Sunday, the five (5) previously required annual holidays, Easter Monday, Memorial Day, and June 19th.
- Security systems are in place and functional in all designated areas.
 - *Currently sixteen (16) cameras operating and panic buttons behind the registers.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- 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 annual forecasted sales or expenditures will differ significantly from budgeted. Ensure budget amendment copies are submitted to the ABC Commission and the board's appointing authority as required per GS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- Board meeting minutes must have a conflict-of-interest disclosure statement, for proper adherence to G.S. 18B-201 (f)(k) and referencing G.S. 18B-700(h), and per Commission operations manual.
- NCAC Rule 15A .1701 requires quarterly reports be submitted to Commission for any unsaleable merchandise (breakage) and retain original copies for three (3) years. *All breakage reports should only be transmitted via email submission to Commission staff; copies should not be mailed.*
- Ensure all purchase orders to include obligations evidenced by a contract or agreement requiring the payment of money, shall include or bear a certificate stating that the instrument (or order) has been pre-audited to ensure compliance with G.S. 18B-702(m) with a signature by the finance officer. The specific statement should read, *"This instrument has been pre audited in the manner required by G.S. 18B-702."* *Special note:* This could be most reasonably accomplished by signing & stamping the summary total of the Order Edit List from inventory system before any liquor orders are placed with state warehouse.
- The recipient of alcoholism fund or education distributions must provide annual documentation to the board describing the activity for which these awarded funds are spent *per G.S. 18B-805(h)*. *The board may want to consider obtaining documentation before the funds are officially awarded / transmitted to any recipients.*
- Law enforcement reports must be submitted to the appointing authority and on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). *Board should either work to reestablish law enforcement activities with their current contracted law enforcement agency or consider contracting with a different agency.* Additionally, board should work to meet contractually obligated distributions for their current contract or consider a modified or rewritten law enforcement contract.
- Per G.S. 18B-706(b) and NCAC Rule 15A .2001, ABC board members must complete ethics training within one (1) year of an initial appointment and again following subsequent reappointments. General managers and finance officers have a one-time training requirement for ethics training within their first 12 months yet are highly encouraged to complete training periodically as a good refresher along with any other personnel interested.
- 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.

ADDITIONAL CONSIDERATIONS & GUIDANCE

- The Commission's primary focus for ABC board members:
 - ABC board members are highly encouraged to meet monthly for the best formal oversight and review of board operations, routinely recording meeting minutes (*adhering to closed meeting requirements where applicable*) and ensuring either no conflicts of interest are present or that they are addressed appropriately when presented. Monthly sales should be reported to the Commission at beginning of next month, providing annual budgets, budget amendments, miscellaneous financial reporting to Commission following timelines, and ensuring Commission has annual CPA audits by Oct 1st.
 - ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- Board could consider adopting or updating any policies to include, but not limited to, mixed beverage sales, tastings, employee tastings, lotteries, social media, vehicle, or others. *Personnel manual may cover some of the afore mentioned suggested policies or could be updated to include.*
- While already understood by personnel, board should establish and maintain a shelf management plan to comply with NCAC 15A .1708 (a)(3), specifically having bottles arranged so they increase in size from left to right. *Once established, board administration should keep a copy at their store and, upon request, provide a copy to Commission representatives.*
- 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.
- 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.

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

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2014)

- Ensure that all parties receive the budget as adopted. If amendments are needed, distribute the amendments to the appropriate parties as required in G.S.18B-702(h) and with the financial audit. Upon completion of the financial audit, review all the financial statements and supporting schedules to verify amounts correspond with the financial documents presented to the auditor and to the NC ABC Commission.
- Begin distributing toward alcohol education/rehabilitation programs as required by G.S. 18B in FY2019 and future years. G.S. 18B-805 (c) (3) states that the local board shall spend, or pay to the county commissioners to spend, for the purposes stated an amount set by the board which shall be at least seven percent (7%) of the gross receipts remaining. G.S. 18B-805 (h) states that funds distributed shall be spent for the treatment of alcoholism or substance abuse, or for research or education on alcohol or substance abuse. Any agency or person receiving funds from the county commissioners or local board shall submit an annual report to the board of county commissioners or local board from which funds were received, describing how the funds were spent.
- As a reminder, board members who have been newly appointed or reappointed must complete the required ethics training within one year of appointment status.
- To impress transparency, it is encouraged that at every board meeting, the board chairman read a conflict-of-interest statement and ask other board members if there are conflicts related to what is to be discussed. A conflict-of-interest statement should contain the following, “In accordance with General Statute 18B-201, it is the duty of every Board member to avoid both conflicts of interest and appearances of conflicts. Does any member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today?”
- To ensure that invoices are being processed within thirty (30) days, forward all invoiced received electronically to the finance officer upon receipt.
- All ABC Boards are required to operate within a balanced budget. When actual sales exceed sales projections, amend the budget to adjust for the increase. ABC Boards cannot appropriate items or spend money not included in the budget. If budgeted line items are not balanced, adopt budget amendments to correct specific items or add omitted line items. G.S. 18B702(h) states, “Except as otherwise restricted by law, the local board may amend the budget at any time after adoption, in any manner, so long as the budget, as amended, continues to satisfy the requirements of this section...Amendments to the adopted budget shall also be provided to the appointing authority and the Commission.”

While having addressed some considerations from previous Commission review (2019), board should still monitor and strive to satisfy previously noted recommended actions.

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

"DATE"

We appreciate your support and recommendations from the audit recently performed.
Please find below our responses to the findings and recommendations.

Item 1: *****

The board will consider additional budget amendments including a final amendment.

Item 2: *****

The board will include a no conflicts of interest statement in our minutes and meetings.

Item 3: *****

Quarterly unsaleable merchandise (breakage) reports will be emailed to the Commission.

Item 4: *****

The board will have a preaudit certificate stamped on orders and signed by the finance officer.

Item 5 *****

The board will request a report from our alcohol education distribution recipient.

Item 6*****

Law enforcement reports will be submitted by the 7th of each month and the board is working to clarify our law enforcement contract(s).

Item 7*****

All board members and staff are compliant on ethics training.

8.

Item 8*****

The board has provided the ABC Commission a signed certificate of accountability attestation form.

Sincerely,

Jerry Thomas, Chairman
Bonnie Minter, GM
Hamlet ABC Board

