

Hertford ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

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Hank Bauer

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August 22, 2025

Hertford ABC Board
Joseph Hoffler, Chair
803 S. Church St.
Hertford, NC 27944

Chairperson Hoffler,

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

Hertford is a town in northeastern North Carolina and was originally incorporated in 1758 as the seat for Perquimans County. The town's population per the 2020 census was 1,912 residents, down nearly 11% from 2010. The population for Perquimans County per the 2020 census was 13,005 down approximately 3% from 2010. The Hertford ABC Board operates one (1) retail store and is the only board and store in the county.

Chapter 728 of the 1961 Session Laws authorized the Town of Hertford to hold an election for an ABC store. The referendum was held on August 8, 1961, and it passed 312 to 119. The first retail sale occurred on October 2, 1961. A mixed beverage election was held on November 5, 2013, and passed 283 to 128. The Town of Hertford appoints a chairperson and two (2) additional board members to serve for three-year terms on the ABC board. Current members are Joseph Hoffler Chair, Diane Stallings, Secretary, and J.C. Cole, Member.

The last performance audit for the Hertford ABC Board concluded in 2022. 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, April 23, 2025, ABC Commission Program Analyst Edwin Strickland visited the Hertford ABC Board and interviewed the General Manager, Brook Crouch. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



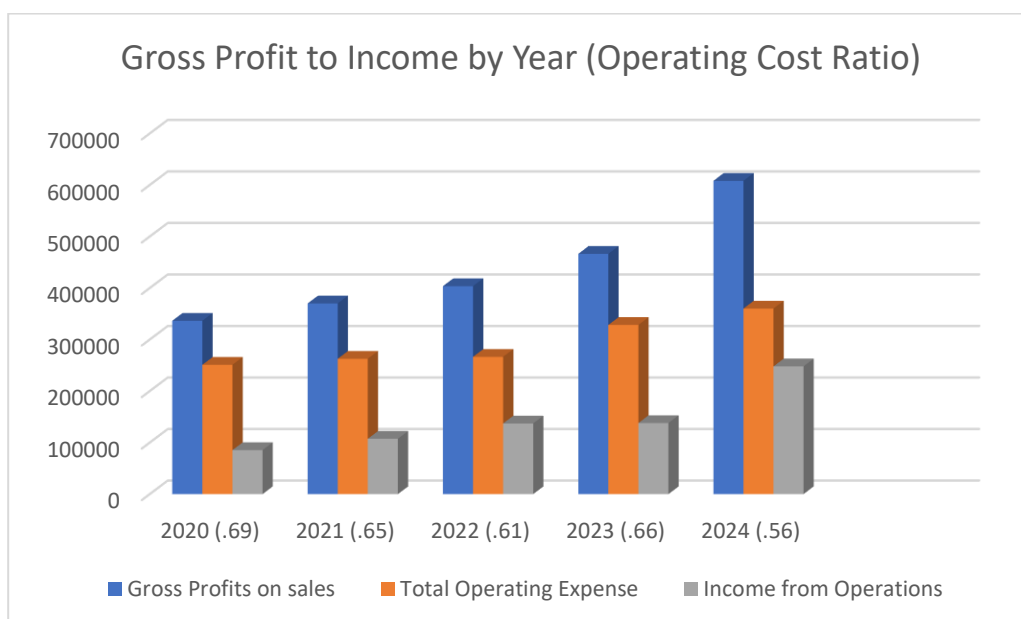
803 S. Church St. Hertford, N.C.

FINANCIAL ANALYSIS

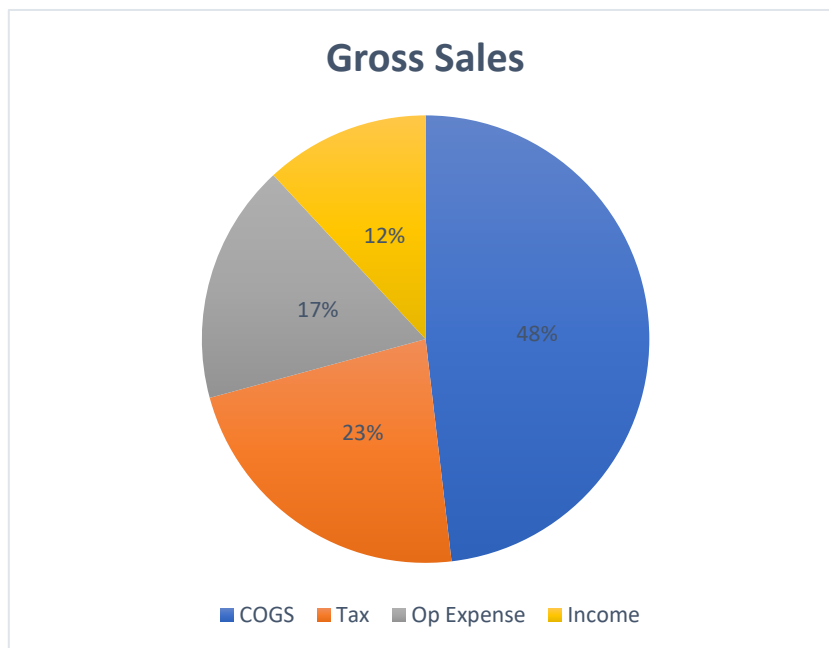
PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2023-2024, the Hertford ABC Board had a profit percentage to sales ratio of 11.95%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%.
 - This profit percent to sales is in the top 30 boards in the state and one of the few boards with limited mixed beverage sales near the top of the list,
 - The Hertford ABC Board's gross sales totaled \$2,074,295 which was an approximate 7% increase from the previous fiscal year.
 - The board's sales have grown over 54% over the last five completed fiscal years.
- Hertford ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .56 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .73 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 Hertford 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	\$608,043	\$466,340
Total Operating Expense	(\$360,120)	(\$328,442)
Income from Operations	\$247,923	\$137,898



- 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:*
 - Other ABC boards with stores within a 30-mile radius include Chowan County, Gates County, Pasquotank County, and Camden County.
 - A 4.7% unemployment rate in Perquimans County in June of 2024 with a .7% increase from the previous year.
 - The board currently has approximately 2 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for around 3% of gross sales.*

INVENTORY TURNOVER

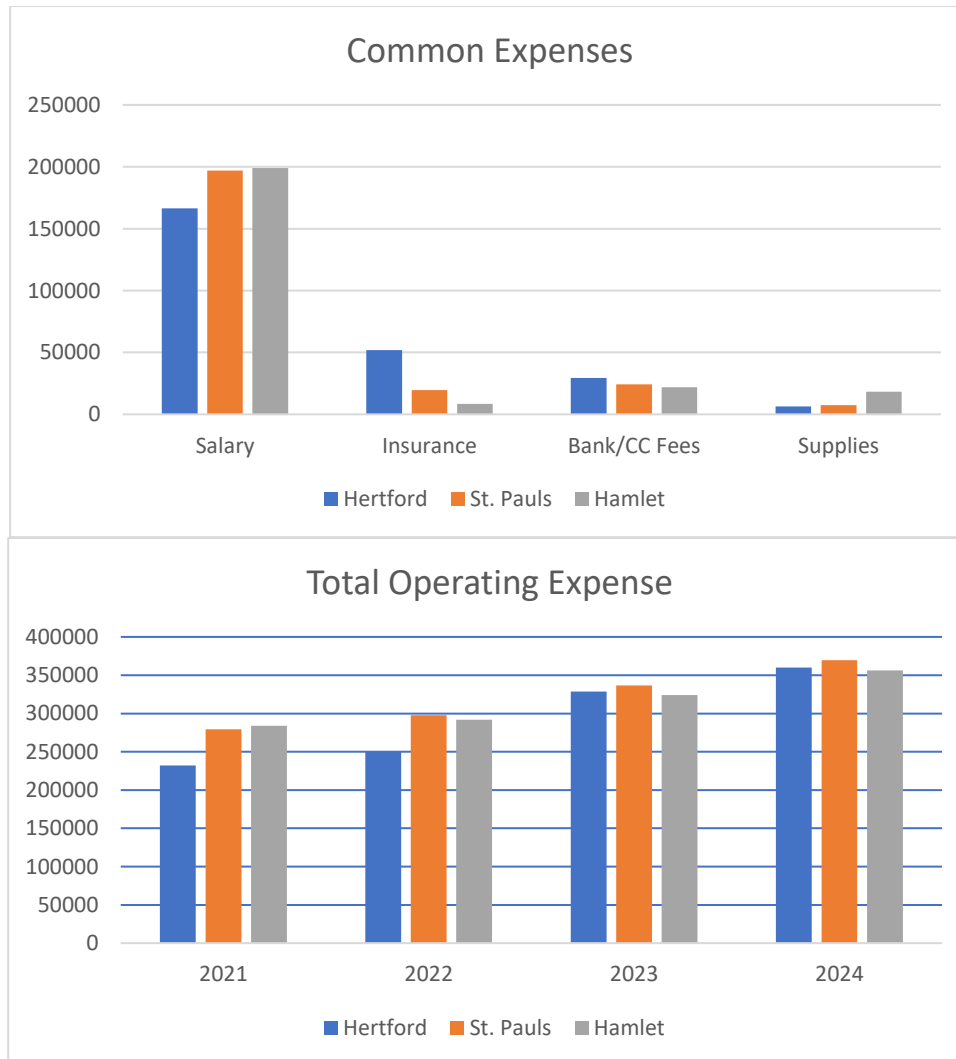
- The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set these goals for determining an effective rate based on the frequency of deliveries.
 - Once a week deliveries target at 6 times 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 Hertford ABC Board receives shipments twice monthly with a target inventory turnover rate of 5. The inventory rate in (FY) 2023-2024 was 4.3, which is somewhat below the goal.

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased approximately ten percent (10%) from the last fiscal year and were roughly seventeen percent (17%) 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 over five percent (5%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 48.1% for the fiscal year with a normal range being 52% to 54%.

- A common expense report and a total operating expense report show the Hertford ABC Board has similar and/or lower 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	\$1,938,000	\$2,077,994	\$139,994	7.2%
Total Expenditures	\$1,879,820	\$1,825,638	\$54,182	2.8%
Distributions	\$70,180	\$83,695		
Revenue over or (under) Expenditures		\$168,661		
After Reconciling Items		\$167,927		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual total revenues were 7.2% above budget with no amendments submitted.
 - The net income change during the fiscal year was \$167,927. *The board's collective net position on June 30, 2024, was \$354,131; the net position has increased over 360% 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 76% of annual budgeted sales.
 - *A comparison of the board's current P&L to their FY 2024-2025 budget indicates some limited variations in line-item expenditures through February 2025.*

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, Hertford ABC made other statutory distributions totaling \$83,695 (Net profit distribution recipient received \$60,559).
- The amount of \$469,318 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Perquimans County.
- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 100% to Hertford General Fund

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

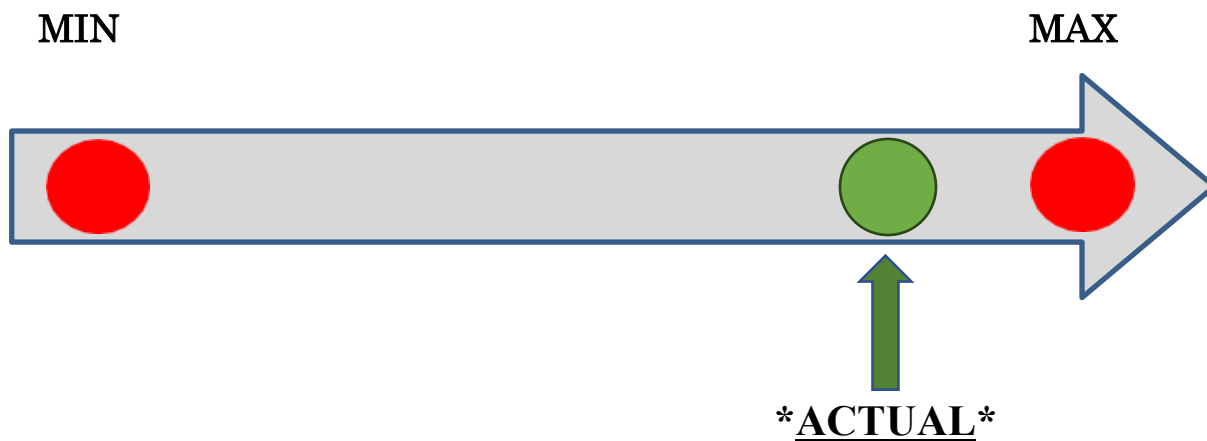
- Net Profit Distributions – The Hertford ABC board has made net profit distributions the last five (5) fiscal years at or above the minimum mandatory distribution in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the 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 the last three (3) FYs.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Hertford 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	\$58,823	FY-2024	\$60,559
FY-2023	\$55,138	FY-2023	\$55,138
FY-2022	\$51,208	FY-2022	\$104,086
FY-2021	\$44,500	FY-2021	\$98,407
FY-2020	\$38,851	FY-2020	\$79,238

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 Hertford ABC Board is required to maintain a minimum working capital of \$61,730 with a maximum working capital amount of \$401,244.
 - The Hertford ABC Board had a working capital balance of \$323,884 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 two members and a chairperson, each receiving compensation for their services at or below the maximum \$150.00 per meeting.
 - Two board members are currently compliant on ethics training with one member needing to satisfy the requirement as soon as possible.
 - Current member term end dates are not staggered appropriately with no term end date for a member scheduled in 2026 and all members term end dates are different months.
 - *Board should consult their appointing authority for member realignment for compliance with G.S. 18B-700(a).*
 - All but one member of the board is serving their first term.
 - Members have a variety of experience in military, law, realty, and banking.
- Members have taken an oath of office per G.S. 11-7. *Copies of oaths should be kept available at the board's administrative office, with only one available at visit.*
- Meetings are generally held the third Monday of each month and public notice is provided to the town and sometimes included in the newspaper or in local utility bills.
- Meeting minutes are well organized and follow the order of proceedings, providing detail of business discussed in a transparent and easily comprehensible manner.
 - Financial reports are provided and discussed at meetings including stock value, top item sales, budget comparisons, and sales for other boards in the state.
 - 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 location.

Law Enforcement

- The board has a law enforcement contract with the Perquimans County Sheriff's Office and an updated copy from 2022 is in Commission records retention.
 - *The contract and chairperson's signature line reference the Perquimans County ABC Board. The board should consider entering into a new contract with the correct board name.*
- Law enforcement reports are submitted regularly by the general manager with data supplied from Chief Deputy T. Reid with the Sheriff's office.
 - Reports provide details of activities for accountability per G.S. 18B-501(f1).

Board Personnel

- The board currently staffs six (6) total employees, with three full time, and three part time.
- General Manager has served in this role with the board for approximately two years and previously worked at another ABC Board.
 - General manager is full 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 all board operations, human resources, payroll, billing, ordering, inventory, and distributions.
- The Finance Officer is full time and has been with the board for almost a year. In addition to traditional store operations, their responsibilities include providing oversight on ordering and payments.
- 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 management and other personnel and is on the job and mentorship styled with the general manager focusing on alcohol sales laws.
 - RASP training has not been recently extended to employees. *Board should consider future training opportunities provided by the Commission's Education Outreach Program.*
 - Product knowledge training is discussed informally between management and team members.
- Employee files are kept in the administrative office and include tax, other employment documents, and some behavioral documentation.
 - All employees have signed the personnel manual acknowledgment form which are retained in a binder with a hard copy of the manual.
- Full time employees are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a comprehensive personnel manual that details various policies, behavioral standards, cash management, equipment usage, legal sales, job descriptions, pay scales, and employee benefits. *A copy is now in Commission records retention.*
- For travel, the board chooses to adhere to the state's travel policy in compliance with G.S. 18B-700(g2).
- Additional policies in Commission records include a code of ethics, credit card usage policy, and a certificate of accountability from 2022.
- Policies not on file with the Commission include a mixed beverage sales and tastings. *The board should work to ensure all updated policies are forwarded to the Commission for approval in compliance with NCAC 15A .1102.*

Operations

- Management has recently begun conducting quarterly inventory.
 - All staff participate in inventory with each person being assigned a section.
 - Inventory is conducted on Sunday while the store is closed.
 - Discrepancies are reviewed and adjustments are made only by the general manager.
 - Strategies for slow moving products include moving around in the store and price reductions.
- Board receives deliveries for goods on the second and fourth Tuesday of each month.
 - Cases are counted and checked against the manifest.
 - Variances are reviewed and recounted before sending notification to LB&B.
- The board currently has two mixed beverage customer accounts.
 - Invoices are provided to permittees at the time of the transaction and copies are retained in a file for each account.
 - *While already verbally communicated to customers, the board should craft a written mixed beverage purchase and sales policy to ensure fair and consistent practices.*
- The general manager makes the liquor order by comparing a 14-day sales history to inventory. Special allowance pricing is reviewed and the management orders when applicable.
- Allocated products are available for mixed beverage accounts, but most of these items are sold via a sequential call list coordinated by the general manager who keeps a log of all attempts at correspondence. Additional items are shelved or displayed behind the counter.

Financial, Administrative, and Internal Controls

- Invoices for liquor are usually processed monthly by the general manager for both trucks.
 - *A small sample of payment dates was reviewed and indicated invoices were paid within the thirty-day requirement.*
 - The Commission has received notification from two suppliers for delinquent invoices in recent months. While the manager was able to verify at least some of the invoices were from a special holiday order and had been settled, the board should work to establish a plan for eliminating any future delinquent payment notices.
- Board's checks do not have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - The general manager and finance officer sign checks and the board has positive pay to combat fraudulent checks or other drafts.
 - Some payments are made via ACH transfer, and management has implemented an innovative secondary approval from the finance officer for oversight before funds are transferred.
- While the finance officer does review and initial some scheduled purchases, the pre-audit stamp required by G.S. 18B-702(m) is not being properly affixed to purchase orders and invoices. *For liquor purchases, this could most reasonably be accomplished by stamping and having the finance officer sign the order edit list or other purchase orders.*
- The board has a credit card in the possession of the general manager.
 - Itemized invoices and receipts for credit card purchases are provided and retained in board records. *Recent credit card purchases were reviewed and indicates personnel follow the board's approved credit card policy.*

Financial, Administrative, and Internal Controls (Cont.)

- The board uses one or two registers with tills beginning at \$150.00.
 - Drawers are counted at the beginning and end of each shift. Cash matching the register receipt is bagged for deposit and the clerk initials the ending drawer's total.
 - There is a change fund but not used as petty cash.
- Funds are kept in a pooling bank(s) approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the general manager using QuickBooks.
 - Hours are determined from the schedule and pay rates are reviewed.
 - *A 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.
 - The board could consider discussing any overages in travel policy in their minutes for disclosure to their appointing authority's finance officer.
- The general manager keeps records for unsaleable merchandise reports but has not applied the credits towards the supplier invoices.
 - The board should immediately begin to reconcile the breakage reports and receive credit for their losses. Once the reports are signed and the credits are applied, management *should work to make sure reports are also emailed quarterly to the Commission in compliance with NCAC 15A .1701(c).*
- For FY 23/24, the board did not receive report(s) describing expenditures of funds from their alcohol education and rehabilitation recipient in compliance with G.S. 18B-805(h).
 - *Funds for law enforcement and alcohol education are awarded to the Perquimans County Sheriff's department. The board could consider including in their meeting minutes how funds for alcohol education are spent and providing a copy of the minutes to their appointing authority.*
- The annual CPA audit was received by the Commission on September 30, 2024, and the auditor conducts quarterly compilations for the board.
- All board members and the general manager and finance officer are each bonded for \$50,000 per G.S. 18B-700(i).

STORE INSIGHT & OVERVIEW

- The board's store and administrative office is located on the town's busiest highway and retail commercial area.
 - The building is freestanding, at an intersection with a stoplight, and has a road sign and stencil on the windows.
 - Outside area surrounding the store is free of trash or debris, has well-maintained landscaping, and the general appearance of the building is professional.
 - The store has appropriate parking and easy access for deliveries.
- The retail areas are well-lit and shelving, endcaps, and other displays are well organized.
 - Show room is modern, has 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 is displayed along with other education outreach posters.
 - A quarterly price book is kept at the counter for customers.
 - Floors are modern, clean, and signs are not faded or worn.
 - Shelf tags include highlights for special pricing and tags for North Carolina products.
 - Behind the counter, the board has a unique "shooter display" for dispensing mini bottles.
- The warehouse and administrative areas are attached to the store.
 - The areas are well lit and organized.
 - The board has recently extended the warehouse to allow for pallet delivery and has added approximately 500 sq. ft. of additional potential storage.
- Shelf management practices are fully implemented, and a written plan is now available for store personnel which corresponds 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 to determine if uniform pricing is displayed. Of those selected, all items except one's 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.
- Tastings have been held and more are scheduled in the future.
- The store is open from 9:00 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.
 - *The store has nine cameras, panic buttons in the office, behind the registers, and lanyards with panic buttons are available to the staff.*
 - *A scanner is used to help eliminate counterfeit bills.*

RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES)

- In accordance with G.S. 18B-700(a) the board should request their appointing authority stagger member terms to have at least one term end date each year and on the same month. *If a member should leave the board before their term is concluded, appoint a new member for the duration of the previous member's term.* Commission staff has been corresponding with the town who is aware of the term realignment request.
- Board members and applicable personnel are encouraged to satisfy requirements of G.S. 18B-706(b) and Rule 14B 15A .2001 in a prompt manner and before the twelve (12) month mandate. *The board currently has one reappointed member and a finance officer who should complete their ethics training requirement as soon as possible.*
- 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.
- When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years. *Additionally, management should begin applying credits to supplier payments for recouping losses associated with damaged and unsaleable merchandise.*
- The recipient(s) of alcoholism fund or education distributions should provide annual documentation to the board describing the activity for which these awarded funds are spent per G.S. 18B-805(h). *Since this distribution is currently made to the town and county, this could perhaps be accomplished by requesting the town and county boards include in their minutes how these awarded distributions are spent and provide a copy of the minutes to the local ABC board.*
- While the board does provide appropriate oversight with the Finance Officer signing checks, the board should re-establish compliance with GS 18B-702(q). The finance officer should sign checks with the disbursement approval certificate to take substantially the following form on checks, "This disbursement has been approved in the manner required by GS 18B-702".
- While the finance officer does sometimes review and initial liquor orders, the board should re-establish compliance with GS 18B-702(m) preaudit approval certificate to take substantially the following form on orders, "This instrument has been preaudited in the manner required by GS 18B-702". *This could most reasonably be accomplished by the finance officer stamping and signing the order edit list or other purchase orders.*
- 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 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.
- 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.
- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *A written account of the oaths should be available at board administration.*
- Board could consider implementing checks and balances to very full compliance with Rule 14B 15A .1406(c), thus ensuring payment of distiller invoices within the thirty (30) day requirement.
- The board should craft a written mixed beverage policy clarifying times of sales and other general procedures for satisfying and accommodating mixed beverage orders. In accordance with Rule 15A .1102, the board should send the Commission all rules for approval and record retention.
- 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.

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

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2022)

- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when the board will exceed its annual forecasted sales budget. Ensure budget amendment copies are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- ABC Boards are required to maintain proper working capital in accordance with ABC Commission Rule 15A .0902. For the last three (3) fiscal years, the board has been below the minimum working capital. Working with the CPA firm providing quarterly oversight, the board is recommended to monitor financial statements more heavily for the board to ensure the working capital is above the minimum every year. This is easily attainable with proper oversight and some financial adjustments.
- Over the last five (5) fiscal years, the actual net profit distributions made to Town of Hertford as the sole by-law designated recipient have been well above the minimum amounts required by statute, referencing annual CPA audit calculation summaries. These calculated amounts are also referred to as the “Minimum Mandatory Distribution” to be made to applicable net profit distribution recipient(s). Referencing G.S. 18B-805(c)(1) for Other Statutory Distributions, ABC boards shall set aside the clear proceeds of 3.5% markup and additional bottle charge to be distributed as part of remaining gross receipts to recipients in the local enabling act for net profit distributions. Due to the board’s very low net position currently, debt for remodel, and making distributions well over the minimum for several years, it is highly recommended to strongly monitor financial statements and coordinate with the CPA firm to ensure only the minimum mandatory distribution calculated figure is paid to the town. In summary, this will help the board become more financially stable moving forward. Also, it ensures the board can still fully meet statute requirements on net profit distributions.
- Referencing the local enabling act for the board, alcohol education distributions are to be made in accordance with G.S. 18B-805(c)(3). This distribution percentage is set as an amount of seven percent (7%) of the gross receipts remaining after the distribution required in subdivision [1] which equates to the minimum mandatory distribution under G.S. 18B-805(c)(1). For the last five (5) fiscal years, the board has only been paying five percent (5%) in alcohol education distributions. Thus, the board must ensure 7% is being paid annually. Special note: The board has been routinely paying ten percent (10%) annually in law enforcement distributions which exceeds the five percent (5%) G.S. 18B-805(c)(2) statute requirement for law enforcement. In summary, some annual adjustments can easily remedy the disproportion between alcohol education distributions & law enforcement distributions.

- Recipients of alcohol education/research funds must annually provide an annual report to the Hertford ABC Board, describing how the funds were spent [Referencing 18B-805(h)]. Consider the request to obtain documentation before the funds are officially awarded or transmitted to the recipient.
- The board needs to secure a new law enforcement contract immediately and provide a copy to the Commission per G.S. 18B-501(f). Special notes: The board is advised to work with state Alcohol Law Enforcement (ALE) agency to set up a law enforcement contract. Going forward, applicable five percent (5%) law enforcement distributions that were being paid to Hertford Police Department in accordance with G.S. 18B-805(c)(2) would now start being paid to ALE.
- The board has an existing code of ethics. The following are additional needed administrative actions:
 - An updated signature ratification page for the Code of Ethics should be emailed to Commission.
 - A Certificate of Accountability attestation form should be reviewed and signed by applicable personnel. A signed copy should then be emailed to Commission.
- Ensure all new policies or updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. An updated template of policy & procedure manual has been provided by the Commission for board consideration on adoption. A business card policy template has been forwarded for consideration, and the board is recommended to adopt a credit card use policy.
- Each local board member and employees designated as the general manager and finance officer of the board shall be bonded for not less than \$50,000, secured by a corporate surety, for the faithful performance of duties [Referencing 18B-700(i)]. Special note: The board needs to provide verification to the Commission that referenced board members and employees are all properly bonded by a corporate surety.
- Law enforcement reports must be submitted on the Commission's board website by the 7th of each month referencing G.S. 18B-501(f1). Reports are to include as applicable the number of arrests made for ABC law, number of agencies assisted with ABC law, and other metrics for ABC law contribution such as compliance checks and alcohol education classes presented.
- 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 and stamping the last page of the Order Edit List from SGC inventory system before any liquor orders are placed with the state warehouse.

While having addressed most considerations from previous Commission review (2022), board should still monitor and strive to satisfy previously noted recommended actions.

August 18, 2025

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

The Town of Hertford ABC Board values your support along with your recommendations from our recent audit. The performance audit is a huge aid in helping us in areas that need improvement. Below you will find our responses to the recommended actions.

Item 1:

The board will meet with the Town of Hertford to discuss realigning board members terms.

Item 2:

Both the Chairman and the Finance Officer have completed their ethics training requirements.

Item 3:

Our budget will be monitored closely and the necessary amendments will be made when needed.

Item 4:

The board will begin distributing copies of breakage reports and applying credits from breakage to payments.

Item 5:

The board will ask the appointing authority to include how distributions are being spent in their minutes.

Item 6 & 7:

The finance officer administers the certificates required by GS 18B-702.

Item 8:

Per request by the ABC Commission the board has signed and submitted the Certificate of Accountability form.

Sincerely,
Brooke Crouch, GM
Town of Hertford ABC Board

8 22 2025
Month Day Year

Town of Hertford
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).

Brooke Crouch
General Manager

H. S. Dntu
Financial Officer

Joseph Higley
Chairman

[Signature]
Board Member

Board Member

Diane W. Stallings
Board Member

Board Member