

Lenoir ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

September 19, 2025

CHAIRMAN:

Hank Bauer

Lenoir ABC Board

Jerry Brooks, Chair

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon

115 ABC Court.

Raleigh

Lenoir, NC 28645

David Sherlin

Raleigh

Chairperson Brooks,

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 Lenoir 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

Lenoir is city in northwestern North Carolina and was incorporated in 1851. It is the largest community and county seat of Caldwell County. The city's population per the 2020 census was 18,352 residents, up over .7% from 2010. The Lenoir ABC Board operates two (2) retail stores and is one of two boards with stores in the county.

S.L. 1977-118 authorized the City of Lenoir to hold an election upon a petition signed by fifteen percent (15%) of registered voters. The referendum was held on July 19, 1977, and passed 1,756 to 1,454. The first retail sale occurred on September 30, 1977. Subsequent mixed beverage elections occurred in 1982, 1988, and 1992 and did not pass. However, a mixed beverage election occurred on June 25, 1996, and passed.

Upon election of an ABC store, Lenoir was authorized to create an ABC Board consisting of a chairman and two members to serve for three-year terms. Current board members are Jerry Brooks, chair, John Tye, and Steven Stewart, board members.

The last performance audit for the Lenoir ABC Board concluded in 2016. 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, May 21, 2025, ABC Commission Program Analyst Edwin Strickland visited the Lenoir ABC Board and interviewed the General Manager, Michael Suddreth. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



115 ABC Court



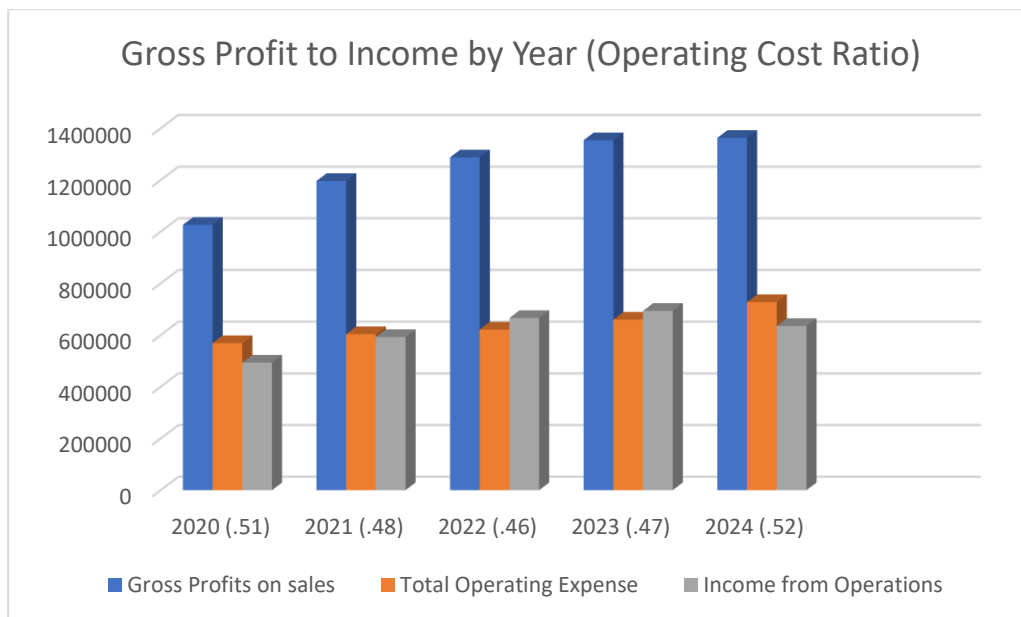
1326 Connelly Springs Rd.

FINANCIAL ANALYSIS

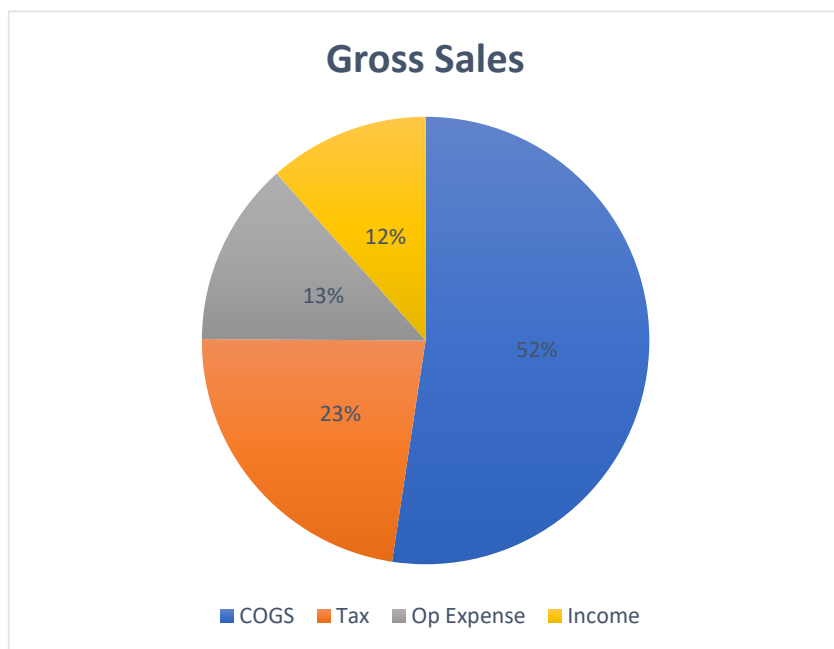
PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2023-2024, the Lenoir ABC Board had a profit percentage to sales ratio of 11.60%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%.
 - The Lenoir ABC Board's gross sales totaled \$5,479,217 which was an approximate 1.2% increase from the previous fiscal year.
 - The board's sales have grown over 29% over the last five completed fiscal years.
- Lenoir ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .52 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 Lenoir 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	\$1,363,045	\$1,354,108
Total Operating Expense	(\$727,639)	(\$659,995)
Income from Operations	\$635,406	\$694,114



- 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 Boone, Blowing Rock, Valdese, Morganton, Granite Falls, Taylorsville, Alexander County, and Catawba County.
 - A 4.2% unemployment rate in Caldwell County in June of 2024 with a .4% increase from the previous year.
 - The board currently has 16 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for over 5.5% of gross sales.*

INVENTORY TURNOVER

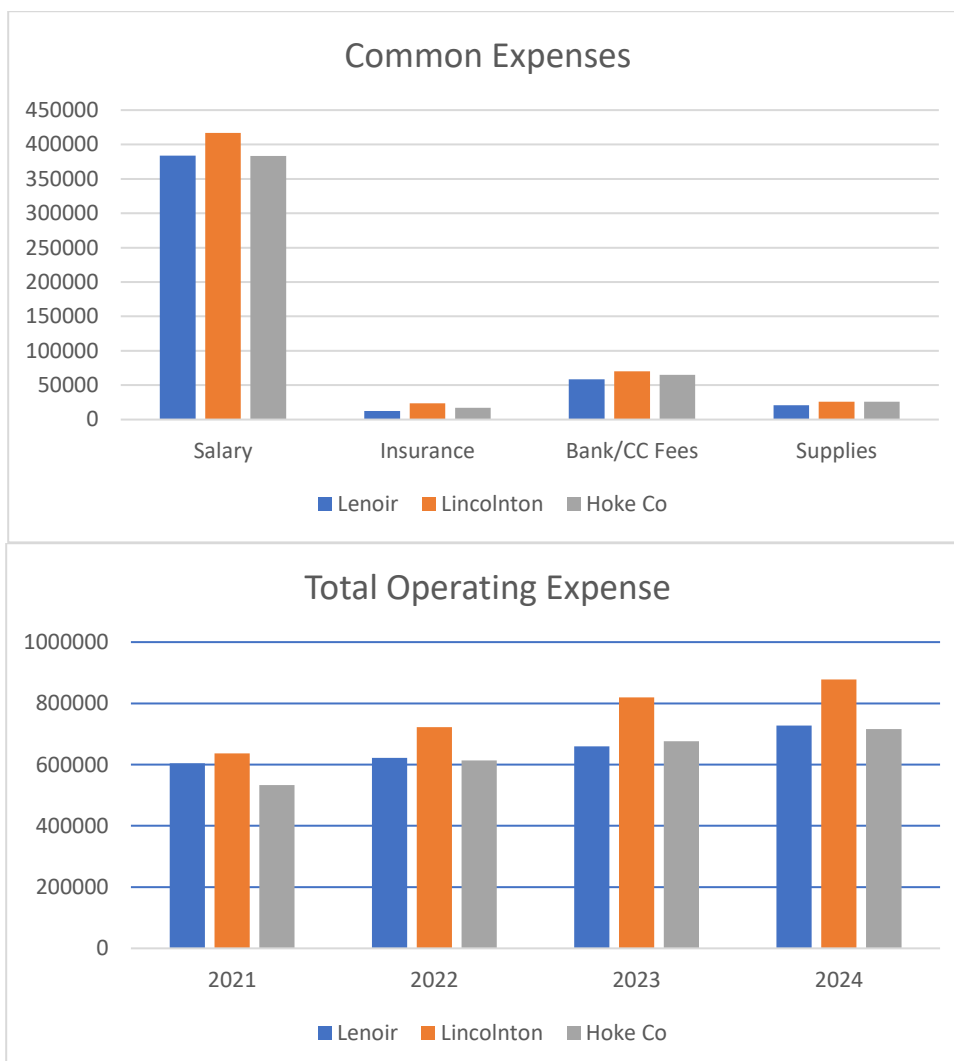
- The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set these goals for determining an effective rate based on the frequency of deliveries.
 - Once a week deliveries target at 6 times 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 Lenoir ABC Board receives shipments twice monthly with a target inventory turnover rate of 5. The inventory rate in (FY) 2023-2024 was 4.9, which is at the goal.

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased approximately ten percent (10%) from the last fiscal year and were roughly thirteen percent (13%) of total annual sales in FY-23/24.
- Board salaries and wages were about seven percent (7%) of total annual sales. Salaries and wages increased around eleven percent (11%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.4% for the fiscal year with a normal range being 52% to 54%.

➤ A common expense report and a total operating expense report show the Lenoir ABC Board has similar categorial and total operating expenses comparable to other ABC boards within a relatable 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	\$5,627,200	\$5,487,361	(\$139,839)	(2.5%)
Total Expenditures	\$4,967,200	\$4,860,442	\$106,758	2.1%
Distributions	\$660,000	\$616,785		
Revenue over or (under) Expenditures		\$10,134		
After Reconciling Items		\$26,767		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual total revenues were 2.5% below final budget amendment and total expenditures were 2.1% below.
 - The net income change during the fiscal year was \$26,767. *The board's collective net position on June 30, 2024, was \$1,062,548; the net position has increased almost 17% over the last five (5) fiscal years.*
- Based on sales trajectory for the current fiscal year with ten months (83%) of the budget year completed, the board is tracking at almost 83% of annual budgeted sales.
 - *A review of a recent budget comparison at Commission visit indicates no line-item expenditures have exceeded their budgeted amount through April 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, Lenoir ABC made other statutory distributions totaling \$616,785 (Net profit distribution recipient received \$558,408).
- The amount of \$1,244,909 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Caldwell County.
- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - Five percent (5%) for alcohol education
 - Ten percent (10%) to the Caldwell County school administrative unit
 - Eighty-five percent (85%) to the City of Lenoir General Fund

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Lenoir ABC board has made robust net profit distributions for the last five (5) fiscal years well over the minimum mandatory distribution in reference to G.S. 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 five (5) FYs.
 - The Lenoir ABC Board's local act stipulates a five percent (5%) distribution from their net profits and no alcohol education distribution referencing G.S. 18B-805(c)(3).

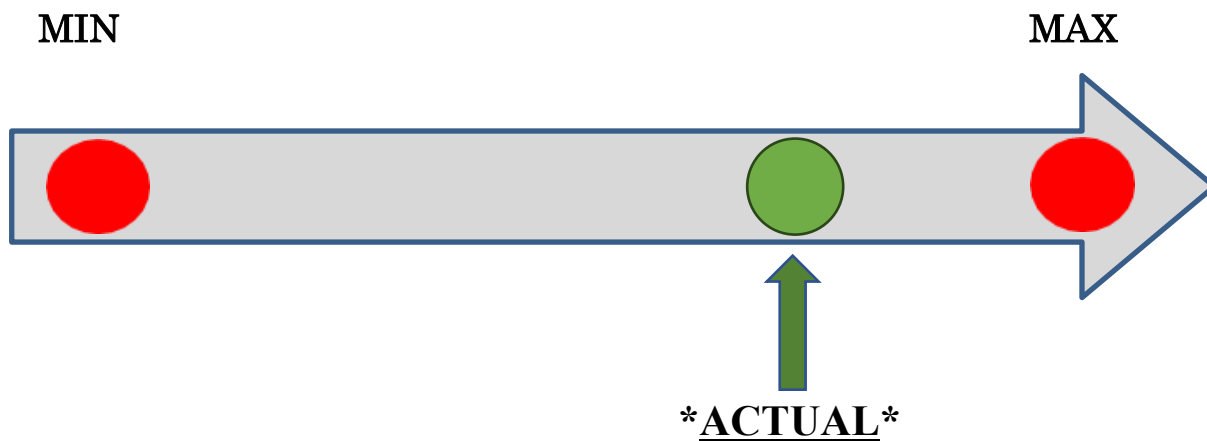
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Lenoir ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$155,753	FY-2024	\$558,408
FY-2023	\$155,347	FY-2023	\$613,285
FY-2022	\$149,787	FY-2022	\$560,154
FY-2021	\$141,225	FY-2021	\$478,784
FY-2020	\$121,508	FY-2020	\$445,041

- Since inception, the board has made net profit distributions totaling \$12,473,364.

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.
 - 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 Lenoir ABC Board is required to maintain a minimum working capital of \$162,858 with a maximum working capital amount of \$1,058,577.
 - The Lenoir ABC Board had a working capital balance of \$700,083 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. Members receive compensation for their services at the maximum \$150.00 per meeting and the appointing authority has approved a \$200.00 per month compensation for the chairperson.
 - Two board members are currently compliant on ethics training with one reappointed member needing to satisfy the requirement within the next month.
 - Current member term end dates are staggered appropriately with one member's term ending each year and in the same month.
 - All members are serving consecutive terms.
 - Members have a variety of professional experience in business, local government, medical, and other community involvement.
- Members may 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 second Thursday of each month and public awareness is given to the city, listed on the board's website, and at an in-store information center.
- Meeting minutes are well organized and follow the order of proceedings, providing detail of business discussed in a transparent and easily comprehensible manner. *The meeting agenda includes a no-conflict of interest statement, but this is not included in the meeting minutes.*
 - Extensive financial reports, including budget and sales comparisons, are provided and discussed at meetings along with a quarterly police report.
 - Meetings are held via tele-conference with, sometimes, only board personnel in the conference room and the members in near by areas.
 - Other attendees to meetings may include the police chief, mayor, or city manager.
 - Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld. 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 City of Lenoir Police Department from 2018 in Commission records.
- Law enforcement reports are submitted quarterly by the general manager with data supplied from the police department's administrative clerk.
 - A quarterly report describing all activities is provided to the board and discussed at meetings and contains a page specific to alcohol related activities for accountability per G.S. 18B-501(f1).

Board Personnel

- The board currently staffs nineteen total employees, with five full time, and fourteen part time.
- General Manager has been with the board for more than thirty years and has been the general manager for approximately fifteen years.
 - 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.
 - They are responsible for oversight of all board operations including budgets, human resources, inventory, and other daily activities.
- The finance officer has been with the board for approximately seven years. In addition to regular store operating activities, they focus on many accounting related items such as billing, distributions, other money tracking. *The general manager and finance officer working cooperatively on several other administrative tasks.*
- The board does not currently have an officially designated store manager for their store #2. *The board should consult G.S. 18B-803(b) to ensure compliance with each store having a designated store manager.*
- They use some contracted employees for truck deliveries and landscaping.
- 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 seasoned personnel and is on the job and mentorship styled with an immediate emphasis on legal alcohol sales.
 - RASP training has been extended to most employees and some employees have attended trainings with local permittees.
 - Product knowledge training is provided through beverage journals and other literature and discussion between sales reps, team members, and customer interactions.
- Employee files are kept locked in the administrative office and include tax, banking, and other employment documents.
- Full time employees and at least one part time employee are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a personnel manual that details various work requirements, behavioral standards, cash handling policies, price discrepancies, leave benefits, and alcohol sales.
 - An updated copy of the manual is now in Commission records retention.
- For travel, the board has a travel policy that follows the reimbursement schedule for state employees in G.S. 138-6.
- Additional policies in Commission records include a mixed beverage sales and overage and shortage and shelf management.
- Additional policies could be considered including credit card usage, vehicle usage, tastings, and employee tastings.

Operations

- Board personnel conduct full inventory quarterly with perpetual categorical spot checks.
 - Usually, two team members and the general manager do counts using scanners.
 - Variances are reviewed and the finance officer makes adjustments after review.
 - Strategies for slow moving products include moving in store near the sales counter and discussing options with sales reps.
 - At Commission visit, a sample of items were selected to verify accurate current inventory. Of those selected all items actual inventory matched the database's theoretical inventory.
- Board receives deliveries for goods on the second and fourth Monday of each month, with each store receiving one delivery.
 - Conveyor belts are used for offload and checked against a spreadsheet created from the manifest.
 - Variances are reviewed and recounted before sending notification to LB&B.
- The finance officer makes the liquor order by filtering a month's sales and cross referencing with current inventory. Specially priced items are considered and the general manager reviews orders. The store not receiving the delivery will items added to the order and transferred.
- Allocated products are available for mixed beverage accounts and others are "leaked" out through random shelving.
- The board has a website with general store information, contact opportunities, and special pricing links.
- The board currently has sixteen mixed beverage customer accounts and store #1 is the designated mixed beverage outlet.
 - Invoices are provided to permittees at the time of the transaction and one copy is retained in a separate file, and another in a file for each account.
 - Deliveries are made using the board's van.

Financial, Administrative, and Internal Controls

- Invoices for liquor are usually processed and paid per truck by the finance officer. The board has recently begun paying many suppliers via ACH draft.
 - *A small sample of invoices were checked and indicated payments submitted within the thirty-day requirement.*
- The board's checks do not have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - Checks are signed by the general manager and finance officer with the chairperson as an alternat.
- The finance officer does pre-audit purchases for compliance with G.S. 18B-702(m).
- The board has two credit cards in the possession of the general manager and finance officer.
 - Itemized invoices and receipts for credit card purchases are retained in board records.
- The board uses one or two registers with tills beginning at \$150.00.
 - Cash is matched to the register tape and overage and shortages are recorded.
 - Opener combines cash for deposits which are made daily except Saturday, usually by the general manager.
 - The finance officer verifies cash deposits to bank account weekly and again at month end reconciliation. *A sample of deposit slips and register cash reports were verified for both stores with no discrepancies.*
 - The board has a change fund and sperate petty cash sometimes used for supplies. *The petty cash was verified at \$100.00 and is replenished when used by a board check.*
- Funds are kept in a pooling bank(s) approved by the North Carolina Treasury Office.
- Payroll is processed every two weeks through Dalcom.
 - Hours are determined from the schedule and reviewed by the general manager and finance officer.
 - *A review of recent payroll records indicates accurate pay rates for board members and the general manager.*
- The board keeps records for unsaleable merchandise reports but does not email copies of the reports quarterly to the Commission in compliance with NCAC 15A .1701(c).
- The board makes monthly distributions to one of their alcohol education recipients (Caldwell House) and receives a report discussing how these funds are spent. Additionally quarterly distributions are made to the city's DARE program and a separate distribution is made to the county's DARE program. The board should request reports for all alcohol education and rehabilitation recipients describing the expenditures of funds, for compliance with G.S. 18B-805(h). The board should, in turn, make available these reports to their appointing authority.
- The annual CPA audit was received by the Commission on September 17, 2024.
- All board members and all staff members are each bonded for \$50,000 per G.S. 18B-700(i) and G.S. 18B-803(b) and (c), and the bond was reviewed as current at visit.

STORE INSIGHT & OVERVIEW

- The board's Store #1 and administrative offices are located on a side road off a major thoroughfare near an intersection of two highways.
 - The building is free standing, has adequate parking, and allows for deliveries.
 - The store is in a commercial area with other retail outlets and businesses.
- The board's Store #2 is also free standing with ample parking.
 - The building is located on a busy road and is in a mixed area with other businesses and residences.
- Outside areas surrounding the stores are free of trash or debris, have well maintained landscaping, and the general appearance of the buildings and properties are professional.
- 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 are displayed along with other education outreach posters.
 - Quarterly price books are kept at the counters for customers. *Additionally, the stores have information centers with SPA lists and other pricing lists are displayed as well as other information about the ABC Board and industry.*
 - Floors are modern, clean, and signs are not faded or worn.
 - Colored shelf tags are utilized for specially priced items.
 - North Carolina products have a section but are also mixed throughout the stores.
- The warehouse and administrative areas for both stores are well-lit and organized and accommodate pallet deliveries.
- 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 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 but one's shelf price tags, across both stores, 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 will be considered in the future.
- The stores are open from 9:00 am (10:00 am at store #2) until 9:00 pm daily. They are currently closed every Sunday and the five (5) previously required annual holidays, and sometimes have modified hours on other holidays.
- Security systems are in place and functional in all designated areas.
 - *The stores have cameras, alarms, and panic buttons.*

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.*
- 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 who should complete their ethics training requirement as soon as possible and before the end of June 2025.*
- To comply with G.S. 18B-803(a), the board should employ a manager for each store, who shall operate the store pursuant to the directions of that board. *It is permissible for the general manager to also be the store manager for one of the board's stores.*
- Board should craft a credit card policy that clearly defines the purposes for usage of the card(s), people that may use the card(s), and the method for retaining records of usage. In accordance with Rule 15A .1102, the board should send the Commission all rules for approval and record retention.
- While the board does provide appropriate oversight with the Finance Officer cutting and signing checks, and many liquor supplier invoices being paid via ACH, the board should re-establish compliance with GS 18B-702(q) disbursement approval certificate to take substantially the following form on checks, "This disbursement has been approved in the manner required by GS 18B-702".
- 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.
- 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). *The board currently receives reports from one of their three recipients.*
- 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.
- 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.
- While the board does reference the required statement in their meeting agenda, 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).
- The Lenoir ABC Board's local act stipulates a five percent (5%) distribution from their net profits referencing G.S. 18B-805(c)(1), and no alcohol education distribution referencing G.S. 18B-805(c)(3).
- 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 G.S. 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- 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.

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2016)

- Require all external agencies that specialize in alcohol education, treatment, rehabilitation, etc. to submit an annual or expense report detailing how funds were spent to the ABC board.
- Consider completing additional training opportunities through the Commission, such as the Responsible Alcohol Sellers Program, and other Commission-approved courses.
- Adopt a mixed-beverage policy that follows current practices.
- Adopt a price discrepancy policy that incorporates customer friendly practices. Once adopted, communicate to all employees should the need arise.
- Adopt a policy that details the procedures the board will follow if an employee is charged with selling to a minor.
- To ensure strong internal controls for credit card purchases, adopt a written credit card usage policy.
- Monitor budget more closely, particularly towards the year end, to determine whether amendments are needed. Amendments are required when expenses are over budget or have not been budgeted for and when sales are not meeting or are exceeding budgeted amounts.
- As specified in G.S. 143-318, the board must follow and enter into closed session proceedings through motion and vote. The purpose must be specifically stated within the motion and only that topic may be discussed in the closed session. All actions discussed in closed session must be stated and/or voted on in open session and included in open session minutes.
- The board must approve closed session meeting minutes. The required procedure is to hold a new closed session meeting specifically to approve the minutes of an earlier session.
- Have the board chairman read the conflict-of-interest statement to all board members at the beginning of each meeting. Reference the conflict-of-interest statement was read in the board minutes.

While having addressed many considerations from previous Commission review (2016), board should still monitor and strive to satisfy previously noted recommended actions.

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

September 15, 2025

We appreciate your support and recommendations from the audit recently performed. This performance audit will help us with the areas that need improvement. Please find below our responses to the findings and recommendations.

Item 1: *****

The general manager and finance officer will reestablish practices to include the disbursement certificate on check and drafts and the preaudit certificate on purchase orders and the original liquor order. The finance officer will sign both certificates.

Item 2: *****

The board is searching to appoint a manager for store #2 and the general manager will operate as the manager for store #1.

Item 3: *****

The board has made the effort to adopt a credit card use policy.

Item 4*****

The board will follow recommended action to ensure breakage reports are submitted quarterly.

Item 5*****

The board has updated the ethics training requirements for reappointed member(s).

Item 6*****

The board will request activity reports from alcoholism and education recipients on how financial distributions are spent.

Item 7*****

The board will provide the ABC Commission a signed certificate of accountability attestation form and perform an oath of office.

Sincerely,

Jerry N. Brooks

Michael Suddreth

Jerry N. Brooks, Board Chairman
Michael J. Suddreth, GM