

# Lincolnton ABC Board

## Performance Audit Report



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## Alcoholic Beverage Control

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November 20, 2025

Lincolnton ABC Board

Leon Harmon, Chair

105 Stanford Rd.

Lincolnton, NC 28092

Chairperson Harmon,

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

Lincolnton is located in west-central North Carolina and is the seat for Lincoln County. The city's population per the 2020 census was 11,091 residents, an increase of 5.8% from 2010. The Lincolnton ABC Board operates two (2) retail stores and is one of two (2) boards in the county.

Chapter 603 of the 1967 Session Laws authorized the town of Lincolnton to hold an election for an ABC store upon a petition signed by fifteen percent (15%) of registered voters. The referendum was held on August 8, 1967 and passed 1,376 to 797. The first sale occurred on December 11, 1967. A mixed beverage election occurred on May 30, 2000, and passed 1,622 to 1,277.

Upon election of an ABC store, the town was authorized to create an ABC board consisting of a chairman and two board members to serve for three-year terms. Current board members are Leon Harmon, chair, Lee Hayes and Allison Thompson.

*The last performance audit for the Lincolnton ABC Board concluded in 2017.* The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.



**105 Stanford Rd.**



## **OPERATIONAL OBSERVATIONS, FINDINGS, REQUIRED ACTIONS, & RECOMMENDATIONS**

On September 11, 2025, ABC Commission Program Analyst Edwin Strickland visited the Lincolnton ABC Board and interviewed the General Manager, John Schrum and other personnel. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



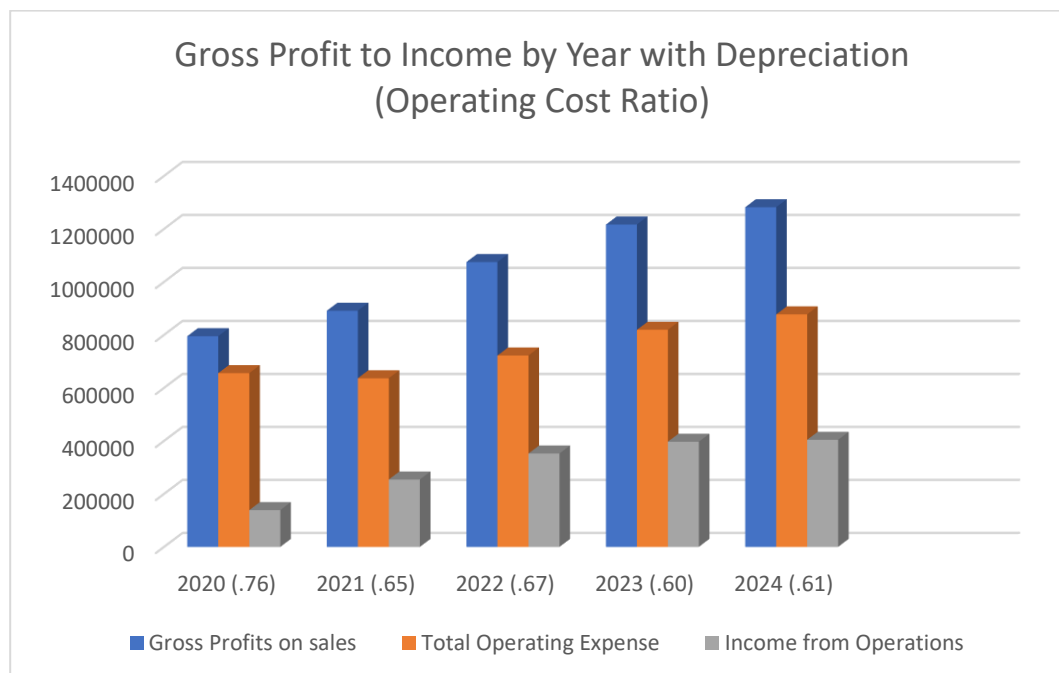
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## FINANCIAL ANALYSIS

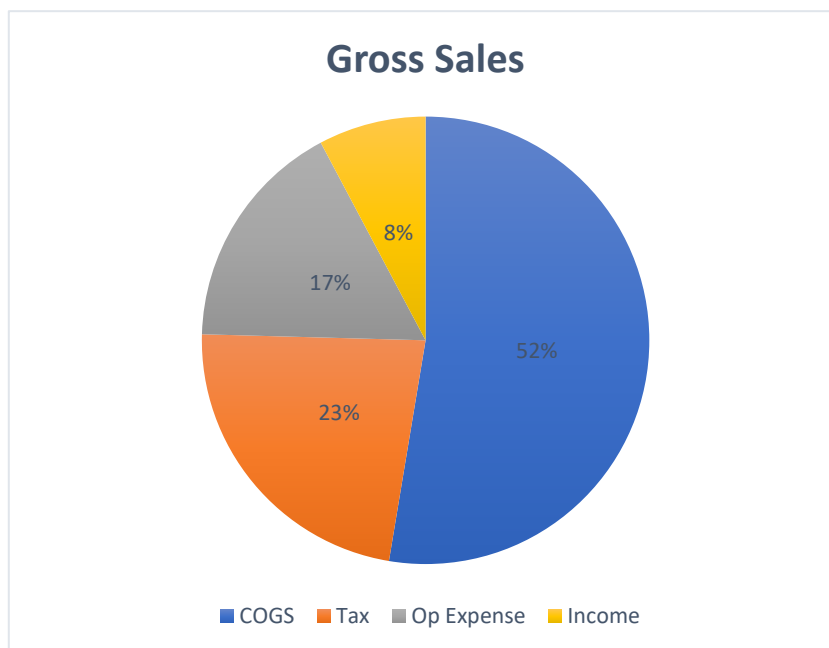
### PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2023-2024, the Lincolnton ABC Board had a profit percentage to sales ratio of 7.76%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%.
  - The Lincolnton ABC Board's gross sales totaled \$5,209,392, which was an approximate 7% increase from the previous fiscal year.
  - The board's sales have grown over 59% in the last five complete fiscal years.
- Lincolnton ABC Board operates two retail stores with mixed beverage sales. The operating cost ratio for the board was .61 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with 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 Lincolnton ABC Board meets the profitability standard, and the operating cost standard set by the NC ABC Commission. Below are charts showing gross profit on sales, total operating expenses including depreciation, and income from operations for recent years.

	FY 2023-2024	FY 2022-2023
<b>Gross Profit on Sales</b>	\$1,281,922	\$1,216,555
<b>Total Operating Expense</b>	(\$877,527)	(\$819,508)
<b>Income from Operations</b>	\$404,396	\$397,048



- 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, debt service. or as additional distributions beyond the minimum requirement.



- *Factors affecting sales:*
  - There are around twelve other ABC Boards with a store within a 30-mile radius of Lincolnton ABC stores.
  - A 3.6% unemployment rate in Lincoln County in June of 2024 with a .3% increase from the previous year.
  - The board currently has approximately 14 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for over 6% of gross sales.*

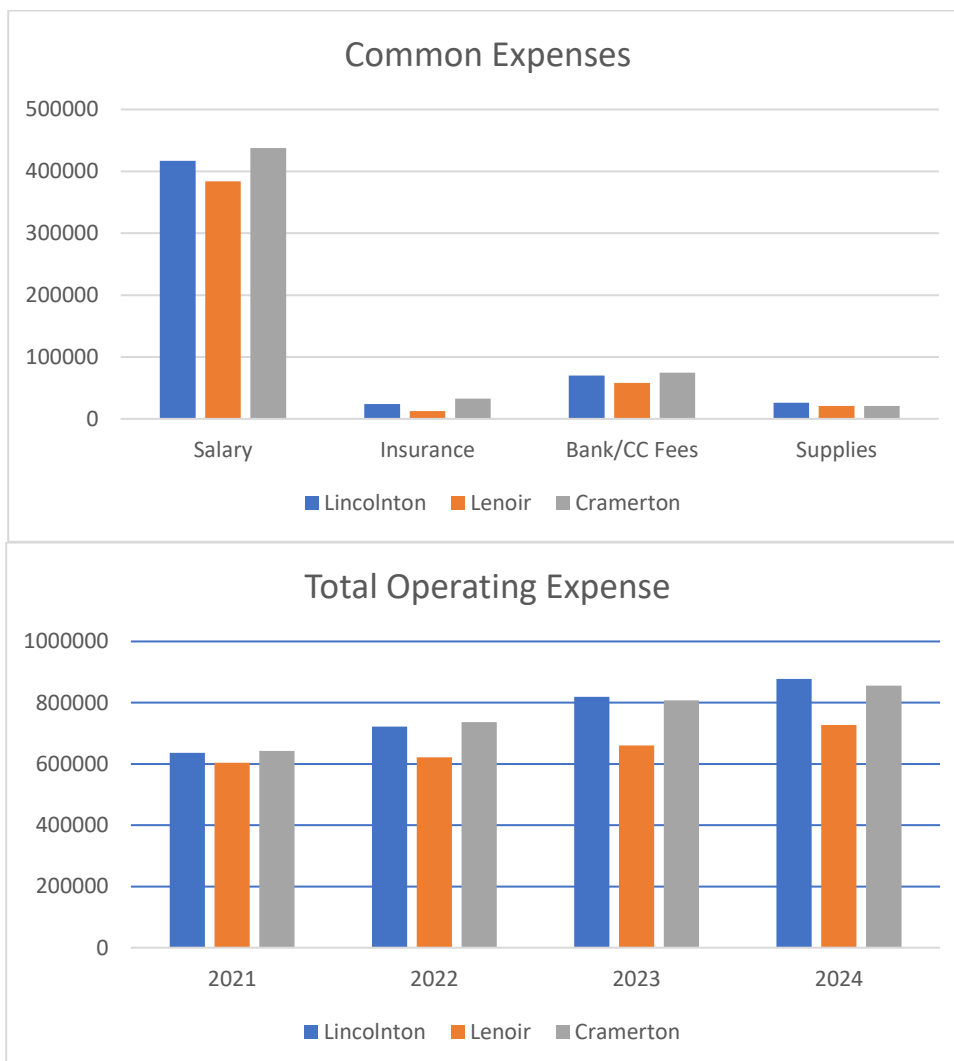
## **INVENTORY TURNOVER**

- 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 Lincolnton ABC Board receives shipments four times a month with a target inventory turnover rate of almost 6. The inventory turnover rate in (FY) 2023-2024 was 3.4, which is below the goal. *The board aspires to have a higher selection of products than other regional boards, which contributes to a lower turnover rate.*



## FINANCIAL ANALYSIS (cont.)

- *Factors affecting expenses:*
  - Total operating expenses increased by almost seven percent (7%) from the last fiscal year and were just less than seventeen percent (17%) of total annual sales in FY-23/24.
  - Board salaries were around eight percent (8%) of total annual sales and increased almost ten percent (10%) from the previous fiscal year.
  - Cost of Goods Sold (COGS) was roughly 52.6% for the fiscal year with a normal range being 52% to 54%.
- A common expense report and a total operating expense report show the Lincolnnton ABC Board has similar categorical 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 %
<b>Total Revenues</b>	\$5,221,000	\$5,213,463	(\$7,537)	(.1%)
<b>Total Expenditures</b>	\$5,028,202	\$5,021,079	\$7,123	.1%
<b>Distributions</b>	\$183,500	\$184,594		
<b>Revenue over/under Expenditures &amp; Finance</b>		\$7,790		
<b>After Reconciling Items</b>		\$202,753		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual total revenues were .1% below budget and expenditures were above the final budget amendment by a similar amount.
  - The net income change during the fiscal year was \$202,753. *The board's collective net position on June 30, 2024, was \$2,542,819; the net position has increased by forty percent (40%) over the last five (5) fiscal years.*
- Based on sales trajectory for the current fiscal year with two months (16%) of the budget year completed, the board is tracking at 15.5% of annual budgeted sales.

## 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, Lincoln ABC accrued funds for other statutory distributions totaling \$184,593 (Net profit distribution recipient received \$147,825).
- The amount of \$1,186,745 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Lincoln County.
- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
  - 15% to Lincoln County General Fund
  - 85% to Lincoln General Fund

## DISTRIBUTIONS (cont.)

### ➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Lincolnton ABC board has made net profit distributions for two (2) the last five (5) fiscal years at or above 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 disbursed well 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.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Lincolnton 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	\$147,805	FY-2024	<b>\$147,825</b>
FY-2023	\$138,802	FY-2023	<b>\$110,820</b>
FY-2022	\$114,219	FY-2022	<b>\$109,701</b>
FY-2021	\$94,940	FY-2021	<b>\$106,761</b>
FY-2020	\$87,210	FY-2020	<b>\$94,815</b>

- In FY 20-21 the board received a two-year approval to limit distributions to the City Lincolnton in the amount of \$110,000.

## WORKING CAPITAL

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- 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 Lincolnton ABC Board is required to maintain a minimum working capital of \$154,717 with a maximum working capital amount of \$1,005,662.
  - The Lincolnton ABC Board had a working capital balance of \$882,040 which is more than the minimum 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 on a semi-annual basis and at or below the maximum \$150.00 per meeting in compliance with G.S. 18B-700(g).
  - Current board members' terms are staggered to comply with G.S. 18B-700(a).
  - Board members are currently compliant with ethics training with one reappointed member needing to satisfy the training within the next two months.
  - There is a mixture of initial term and multi-term members.
  - Members have professional experience in the fields of business, medical, finance, and local government administration.
- Members may not have taken an oath of office per G.S. 11-7. *Copies of oaths should be available at the board's administrative office.*
- Meetings are generally held on the third Wednesday of each month, and public awareness is provided to the city and posted on their website.
- Meeting minutes are organized and available and follow the order of proceedings to include the no-conflict-of-interest statement.
  - A comprehensive packet of reports and other financial documents compiled by the board's accounting consultant and general manager are provided and discussed at board meetings. Documents provided include a P&L, store sales, cash flow, inventory and adjustment reports, and other graphs covering loans and payroll.
  - 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 locations.

### **Law Enforcement**

- The board has hired an internal law enforcement chief in recent months. He is employed part-time and has previously worked for another ABC law enforcement agency.
- Law enforcement reports have been submitted regularly by the finance officer or general manager, but do not contain applicable data for accountability as required by G.S. 18B-501(f1).
  - *Having now hired a law enforcement officer, the board should work to ensure reports containing applicable data are submitted routinely to comply with the statutory requirements.*

## **Board Personnel**

- The board currently staffs twenty-two total employees with five working full-time.
- The General Manager has been with the board for around thirteen years and has been the General Manager for about eleven years.
  - He is full-time, his salary is below the maximum allowable compensation per G.S. 18B-700(g1), and he is compliant with ethics training.
  - He is responsible for oversight of all board operations, human resources, and works directly with store managers and external contractors.
- The Finance Officer is full-time, has been in this role since 2021, and was previously a sales associate.
  - Their responsibilities include payables, deposits, and they serve as the store #1's designated manager.
- The board has a contracted accounting consultant who conducts account reconciliations, compiles a variety of data driven reports, and provides general accounting support.
- Both stores have a designated store manager responsible for their store's inventory and general store upkeep. The manager for store #2 orders liquor and schedules employees for their store, and store #1 is a collaborative effort between the general manager and finance officer.
- The board has one employee who focuses mainly on deliveries and stocking.
- 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 for new employees from management and seasoned employees and is on-the-job mentorship styled.
  - Some cross-training opportunities are extended.
  - The general manager works directly with new employees in their initial training.
  - Alcohol sales training is provided by Alcohol Management, and all staff have received formal training. Additionally, the board has discussed possible RASP training with Commission staff.
  - Product knowledge training is provided through casual conversations between team members.
  - Special order requests are always considered and usually ordered if the product is obtainable.
- A file for each employee is kept in the general manager's office and include applications, tax and banking information, and policy acknowledgment forms.
- Full-time employees are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with the general manager.



## **Policies**

- The board has a thorough personnel manual that details various work requirements, behavioral standards, leave and other benefits, scheduling and holidays, and most additional requirements of Rule 15A .1006.
  - *The board could consider adding or strengthening additional policy verbiage in the required areas of granting salary increases and promotions, transfers, demotions, or suspensions.*
  - The personnel manual covers other recommended or required policies including price discrepancies, vehicle usage, and a very detailed cash handling policy.
  - Additional policies provided to the Commission include code of ethics and allocated products.
  - Policies that should be considered include mixed beverage sales, shelf management, and credit card usage.
- For travel, the board follows the reimbursement schedule for state employees in G.S. 138-6.

## **Alcoholism Fund Recipients**

- G.S. 18B-805(h) requires funds distributed under subdivisions (b)(4) and (c)(3) of this section, shall be spent for the treatment of alcoholism or substance abuse, or for research or education on alcohol or substance abuse.
  - In FY 23/24 the board made or accrued distributions in the amount of \$16,768 and has made distributions in the amount of \$71,543 over the last five completed fiscal years. The recipient of the funds over these years, named Alcohol Education, has usually provided a report describing how these funds were spent for compliance with G.S. 18B-805(h).
  - With the addition of an internal law enforcement agency, the board is tentatively planning on expending some of this fund towards programs provided by the board's law enforcement officer, and other possible recipients.

## Operations

- Board personnel conduct full inventory semi-annually with frequent categorical spot checks.
  - Counts are made using scanners and variances are re-checked multiple times and by different people.
  - Adjustments or transfers are made only by the administrative office and typically the general manager.
  - Sales associates note the time(s) when a possible theft has occurred for surveillance footage review. *The board will explore different options for eliminating shoplifting with the recent addition of a law enforcement officer.*
  - Strategies for slow moving products include moving to endcaps and other areas in the store(s), moving product between stores, requesting tastings, and the board has considered price reductions.
- The board receives deliveries of goods the first four Tuesdays of each month, with deliveries alternating between their two stores.
  - Pallets are dropped and cases are down stacked using scanners by multiple team members.
  - Most overage and sometimes breakage is returned at their next delivery.
  - Any variances are recounted and balanced against store and warehouse stock before reports are sent to LB&B.
- Liquor orders are made by the store and/or general manager. A suggested sales for a two-week or similar period are queued, and adjustments are made per item by reviewing current stock status and other variables. SPAs are considered for high volume products and buy-ins for these products are conducted.
- Allocated products are reserved for mixed beverage accounts, and others are shelved between the stores at the manager's discretion. *The board has their allocated product policy posted on the outside door of at least one of their stores.*
- The board has a website with general information about the board, contact, employment, pricing, frequent questions, and other helpful links.
- The board returns most breakage from deliveries to LB&B, and other breakage is "written off". The board should begin keeping records for the destruction of unsaleable merchandise reports for any liquor supplied in that condition. These reports should be included for credit when paying other invoices to the supplier and copies of the reports should be sent to the Commission for compliance with Rule 15A 1701(c).
- The board currently has around fourteen mixed beverage customer accounts but only seven are routine purchasers.
  - Store #1 is the designated mixed beverage outlet.
  - Picked orders are rechecked at the transaction. *Management encourages permittees to visit the showroom for possible additional selections*
  - Invoices are provided to permittees and signed copies are retained in a file for each account.
  - The board stamps bottles in the manner required by NCAC 15A .1901.
- The board holds tastings at both stores.

## **Financial, Administrative, and Internal Controls**

- Invoices for liquor are processed weekly, with some exceptions, but no month ends with open invoices to suppliers.
  - The board currently cuts checks but plans to begin using ACH soon.
  - The board has positive pay for account security.
- The board's checks have the required disbursement certificate in compliance with G.S. 18B-702(q).
  - Checks are cut and signed by the finance officer, and counter-signed by the general manager.
- The administrative office, including the finance officer, reviews liquor orders and other potential purchases before an order is processed, however, the preaudit certificated is not utilized. For liquor, this could most easily be done on an order edit list or similar document as required by G.S. 18B-702(m).
- The board has a credit card maintained in their administrative office or with the general manager. Itemized receipts are kept and reviewed by the finance officer or accounting consultant when the account is fully settled monthly.
- Each store manager is responsible for a change fund.
- The board does not have petty cash.
- Both stores use two registers, and store #1 has a mixed beverage only register. Tills usually start at \$100.00.
  - Each clerk is responsible for their till including shortages.
  - Deposits are compiled nightly by senior clerk(s) and taken to the bank Monday through Friday.
  - The administration verifies deposits match receipts routinely and again at month end reconciliation.
  - *A sample of recent deposits were reviewed and matched with cash register tapes with no significant variances.*
- Funds are kept in a pooling bank(s) approved by the North Carolina Treasury Office.
- Payroll is processed bi-weekly through ADP.
  - Employees use timecards and the general manager reviews as hours are input for processing.
  - *A review of recent payroll records indicates accurate pay rates as entered on the board website for board members and the general manager.*
- The annual CPA audit was received by the Commission on September 26, 2024.
- All board members and applicable personnel are bonded for at least \$50,000 per G.S. 18B-700(i) and G.S. 18B-803(b).

## **STORE INSIGHT & OVERVIEW**

- Both board stores are located on the same central city thoroughfare on opposite sides of the downtown area. Both stores are free-standing outparcel buildings of shopping centers anchored by a grocery store, and both are near the intersections of another highway.
  - The administrative office, located in store #1, is spacious and professional.
  - The warehouse is well lit and organized, and both stores can accommodate pallet delivery. Store #1's warehouse area has a large rack system allowing for additional case storage.
  - Both stores have ample parking, easily viewable building signs, and store #2 has a street sign.
- Both stores are well lit and organized.
  - Floors, counters, and shelves are clean.
  - The Fetal Alcohol Syndrome posters required by G.S. 18B-808 are displayed.
  - Quarterly price books are available.
  - Category signs are prominently displayed.
  - North Carolina products are mixed throughout the stores within their corresponding category. *The board could consider utilizing the special North Carolina shelf tags.*
  - Outside areas around the buildings are free of trash and debris.
- Shelf management practices are mostly implemented in both stores.
  - Products are fronted, dusted, and in their designated category.
  - Premium products are generally found at eye-level or top shelf.
  - *Bottles were not always arranged so they increased in size left to right of the same item.*
  - At visit, only store #2 used bright "sale" tags to highlight specially priced items.
- Sales associate interactions with customers are attentive, courteous, and the staff are 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 across both stores' shelf 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.
- Store hours are from 9:00 am until 9:00 pm daily.
- All stores are closed every Sunday, the five previously required holidays, Easter Monday, and Memorial Day.
- Security systems are in place and functional in all designated areas.
  - *The stores have cameras, alarms, and panic buttons.*
  - *All staff are aware that loitering is prohibited.*

## REQUIRED ACTIONS

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- Item #1: 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.*
- Item #2: The board should re-establish full compliance with G.S. 18B-702(m) preaudit approval certificate to take substantially the following form on purchase orders, "This instrument has been preaudited in the manner required by GS 18B-702". *This could most reasonably be accomplished by stamping and signing the order edit list or other purchase orders.*
- Item #3: While already providing sufficient procedural oversight, the 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.
- Item #4: Local boards shall establish and maintain a shelf management plan per NCAC 15A .1708. While sometimes followed, the board could work to rearrange liquor inventory on the shelves to follow shelf management requirements, in particular ensuring bottles increase in size from left to right where applicable.
- Item #5: As a reminder, board members who have been initially appointed and reappointed must complete the required ethics training, for compliance with G.S. 18B-706(b), within one year of appointment status. *The board has one member who will need to satisfy the training requirement as soon as possible.*
- Item #6: 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.

## RECOMMENDED ACTIONS

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- With the hiring of a law enforcement officer, the board should begin submitting law enforcement accountability reports that contain the applicable statistical data as defined in G.S. 18B-501(f1).
- The board should consult Rule 15A .1006 to verify their personnel manual covers all requirements. The board could consider adding or strengthening additional policy verbiage in the areas of granting salary increases and promotions, transfers, demotions, or suspensions.
- When staffing allows, the board could consider having an additional team member, other than the person who picked the order, recheck mixed beverage orders before the transaction.

- It is uncommon for ABC systems to not have any supplier's unsaleable merchandise or breakage claims. The board should consider requesting credits from their suppliers if deliveries contain damaged or unsaleable products. The board should also email the Commission copies of any unsaleable merchandise reports.
- The board could consider utilizing the "sale" stickers used at their store #2 at both stores to highlight specially priced items.

**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 30<sup>th</sup> 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.
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. 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.



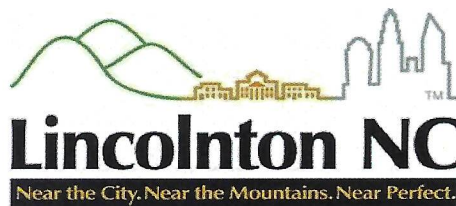
## PREVIOUS PERFORMANCE AUDIT ACTIONS (2017)

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- **REQUIRED ACTION #1:** All ABC Boards are required to operate within a balanced budget. 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. 18B-702(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.”
- **REQUIRED ACTION #2:** Before distributing towards law enforcement or alcohol education, the 3 ½% minimum distributions should be dispersed following the distribution schedule in the enabling act. In addition to the minimum distribution law enforcement and alcohol education distributions must be made if profits are warranted.
- **REQUIRED ACTION #3:** As a reminder, board members who have been initially appointed and reappointed must complete the required ethics training within one year of appointment status.
- **REQUIRED ACTION #4:** Adopt a personnel manual and/or policies that incorporate board practices. The ABC Commission encourages ABC boards to model personnel policies and procedures after those of the appointing authority. However, certain ABC procedures must be clearly presented in the employee manual.
- **REQUIRED ACTION #5:** To ensure stronger internal controls of credit card purchases, adopt a written credit card usage policy. Other control parameters is to require someone other than the person purchasing reconcile the credit card statements and have a board member(s) review credit card statements on a regular basis.
- **REQUIRED ACTION #6:** Follow the closed session proceedings as indicated in the ABC Operations Manual. The procedure for entering into closed session is as follows:
  - When in open session, a motion to enter into closed session stating the specific reason is required.
  - A vote is taken and if approved, the board will enter the closed session to discuss the stated topic. No vote can be taken while in closed session.
  - To re-enter open session from closed session, a vote is taken and if approved, open session is resumed.
- **REQUIRED ACTION: #7:** Follow the above required actions as it relates to the distribution requirements. ABC Boards are required to distribute at least 5% toward law enforcement and at least 7% toward alcohol education.
- **RECOMMENDATION #1:** Extend additional training opportunities to all staff in areas of customer service, Responsible Alcohol Sellers training, etc. The NC ABC Commission approved selected training courses in these areas.

**While having addressed many considerations from the previous Commission review (2017), board should still monitor and strive to satisfy previously noted recommended actions.**

# CITY OF LINCOLNTON ABC BOARD



## GENERAL MANAGER

John Schrum  
[abcstore@lincolntonabc.com](mailto:abcstore@lincolntonabc.com)

## CHAIR

Leon Harmon  
[Leonhar@bellsouth.net](mailto:Leonhar@bellsouth.net)

ABC Commission  
400 E. Tryon Road  
Raleigh, NC 27610

11/20/25

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

Item #1: 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.*

Response: Copies of board members oaths of office will be maintained at the board administrative office.

Item #2: The board should re-establish full compliance with G.S. 18B-702(m) preaudit approval certificate to take substantially the following form on purchase orders, "This instrument has been preaudited in the manner required by GS 18B-702". *This could most reasonably be accomplished by stamping and signing the order edit list or other purchase orders.*

Response: Board will implement procedure to ensure purchase orders receive "preaudit approval certification".

Item #3: While already providing sufficient procedural oversight, the 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.

Response: Board has approved a Board Credit Card Policy. A copy of the policy will be provided with this response.

Item #4: Local boards shall establish and maintain a shelf management plan per NCAC 15A .1708. While sometimes followed, the board could work to rearrange liquor inventory on the shelves to follow shelf management requirements, in particular ensuring bottles increase in size from left to right where applicable.

Response: Board will establish and maintain a shelf management plan and follow it as individual store retail space and needs allow.

Item #5: As a reminder, board members who have been initially appointed and reappointed must complete the required ethics training, for compliance with G.S. 18B-706(b), within one year of appointment status. *The board has one member who will need to satisfy the training requirement as soon as possible.*

Response: Board members will continue to comply with required ethics training within the designated time frame.

Item #6: 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 sent to Commission personnel for recordkeeping.

Response: Board has completed a Certificate of Accountability form. A copy of the form will be provided with this response.

Sincerely,



John Schrum  
General Manager  
City of Lincolnton ABC Board



Leon Harmon  
Board Chair  
City of Lincolnton ABC Board

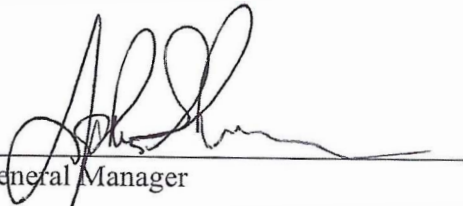
SEPTEMBER 17<sup>TH</sup> 2025  
Month Day Year

LINCOLNTON  
ABC Board

## Certificate of Accountability

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

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

  
General Manager

  
Financial Officer

  
Chairman

  
Board Member

  
Board Member

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Board Member

\_\_\_\_\_  
Board Member