

Maxton ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

July 7, 2025

CHAIRMAN:

Hank Bauer

Maxton ABC Board

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon
Raleigh

Larry Graham, Chair

703 W. Martin Luther King Jr Dr
Maxton, NC 28364

David Sherlin

Raleigh

Chairperson Graham,

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 Maxton 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, and Administrative Policies
- Review applicable reports and studies of ABC Boards with similar size and geography.
- 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.

Maxton, North Carolina, is a small-town rich in history and cultural significance, located in Robeson County. As of 2025, it has an estimated population of approximately 2,118 residents. Maxton's origins trace back to the 18th century, with its initial incorporation in 1874 under the name "Shoe Heel." The town underwent several name changes—becoming "Tilden" in honor of presidential candidate Samuel J. Tilden, reverting to "Shoe Heel," and finally adopting "Maxton" in 1887 to honor its Scottish heritage.

A pivotal event in Maxton's history is the 1958 "Battle of Hayes Pond," where members of the Lumbee Tribe confronted and dispersed a Ku Klux Klan rally, marking a significant stand against racial intimidation. Maxton has a youthful median age of 31.2 years. The town's population is diverse, with a significant representation of Native American communities, particularly the Lumbee Tribe. The median household income is relatively modest, reflecting the town's economic landscape. Despite its size, Maxton offers several attractions. The Maxton Historic District Which Features 49 contributing buildings showcasing architectural styles from 1884 to 1948, including Classical Revival structures. Locklear Vineyard & Winery. A local establishment offering wine tastings and a glimpse into regional viticulture.

Maxton also offers Outback ATV Park Provides off-road adventures for ATV and dirt bike enthusiasts, the Lumbee Tribe Cultural Center which offers insights into the heritage and traditions of the Lumbee people and finally the Laurinburg–Maxton Airport. A public-use airport serving the area, with historical significance dating back to its use as a World War II glider training base.

The general manager is responsible for the oversight of all daily operations, inventory management, accounts payable, human resource organization and other administrative decisions for the board. The board's FO assists with payroll, financial reporting, and other bookkeeping duties as needed. The Board hires an external accountant that generates the annual audit report. All store employee's primary responsibility is to provide friendly customer service to all customers, store upkeep and stock maintenance.

A mixed beverage referendum occurred on March 6, 2001, and it passed. *Currently, the Maxton ABC Board appoints a chairperson, three "3" additional board members and a general manager to serve on the ABC board.* The Maxton ABC Board currently operates one (1) retail store. The board staffs seven (7) in total personnel. These include seven (7) part-time personnel. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The board's Finance Officer and provides the board with fiscal management, administrative support, and oversees routine operations of the ABC stores. Sales associate responsibilities include, selling products, daily stocking, and floor upkeep & maintenance.

The last performance audit for the Maxton ABC Board occurred 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, June 4, 2025, ABC Board Program Analyst II Eric McClary, visited the Maxton ABC Board and interviewed Katrine Vincent (General Manager). Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.

FINANCIAL ANALYSIS

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2024, the Maxton ABC Board had a profit percentage to sales of 0.59%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5.0%. The Maxton ABC Board's gross sales totaled \$1,418,123, which was a 1.7% decrease from the previous fiscal year.

The operating cost ratio for the Maxton ABC Board was 0.97 in FY 2024. The NC ABC Commission standard for ABC Boards with one or two stores and no mixed beverage sales is .85 or less.

Thus, the Maxton ABC Board met the profitability standard however did not meet the operating cost standard set by the NC ABC Commission. Below is a chart showing gross profit on sales and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$366,984	\$373,427
Income from Operations	\$8,380	\$42,413

Factors affecting profitability and cost include:

- Surrounding areas with other ABC systems which are within a 25-mile radius include Fairmont ABC, Pembroke ABC, Red Springs ABC, Rowland ABC, Hoke County ABC and Scotland County ABC.
- An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year.
- The Maxton ABC Board's cost of goods sold was approximately **51.6%** in FY 2024.

BUDGET ANALYSIS

	FY 2023-2024 Budget Projections	FY2023-2024 Actual	Variance	Variance %
Sales	\$1,350,000	\$1,418,123	68,123	5.0%
Revenue over or (under) Expenditures		(\$5,598)		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues exceeded forecasted projections by 5.0%. After reconciliation, the change in the Board's end net position was \$155,228.

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).*

Maxton ABC made a total of \$319,741 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), NC Department of Health & Human Services (NCDHHS), and the county commissioners of Robeson County.

Per the local enabling act, the distribution formula for recipients of net profits is as follows:

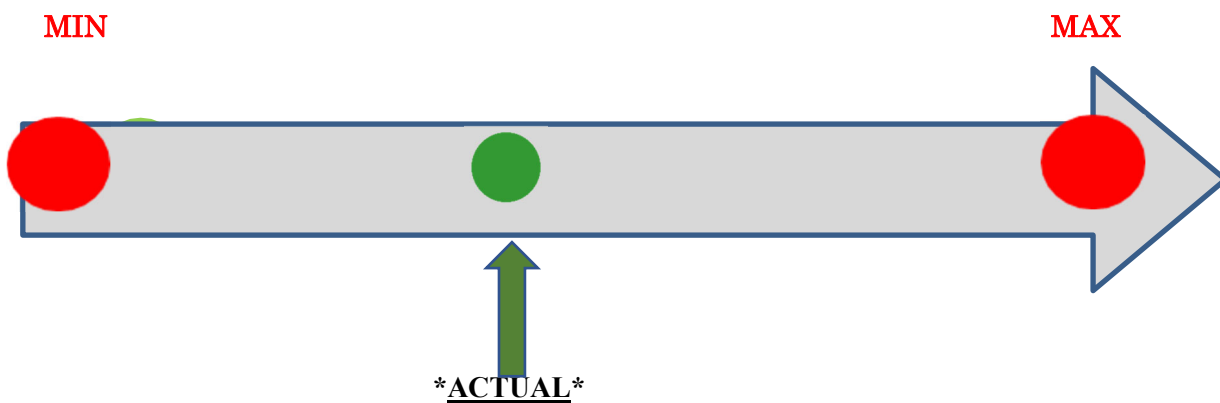
- Sixty five percent (65%) to Maxton General Fund for but not limited to library, recreational and educational purposes.
- Thirty Five percent (35%) to Robeson County General Fund for but not limited to library, educational purposes and hospital purposes.

WORKING CAPITAL

G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital standard for boards with annual gross sales more than \$1.5M an amount equal to four (4) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Maxton ABC Board is required to maintain a minimum working capital of \$42,246 with a maximum working capital amount of \$366,128. The Maxton ABC Board had a working capital balance of \$ 87,093 which falls below the Commission requirements for this section (*).

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



Under 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

The findings for personnel, operational & administrative compliance are as follows:

The board holds board meetings the 2nd Saturday of each month at 10:30 AM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized in a folder for review. They record regular meeting minutes and provide public notification and awareness of these meetings. The meetings are organized by session and kept in a book. Board meetings were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired, however do not possess a conflict of interest.

° Training Records: Board members and board personnel are not fully compliant on ethics training referencing GS 18B-706.

- Oath of Office: All board members have taken an oath per the general manager's recollection. All board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *Written template is available in the operations manual on Commission website.*
- General Manager (GM) Salary and Board Member compensation: GM salary fully adheres to 18B-700(g1) statute requirements. The Board member compensation complies with statute 18B-700(g) requirement.
- Board website review: The board's login website was updated by the Commission in 2022 for board member term tenure information (*begin dates & end dates*). **Special note:** As part of a revalidation effort, the Commission has worked to revalidate term tenure information for all ABC boards across the state, working directly with the appointing authorities. As a value-added measure for all ABC boards and Commission records tracking in summer 2022, the term begin dates as well as term end dates were entered on all individual ABC board websites.
 - *The expectation going forward is that ABC boards will better manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*
- Board Personnel & Board Members: The general manager is adequate with oversight and recordkeeping including keeping board meeting minutes in heavily reinforced binder. The GM provides board members with monthly sales information and previous year's applicable sales and operational concerns along with financials from accounting firm. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The board does not have a personnel manual. For travel policy, Commission records indicate the board adheres to the states travel policy.
- Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings or employee tastings, and social media.

- **FINANCIAL INSIGHT:** Invoices are processed monthly by the Finance Officer. Invoice records for recent liquor purchases reflect them as being paid routinely well inside of 30 days. Taxes and distributions are paid in a routine and timely manner. The board's accountant uses Quick Books for routine journal entries.

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Bank deposits are routinely made each business day per review of bank Statements and discussion with GM. For safeguard measures and adherence to *Commission rule 15A .0905 Daily Deposits*, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.
- All board members and applicable personnel are each bonded for \$50,000 per G.S. 18B-700(i).
- Law Enforcement (LE) Contract: The board has an active contract on file. The board also has been submitting LE reports since January 2024 and fully compliant.
- The annual CPA audit was received and logged by the Commission on September 18, 2024.
- **STATUTORY DISTRIBUTIONS:**
 - **Net Profit Distributions** - The Maxton ABC Board has routinely made the minimum mandatory distributions to the designated recipients over the last three years referencing NCGS 18B-805(c)(1). **The table below references distributions calculated by CPA on the left and total net profit distributions made by the ABC Board for the last three (3) years on the right.**
 - **Law Enforcement Distributions:** Have been properly disbursed at or above the regular 5% statute amount over the last three (3) fiscal years.
 - **Alcohol Education Distributions:** Have been properly disbursed at or above the regular 7% statute amount. This distribution category has been increased moderately annually.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Maxton ABC Board Net profit distribution made annually by fiscal year	
<u>Note:</u> Referencing CPA Audit Reports			
CPA Calculated Amount		Total paid to recipient(s)	
FY-2024	\$41,004	FY-2024	\$8,563
FY-2023	\$41,863	FY-2023	\$41,939
FY-2022	\$40,950	FY-2022	\$43,042

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **LAW ENFORCEMENT (LE) REPORTS:** Reports have been submitted online routinely since January 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The Commission has an electronic copy of a law enforcement contract, dated FY 2022.
- **INVENTORY:** Full store inventories are conducted quarterly. Outside of this, spot checks in certain categories are conducted at random intervals.
- **INTERNAL CONTROLS:**
 - The board has a Finance Officer and six part-time employees to support the general manager.
 - The board has 2 tills, both with \$150.00 in it and both for retail sales.
 - The opening manager gets loan out of the safe for the clerk. The manager will then gauge how much and what change is required.
 - The Finance Officer prepares monthly financial statements for the board. The GM reviews the statements and makes these available for the monthly board meetings.
 - Invoice information is entered into Quick Books, cash requirements are printed for the truck shipments and the Purchase Orders History from the computer system and is utilized to balance totals to make sure invoices / inventory match the system.
 - Bank Deposits are made each day by the general manager. Personnel review deposits and the general manager compares deposit slips with bank statements and the Finance Officer reviews at monthly reconciliation. *For safeguard measures and adherence to Commission rule 15A0905 Daily Deposits, the board utilizes a locked fireproof safe for integrity of funds that remain at the board at any given time.*
- **EXPENSES:**
 - Total operating expenses increased 8.3 % from the last fiscal year.
 - Board salaries were roughly 15.1% of total annual sales.
 - Cost of Goods Sold (COGS) were an impressive 51.6%.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store has a modern but small layout, good ergonomics for shoppers, and plenty of inventory on the shelves.
- Sales associate interactions with customers are attentive, courteous, and all are eager to meet the needs of the customers.
- The board has no MXB customers as of June 4, 2025.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, there were none that required updating. Every item reflected the correct quarterly or monthly SPA price. The board highlights the monthly SPA products very well with visual aids.
- Besides closing on the two (2) required annual holidays and every Sunday, the board may opt to continue closing on New Year's Day, July 4th, and Labor Day annually.
- The store displays the required Fetal Alcohol Syndrome poster required by G.S. 18B-808. A new poster was provided to replace the older one.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf and very organized and very detailed oriented, bottles were also neatly fronted and dusted. Bottles are also organized from top to bottom on some shelves, to increase the possibility of sales.
- Outside area surrounding the store is well-maintained and free of debris or trash.
- Security systems are in place and functional in all designated areas.
 - *Sixteen (16) cameras work to cover the property footprint with 4 outside and twelve interior cameras.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- Board does not have copies of oath before taking office or before the execution of the office per G.S. 11-7. *Written copies of oaths should be available at the board's administrative office.*
- 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. 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 & stamping the summary total of the Order Edit List from inventory system before any liquor orders are placed with state warehouse.
- Please ensure all newly adopted policies or any updated policies are submitted electronically to the Commission for recordkeeping and review per NCAC 15A .1102 Rule. Electronic copies of the personnel manual should be emailed to Commission personnel for recordkeeping. A credit card policy is recommended to established authorized use (sample copy forwarded for consideration). A tastings policy is recommended if tastings are done routinely.
- ABC Board members must complete ethics training within one (1) year of each appointment and again following all reappointments under NCGS 18B-706(b).

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 Sept 30th.
- ABC boards are highly encouraged to keep term begin dates & term end dates updated on the Commission's board login website for all ABC board members and other information such as store hour changes, pictures, email updates, etc. *Moreover, liaising with the Commission when new members are appointed or when member resign early before term has ended is very important for recordkeeping efforts of the Commission.*
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. *A very tangible way to lower operating costs is to fully maximize monthly special purchase allowance (SPA) liquor products that routinely sell well in the store to lower cost of goods sold (COGS).* ABC Boards can limit the number of personnel travelling to conference and convention events across the state. Other ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and *credit card processing companies.*
- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.
- 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.*
- 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.
- NCAC Rule 15A .1701 requires quarterly reports be submitted for any unsaleable merchandise (breakage) and retain original copies for three (3) years. *All breakage reports should only be transmitted via email submission to Commission staff; copies should not be mailed.*
- 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.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission as well as partnering with other ABC boards on specific areas such as best retail and marketing practices.

MAXTON *ABC* BOARD 61

703 WEST DR. MARTIN LUTHER KING JR. DRIVE

MAXTON, NORTH CAROLINA 28364

FY-2025 Performance Audit Report

REQUIRED/RECOMMENDED ACTIONS

- 1. Certificate of Accountability (filed and emailed to Commission)***
- 2. Maxton ABC Store Stamp (Ordered)***
- 3. Bonding Requirement (Business Insurance covers all W-2 Employees)***
- 4. Number of Board Member (Town of Maxton limited to (4) four)***
- 5. Board Members Compensation (Set at \$150.00)***
- 6. The Audit noted the Board having established a healthier net position over the last few years, suggested exploring the opportunity for enhancing and improving the store's appearance. The Board should examine the feasibility of paving the parking lot, enhancing the shelving, and replacing the floor.(Researching)***
- 7.Required Ethics Training (Richie McCrimmon, Nathaniel Malloy scheluled at the July Conference)***

11:27 AM - 07/02/2025

General Manager

Katrina Vinson