

Pembroke ABC Board

Performance Audit Report



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Alcoholic Beverage Control

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May 30, 2025

Pembroke ABC Board

Lester Locklear, Chair

120 N. Vance St.

Pembroke, NC 28372

Chairperson Locklear,

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

Pembroke, located in Robeson County, is a town in southeastern North Carolina. The town is best known for being the seat of the Lumbee Tribe of North Carolina, and as the home to the University of North Carolina at Pembroke. The town's population per the 2020 census was 2,823 residents, down 5% from 2010. The university has a current enrollment of over 7,500 students and 425 staff members.

S.L. 1967-405 authorized the town of Pembroke to hold an election based upon a written petition of at least twenty-five percent (25%) of registered voters. The referendum was held on August 21, 1967, and passed 84 to 73. The first retail sales occurred on November 1, 1967. A mixed beverage referendum occurred on January 11, 2005, and did not pass. A second mixed beverage election occurred on December 9, 2008, and passed 452 to 196.

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 three staggered year terms. In 2018 the board was expanded to include two additional members. Current board members are Chairperson Lester Locklear, Meloria Malcolm, Janet Hunt Bass, Chad Deese, and Bradley Locklear. The Pembroke ABC Board operates one (1) retail store and is one of seven (7) boards with stores in the county.

The last performance audit for the Pembroke ABC Board concluded in 2015. 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 Tuesday, March 11, 2025, ABC Commission Program Analyst Edwin Strickland visited the Pembroke ABC Board and interviewed the General Manager, Dora Evans, and other team members. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



120 N. Vance St. Pembroke, N.C.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

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

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

The Pembroke ABC Board receives two shipments monthly with a target inventory turnover rate of 5. The inventory rate in (FY) 2023-2024 was 6.8, which is above the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Pembroke ABC Board had a profit percentage to sales ratio of 6.81%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%.

- The Pembroke ABC Board's gross sales totaled \$2,200,389, which was an approximate 2% increase from the previous fiscal year.
- The board's sales have grown almost 55% over the last five completed fiscal years.

Pembroke ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .70 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .73 or less.

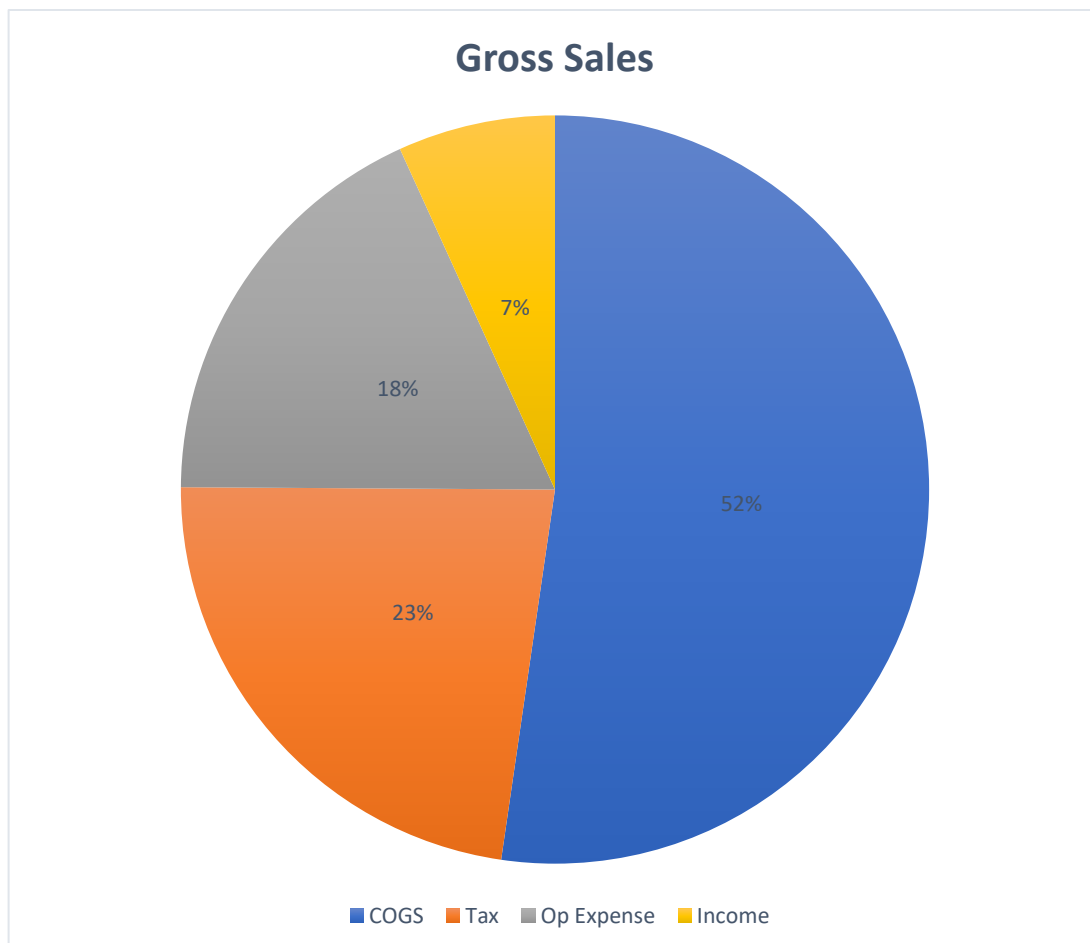
- Operating cost ratio is calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).

Thus, the Pembroke ABC Board narrowly meets both the profitability and the operating cost standards set by the NC ABC Commission. Below is a chart showing gross profit on sales, total operating expenses, and income from operations for the previous two years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$548,661	\$522,759
Total Operating Expense	(\$398,852)	(\$364,078)
Income from Operations	\$149,809	\$158,681

FINANCIAL ANALYSIS (cont.)

- *Factors affecting sales:*
 - Robeson County has six other ABC Boards and surrounding counties have additional ABC Boards with stores.
 - South Carolina is less than 20 miles away with possible additional outlets.
 - A 5.8% unemployment rate in Robeson County in June of 2024 with a .7% increase from the previous year.
 - The board currently has approximately 6 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for over 5% of gross sales.*
- 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.

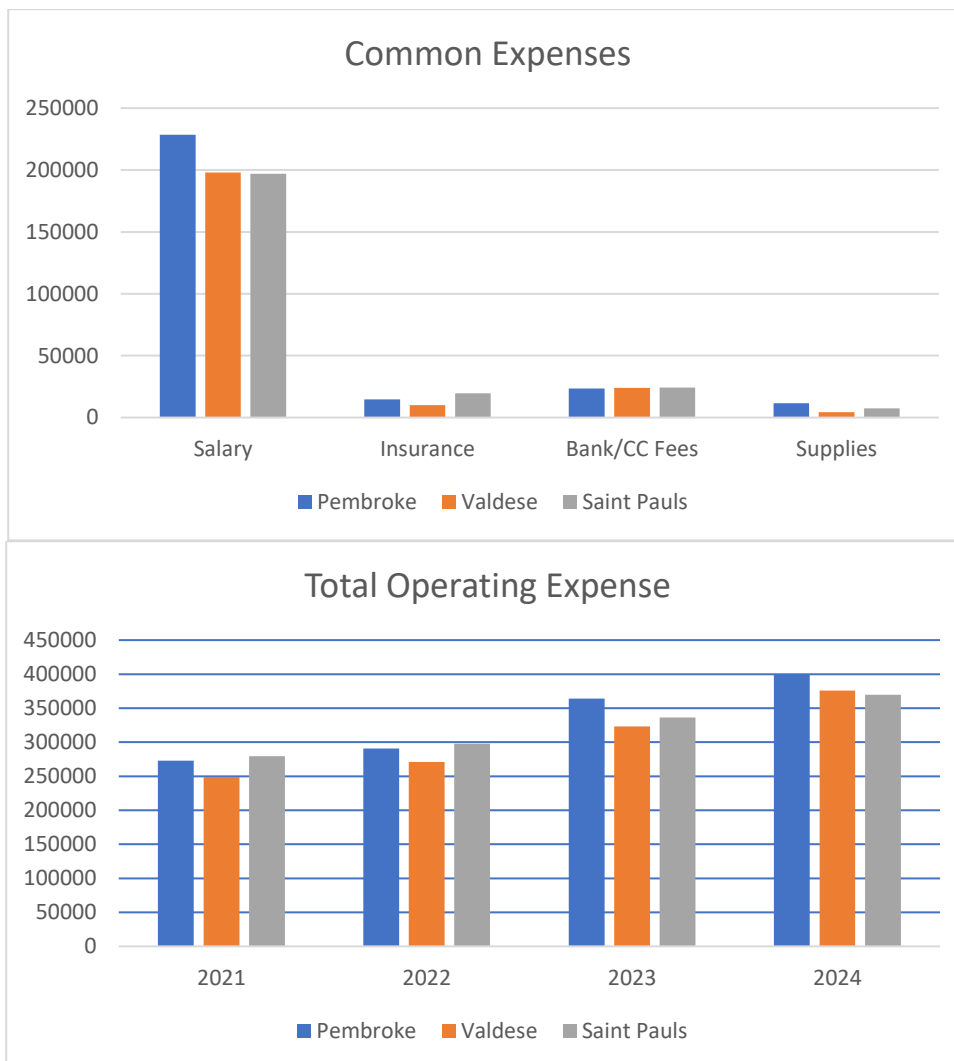


FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased almost ten (10%) from the last fiscal year and were roughly eighteen percent (18%) of total annual sales in FY-23/24.
- Board salaries and wages were approximately ten percent (10%) of total annual sales. Salaries and wages increased over eleven percent (11%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 52.3% for the fiscal year with a normal range being 52% to 54%.

- An operating expense report and common expense report show the Pembroke ABC Board has similar and/or slightly higher categorical and total operating expenses comparable to other ABC boards within a similar gross sales range. *Common expense report categories can be unreliable as different CPAs may include different expenses in their line items.*



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Total Revenues	\$2,197,004	\$2,200,389	\$3,385	.2%
Total Expenditures	\$2,043,452	\$2,035,697	\$7,755	.4%
Distributions	\$100,000	\$99,880	\$120	
Revenue over or (under) Expenditures		\$64,812		
After Reconciling Items		\$49,929		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were .2% above final budget amendment.
 - In addition, the net income change during the fiscal year was \$49,292. *The board's collective net position on June 30, 2024, was \$677,182; the net position has increased approximately 75% in the last five (5) fiscal years.*
- Based on sales trajectory for the current fiscal year with eight months (66%) of the budget year completed, the board is tracking along very well at 66% of annual budgeted sales.
 - A comparison of the board's current P&L to their FY 2024-2025 budget indicates no significant variations in line-item expenditures.

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, Pembroke ABC made other statutory distributions totaling \$99,880 (Net profit distribution recipient received \$94,000).
- The amount of \$501,187 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Robeson County.
- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 65% to Pembroke General Fund for any governmental, library, recreational, or educational purposes
 - 35% to Robeson County General Fund for any governmental, library, educational or hospital purposes

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Pembroke ABC board has made net profit distributions four (4) the last five (5) fiscal years at or above the minimum mandatory distribution in reference to NCGS 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been properly disbursed at or above the standard 5% statute amount for one (1) of the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for one (1) of the last five (5) FYs.

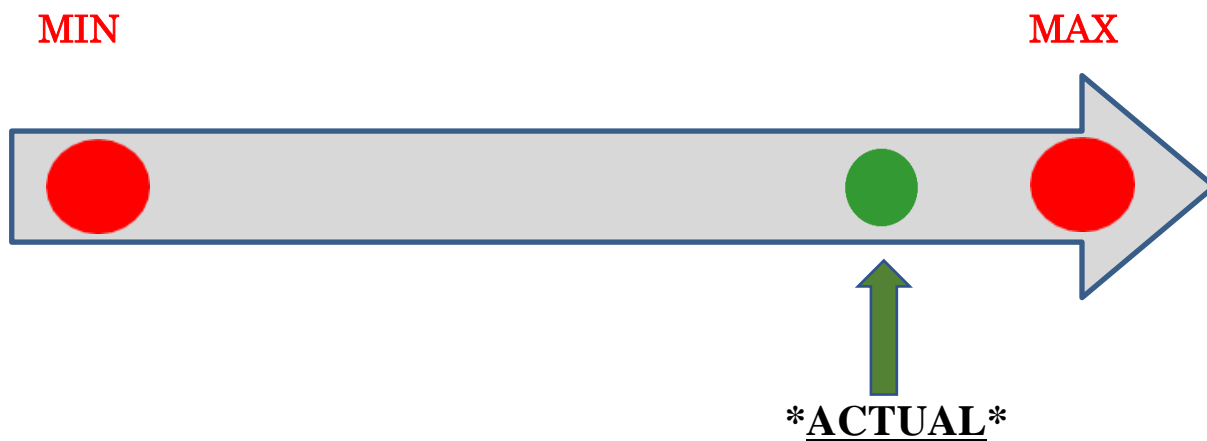
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Pembroke ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$63,061	FY-2024	\$94,000
FY-2023	\$55,122	FY-2023	\$148,258
FY-2022	\$52,369	FY-2022	\$80,000
FY-2021	\$52,472	FY-2021	\$42,500
FY-2020	\$41,373	FY-2020	\$47,250

- For FY 2024-2025, the board has made other statutory distributions at or above the minimum requirements for G.S. 18B-805(c)(1)(2) and (3).
- Since inception, the board has distributed \$880,665 to the Town of Pembroke and \$472,586 to Robeson County.

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. 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 Pembroke ABC Board is required to maintain a minimum working capital of \$82,498 with a maximum working capital amount of \$714,983.
 - The Pembroke ABC Board had a working capital balance of \$590,593 which is more than the minimum and less than the maximum Commission requirements 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 four members and a chairperson, each receiving compensation for their services slightly above the maximum \$150.00 per meeting at \$162.43. *The board will need to provide documentation from their appointing authority for this salary approval for compliance with G.S. 18B-700(g).*
 - Board members are compliant on ethics training.
 - Terms are not properly staggered with three members term end dates one year and two the next year. Board should consult their appointing authority to realign term end dates in compliance with G.S. 18B-702(a).
 - *Board could also consider requesting approval to align board member terms so there are no more than two member's term end dates each year.*
 - The board consists of one first term appointee and four members serving their second term.
 - Members have professional experience in education, business, management and finance.
- Members may have taken an oath of office per G.S. 11-7, but copies of oath are available at the board's administrative office.
- Meetings are generally held the third Monday of each month and public notices are posted in the store and provided to the town.
- Meeting minutes are well organized and available and follow the order of proceedings, providing detail of business discussed in a transparent and easily comprehensible manner.
 - Minutes reviewed contained all required notations including time and date, no conflict-of-interest statement included in their reading of a code of ethics, approval of previous meetings minutes, and were signed by the chairperson.
 - Full financial reports prepared by the board's accounting firm including sales for all boards, P&L with comparison to budget, and balance sheet.
 - Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll. Boards should also, routinely review any notes and recommendations provided by the CPA firm on annual audits.
- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store location.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*

Law Enforcement

- The board has a law enforcement contract with the Town of Pembroke Police Department from 2024 and provided a copy at Commission visit.
- Law enforcement reports are submitted regularly by the general manager with data supplied from Officer Tilley, and reports are current to date.
 - Reports provide details of activities for accountability and are discussed at meetings.

Board Personnel

- The board currently staffs six (6) total employees, with three (3) full time, and three (3) part time.
- General Manager has served in this role with the board for approximately twelve years and was previously a sales associate and assistant manager.
 - General manager is full time, their salary is below the maximum allowable compensation per G.S. 18B-700(g1), and they are compliant on ethics training.
 - Their responsibilities include full oversight of all daily store operations, human resources, scheduling, ordering, deposits, inventory, and other administrative tasks.
- The assistant manager is full time and supports the manager with many responsibilities including ordering and inventory. They are cross trained on some of the general manager's key responsibilities.
- The board does not currently have an appointed finance officer.
- The board uses a third-party firm for accounting related duties.
 - Their responsibilities include billing and payables, payroll, distributions, taxes, bank reconciliation, and they will assist with providing information for the annual independent CPA audit.
- The board has individuals, paid via board checks, who help with truck deliveries.
- All other store employees are part time sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- The general manager provides initial training to new employees via a mental checklist.
 - All staff members have attended RASP training, with a recent violation having been issued to a board employee.
 - Product knowledge training is handled informally between team members and through guidance from sales reps.
- Employee files are kept in the administrative office and include tax and other applicable information and personnel manual acknowledgment form.
- Full time employees are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a comprehensive personnel manual that details various policies, behavioral standards, and aspects of employee benefits. The manual is a modified version of the Commission's template, and a *copy was provided at visit and is in Commission records retention*. Additional policies that have been submitted and approved include shelf management and mixed beverage.
- For travel, the board chooses to adhere to the state's travel policy in compliance with G.S. 18B-700(g2).
- The board should consider adopting written policies for credit/bank card usage, tastings, and employee tastings.

Operations

- Full inventory is conducted twice a year with categorical inventories conducted frequently.
 - Both managers and other team members participate.
 - Scanners are used and discrepancies are investigated.
 - Adjustments are made by the general manager and sheets are retained.
 - A sample of items were selected to verify accurate current inventory. Of those selected three items actual inventory did not match the theoretical.
 - Strategies for slow moving products include moving around in the store, working with broker reps, and focused sales.
- Board receives deliveries for goods twice a month on the first and third Fridays.
 - Offload is conducted using a conveyor belt and offload sheet. *The store can accommodate pallet delivery but prefers to use the conveyor when able.*
 - Variances are reviewed and recounted before sending notification to LB&B.
- The board currently has six mixed beverage customer accounts.
 - Invoices are provided to permittees at the time of the transaction and copies are retained for each account.
- General manager and assistant manager make liquor order by scanning each item in the retail space and ordering based on inventory available.
 - SPA pricing is considered.
 - Allocated products are shelved upon receipt or sold in other ways.

Financial, Administrative, and Internal Controls

- Invoices for liquor are usually processed per delivery.
 - A sample of check payment dates was reviewed and indicated invoices were paid within the thirty-day requirement.
- Board's checks do not have the required disbursement certificate in compliance with G.S. 18B-702(q). *The board does have a stamp with the certificate, but copies of checks reviewed do not show the stamp being fully utilized.*
 - The general manager and assistant manager sign checks.
- Pre-audit stamp is available in office but not currently being used as there is no finance officer.
 - *Once a finance officer is appointed, the board should consult G.S. 18B-702(m) to reaffirm preaudit requirement.*
- The general manager has a credit card kept in the board's safe.
 - Itemized receipts for purchases are retained at the board's administrative office.
 - *The board does not have a written credit card policy.*
- Deposits are made daily for the previous business day, including a bank drop on Saturday. Deposit slips and other banking information are retained at board and the accounting firm conducts month end reconciliation.
 - The personnel manual includes a policy for overage and shortages.
 - A second deposit is made for mixed beverage sales.
 - *A review of one month's deposit information was conducted, and no discrepancies were found between deposits and register receipts.*
- The board uses one or two registers with tills beginning with \$100.00.
 - Drawers are counted at the beginning and end of each shift and the deposit is combined from all registers at the end of the day.
 - There is a change fund but not used as petty cash.
- All funds are kept in a pooling bank approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the accounting firm using QuickBooks.
 - Time is kept on sheets and reviewed by the general manager before being sent for processing.
 - Overtime pay is limited with only the assistant manager receiving thus far in 2025.
 - *A review of recent payroll records indicates accurate pay rates for board members and the general manager.*
- Board keeps records for unsaleable merchandise reports but does not email copies of the claims to the Commission regularly in compliance with NCAC 15A .1701(c).
- The board has not received a report describing expenditures of funds from their alcohol education and rehabilitation recipient or the county for their distribution in compliance with G.S. 18B-805(h).
- The annual CPA audit was received by the Commission on August 30, 2024.
- All board members and the general manager and finance officer are each bonded for \$50,000 per G.S. 18B-700(i).
- At Commission visit, the board provided a code of ethics policy which is now approved code Commission records retention.

STORE INSIGHT & OVERVIEW

- The board's store and administrative office is located on a side street off the town's main thoroughfare in the downtown area.
 - There is a sign attached to the freestanding building and the entire property is paved.
 - Outside area surrounding the store is well-maintained and free of debris or trash.
 - There is ample parking and easy access for deliveries.
- The interior retail area and warehouse are brightly lit and organized.
 - Show room space is aesthetically pleasant and allows for easy flow for patrons and staff.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed, and the quarterly price book is now available should customers request.
- Shelf management practices are mostly implemented, and a written plan is 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 mostly, but not always, arranged so they increase in size left to right of the same item.
- Management uses signs for specially priced items only when they are provided by sales representatives.
- Sales associate interactions with customers are attentive, courteous, and the staff is very familiar with many of their patrons.
 - Uniform shirts are worn by team members.
- A sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all item's prices were accurately posted.
 - *Price discrepancies are handled in the customers favor if the shelf tag were to be lower than the current price mandate.*
- Store is generally open from 10:00 am until 9:00 pm daily. They are currently closed every Sunday and the five (5) previously required annual holidays.
- Security systems are in place and functional in all designated areas.
 - *The store has sixteen (16) cameras, and panic buttons located at the register and in the office.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- In compliance with 18B-702(j) the board should consider designating an employee or appointing a member of their contracted accounting firm as their finance officer, request approval to utilize their appointing authorities finance officer, or request a waiver from the Commission to allow the general manager to serve as the dual role of finance officer.
- In accordance with G.S. 18B-700(a) the board should request their appointing authority stagger member terms to have at least one term end date each year and on the same month. *If a member should leave the board before their term is concluded, appoint a new member for the duration of the previous member's term.*
- Board members receive compensation for their services slightly above the maximum \$150.00 per meeting at \$162.43. *The board will need to provide the Commission documentation from their appointing authority for this salary approval for compliance with G.S. 18B-700(g).*
- To comply with G.S. 18B-805(c), ensure applicable distributions meet the minimum statutory requirement. *Thus far in FY 24/25 the board has met the distribution requirements.*
- While already providing sufficient procedural oversight, the board should craft a credit/bank 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.
- 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.
- While the board does provide appropriate oversight with the dual signatures on checks, 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".
- 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 may want to consider obtaining documentation before the funds are officially awarded / transmitted to any 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.
- Board members should take an oath before taking office or before the execution of the office per G.S. 11-7. *A written account of the oaths should be available at board administration.*
- Once a finance officer is appointed, the board should work to reestablish compliance with G.S. 18B-702(m). The preaudit certificate could be included on any purchase agreements and the final edit list prior to the order being placed.
- 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).* 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.*
- 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.
- *The board could consider easily obtainable improvements to their current location such as a street visible sign and, possibly, additional product signs highlighting specially priced or other featured items.*
- While mostly followed at Commission visit, board should establish and maintain a shelf management plan to comply with NCAC 15A .1708 (a)(3). *Once established, board administration should keep a copy at their store and, upon request, provide a copy to Commission representatives.*
- 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 (2015)

- Incorporate a shelf management plan that follows the latest trends and marketing strategies. Consider the following as a strategy: Utilizing end caps and empty shelf space as much as possible to highlight slow moving and new products; Moving stock within the store to increase visibility and to encourage more impulse shopping; Cross-merchandising by placing products that mix together on the same shelves. Intermingle North Carolina products within their specific category as well as having a designated area; Splitting cases with other boards or taking advantage of the Special Purchase Allowance and the Boutique collections to increase variety; Eliminating poor performing items to drive category sales and increase shopper satisfaction.
- Consider providing employees additional training opportunities through the Commission and other Commission-approved courses.
- Adopt all above policies as required by the ABC statutes and rules: Code of Ethics, Law Enforcement, Travel, Price Discrepancy, Shelf Management.
- To ensure strong internal controls for credit card purchases, adopt a written credit card usage policy.
- To ensure correct pricing on the store shelves and in the computer system, audit shelf tags on a regular basis by incorporating this practice during or in between the regularly scheduled inventory counts.
- Place the pre-audit certificate with the finance officer's signature on the order to LB&B. When ordering supplies, have a purchase order, order confirmation, or vendor invoice for authorization from the finance officer before the transaction takes place.
- Place the approved certificate on all checks, excluding payroll checks as referenced in G.S. 18B702 (q).

While having addressed some considerations from previous Commission review (2015), board should still monitor and strive to satisfy previously noted recommended actions.

Pembroke ABC Store



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

5/22/2025

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

Item 1: *****

The board has agreed to use a member of our accounting firm as our finance officer.

Item 2: *****

The board has reached out to our appointing authority for approval of staggered term limits, and we are waiting for the next meeting on June 2, 2025, to be approved

Item 3: ****

The board has reached out to the accounting firm and had compensation corrected, the sum of \$150 maximum of gross pay.

Item 4: ****

A credit card policy has been created and provided to the ABC Commission for approval

Item 5 ****

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

Item 6 ****

The board has reached out to accounting firm to put the "disbursement approval certificate" per GS 18B-702(q) on checks, and the stamp has been order, awaiting delivery.

Item 7 ****

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

Item 8 ****

The board will provide the ABC Commission with a signed certificate of accountability attestation form.

Item 9 ****

The board will have oaths of office for board members administered by the town and submit them to commission

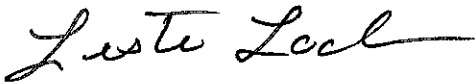
Item 10 ****

The board has created a shelf management policy and provided it to the ABC Commission for approval

Item 11 ****

All board members and staff are compliant with ethical training.

Sincerely,



Lester Locklear, Chairman
Pembroke ABC Board



Dora Evans, General Manager
Pembroke ABC