

# Rockingham ABC Board

## Performance Audit Report



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## Alcoholic Beverage Control

CHAIRMAN:

Hank Bauer

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March 14, 2025

Rockingham ABC Board

Greg Leberth, Chair

642 E. Broad Ave.

Rockingham, NC 28380

Chairperson Leberth,

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

Rockingham is a city in southeastern North Carolina near its border with South Carolina. The city is most famous for its NASCAR history, Racetrack, and Dragway. The city, first incorporated in 1784, is the seat and largest community in Richmond County. The town's population per the 2020 Census was 9,243 residents which was an approximate three percent (3%) decrease from 2010.

Chapter 199 of the 1965 Session Law authorized the City of Rockingham to hold an election upon a signed petition of fifteen percent (15%) of voters. The referendum was held on July 6, 1965, and passed 516 to 507. The first retail sales date was December 13, 1965. A mixed beverage election was held on September 19, 2000, and passed 1360 to 682. Upon election of an ABC store, the City of Rockingham was authorized to establish an ABC Board consisting of a chairman and two members. Current board members include Greg LeBerth (Chair), Jason Coen, and Benny Sharpe.

The Rockingham ABC Board operates two (2) retail store and is one of two (2) boards in Richmond County with stores. The board currently staffs nine (9) total employees, with three (3) full time, and six (6) part time. The general manager is full time and responsible for many store operations, inventory, scheduling, payroll oversight, and human resources. The finance officer is also full time and responsible for many operations similar to that of an assistant general manager including being a store manager, ordering, and reviewing different financial aspects including signing checks. The board utilizes a third-party accounting service who handles most things accounting including billing, distributions, and payroll. All other store employees are primarily responsible for providing friendly customer service, general store upkeep, and stock maintenance. The board has limited contract help on truck delivery days.

*The last performance audit for the Rockingham ABC Board concluded in 2022. The Commission audit serves as a continuous way to provide local boards with information and best practices that target areas for improvement.*

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

On Tuesday, November 19, 2024, ABC Commission Program Analyst Edwin Strickland visited the Rockingham ABC Board and interviewed the General Manager, Bruce Covington, and the Finance Officer, Kellie Odom. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



**642 E. Broad Ave.**



**2124-D Fayetteville Rd.**

## FINANCIAL ANALYSIS

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### INVENTORY TURNOVER

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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 Rockingham ABC Board received shipments 2 times a month with a target inventory turnover rate of approximately 5. The inventory rate in (FY) 2023-2024 was 3.8, which is somewhat below the goal.

### PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

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In fiscal year (FY) 2023-2024, the Rockingham ABC Board had a profit percentage to sales of 10.6%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%. The Rockingham ABC Board's gross sales totaled \$4,072,641, which was an approximate .05% increase from the previous fiscal year. The board's sales have grown an impressive 32% over the last five completed fiscal years.

Rockingham ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .54 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage sales is .73 or less.

Thus, the Rockingham ABC Board meets both the profitability standard and 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.

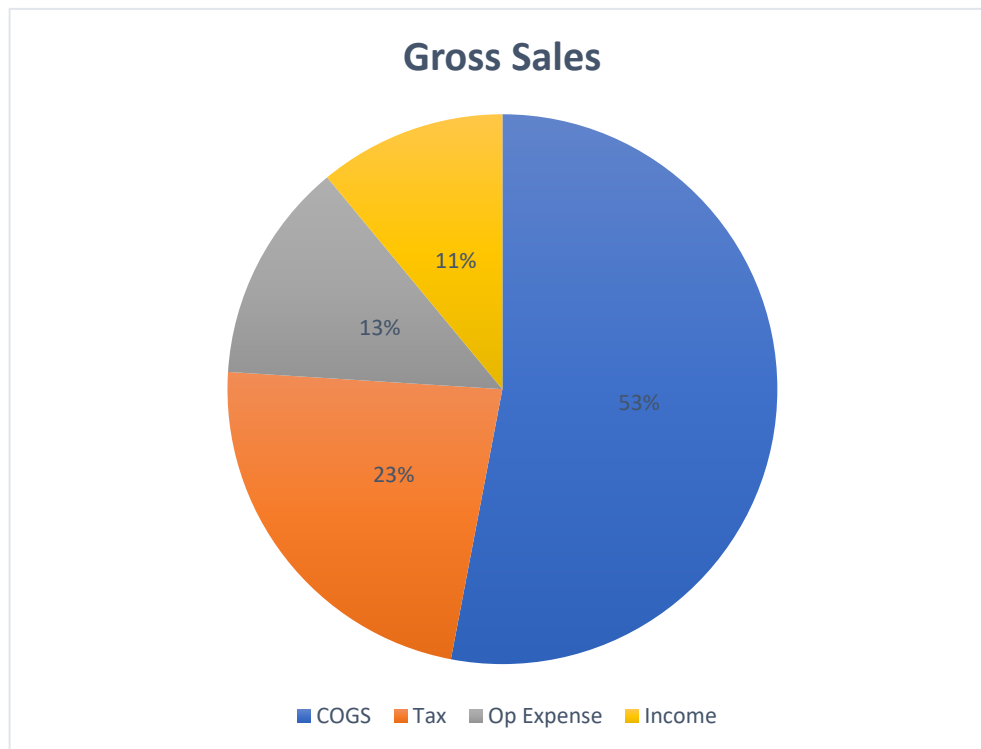
	FY 2023-2024	FY 2022-2023
<b>Gross Profit on Sales</b>	\$968,446	\$982,537
<b>Income from Operations</b>	\$429,882	\$395,610



## FINANCIAL ANALYSIS (cont.)

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- *Factors affecting sales and profitability include:*
  - Surrounding areas with other ABC Boards operating stores within an approximate thirty (30) mile range of Rockingham ABC: Hamlet, Wadesboro, Moore County, and Scotland County.
  - South Carolina is less than 8 miles from the store with potential spiritous liquor outlets.
  - A 4.7% unemployment rate in Richmond County in June of 2024 with a .5% increase from the previous year.
  - The board currently has fifteen (15) active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for approximately eight percent (8%) of sales.*
  - Cost of Goods Sold (COGS) was roughly 53.4% for the fiscal year with a normal range being 52% to 54%.
  - Board owns one store and rents their satellite store.
- 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.





## BUDGET ANALYSIS

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	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Gross Sales	\$3,400,000	\$4,072,641	\$672,641	19.8%
Total Expenditures	\$3,099,000	\$3,619,669	(\$520,669)	(16.8%)
Distributions	\$301,000	\$419,822	(\$118,822)	(39.5%)
Revenue over or (under) Expenditures		\$33,150		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were 19.8% above the original budget and total expenditures were 16.8% above forecast. *No budget amendments submitted for the fiscal year.* In addition, the net income change during the fiscal year was \$10,000. *The board's collective net position on June 30, 2024, was \$516,890; the net position has increased approximately 8.4% in the last five (5) fiscal years.*

## DISTRIBUTIONS

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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, Rockingham ABC made other statutory distributions totaling \$419,822 (Net profit distribution recipients received \$382,173 of this). The amount of \$930,922 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Richmond County.

- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
  - 100% to Rockingham General Fund

## DISTRIBUTIONS (cont.)

### ➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Rockingham ABC board has made robust net profit distributions over the last five (5) fiscal years 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 the standard 5% statute amount for the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for the last five (5) FYs. *Board's local act stipulates at least 5% for alcohol education and rehabilitation.*

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Rockingham 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	\$116,082	FY-2024	<b>\$382,173</b>
FY-2023	\$115,284	FY-2023	<b>\$351,971</b>
FY-2022	\$102,927	FY-2022	<b>\$343,148</b>
FY-2021	\$94,127	FY-2021	<b>\$325,318</b>
FY-2020	\$92,726	FY-2020	<b>\$257,690</b>

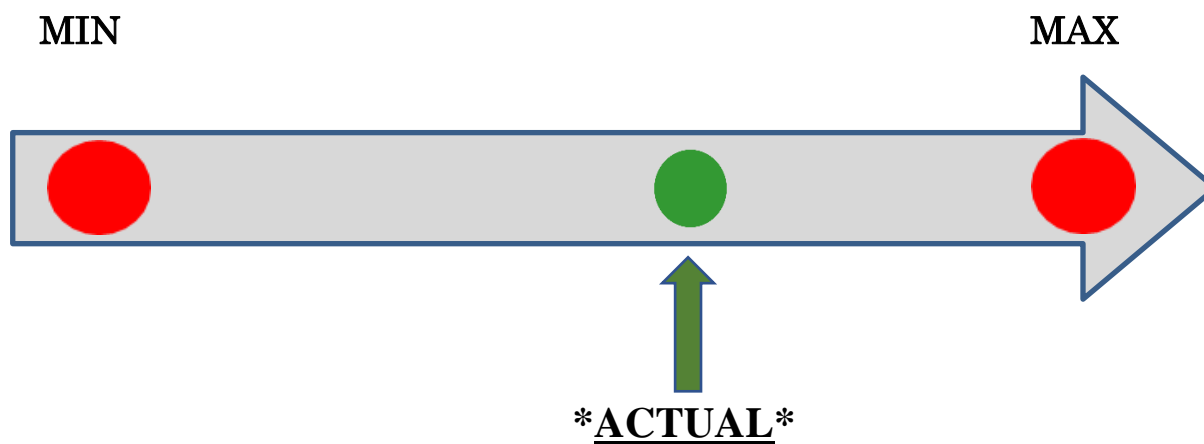
## WORKING CAPITAL

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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. The NC ABC Commission has set a working capital maximum standard for boards with annual gross sales greater than \$1.5M as an amount equal to three (3) months of sales revenue.

Based upon the existing rules, as of June 30, 2024, the Rockingham ABC Board is required to maintain a minimum working capital of \$120,835 with a maximum working capital amount of \$785,430. The Rockingham ABC Board had a working capital balance of \$434,265 which is greater than the minimum and less than the maximum 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

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

- Board meetings: The board generally holds meetings the second Tuesday of each month. They record regular meeting minutes but do not provide public notification and awareness for these meetings. The meeting minutes are organized by session and kept for review. Board meeting minutes were viewed and followed the order of proceedings, providing sufficient detail that a reasonable person would be able to follow what transpired. Board member terms are appropriately staggered with no more than one term end date per year.
- Oaths of Office: Board members do not take an 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.*
- Training records review: Board members and board personnel are fully compliant on ethics training referencing GS 18B-706(b).
- Board member compensation: Board members receive compensation for their services at or below the maximum \$150.00 per meeting.
- General Manager (GM) salary: The General Manager has updated their salary for Commission records and the salary is well below the maximum. *Any future salary changes should be relayed to the ABC Commission for record retention.*
- 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 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.*
- Board Personnel & Board Members: Board personnel provide different financial reports for the board's review at meetings including sales and bank statements, statewide sales reports, mixed beverage sales, and other relevant information based on current events. Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld especially on payroll; also, boards should routinely review any notes and recommendations provided by the CPA firm on annual audits.
- POLICIES: The board has a personnel handbook, and the Commission has a copy in record retention.
  - Other policies on file in Commission records include mixed beverage, price discrepancy, vehicle, and debit/credit card usage.
  - Additional policies could be considered and provided to the Commission for record keeping including but not limited to, tastings and employee tastings, overage and shorts, social media, lotteries, or any others.
  - For travel policy, the board adheres to the state's travel policy.

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

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- **BUDGETS:** In FY 23/24, the board's actual sales were 19.8% less than the final budgeted sales and the board did not submit a final budget amendment. *Based on sales trajectory for the current fiscal year with four months (33%) of the budget year completed, the board is tracking at 31% of annual budgeted sales.*
- **FINANCIAL INSIGHT:** Invoices for liquor are processed per truck. The general manager provides invoices to their accounting firm who cuts checks. Invoice records for recent liquor purchases reflect them as being paid within 30 days. *Commission has recently received notification from some suppliers indicating outstanding bills. Board personnel indicates these are due to mailing address changes rather than the board's neglect to make payments.* Other payments, taxes and distributions are paid either monthly or quarterly by the accounting firm, who also completes full monthly account reconciliations.
  - All checks have the required disbursement approval and are signed by the finance officer and general with all members as alternates. *Board could consult their bank regarding positive pay or other means to prevent check fraud.*
  - Pre-audit stamp verification is not being properly implemented on liquor orders. *Board could consider having the finance officer preaudit the full liquor edit list and sign after the general manager has reviewed and approved.*
  - Bank deposits are currently being made each weekday by the general manager or applicable personnel in their absence. Their accounting agency reviews and verifies deposit slips to bank statements routinely, and again at monthly reconciliation.
  - Tills start at \$50.00 daily with a maximum of three registers operating at store #1 and one register at store #2. The cash drawers are counted daily at the beginning of each shift and again at shift end. Per the board's personnel manual, shortages are the responsibility of the clerk and overages are the property of the store.
  - Payroll is weekly and processed by the third-party accounting firm. General manager reviews and approves time sheets before they are sent for processing. Paper checks are cut and signed by the finance officer and general manager.
  - Employee files are kept in their administrative office and include application, signed policy acknowledgement, and RASP training certificates. Employee tax information is retained at their accounting service's office and in their personnel files.
  - Petty cash (\$900.00) is kept in the administrative office. General manager and finance officer only access and supplies receipts for any usage. Some contract employees are paid through petty cash for help with truck deliveries.
  - Board keeps records for unsaleable merchandise reports and sends reports to the Commission quarterly via email.
  - The annual CPA audit was received and logged by the Commission on September 24, 2024.
- **LAW ENFORCEMENT (LE) CONTRACT:** The board has a law enforcement contract with the Rockingham Police Department on file with the Commission from 2022. The contract stipulates an annual payment of \$1,500 or an adjusted amount to equal the amount required by GS 18B-805(c)(2).
- **LAW ENFORCEMENT (LE) REPORTS:** Reports are mostly being submitted routinely with only some minor occurrences of missing months. Reports are submitted in the name of Chief Gillenwater and contain data applicable to the law enforcement contact.

## **PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)**

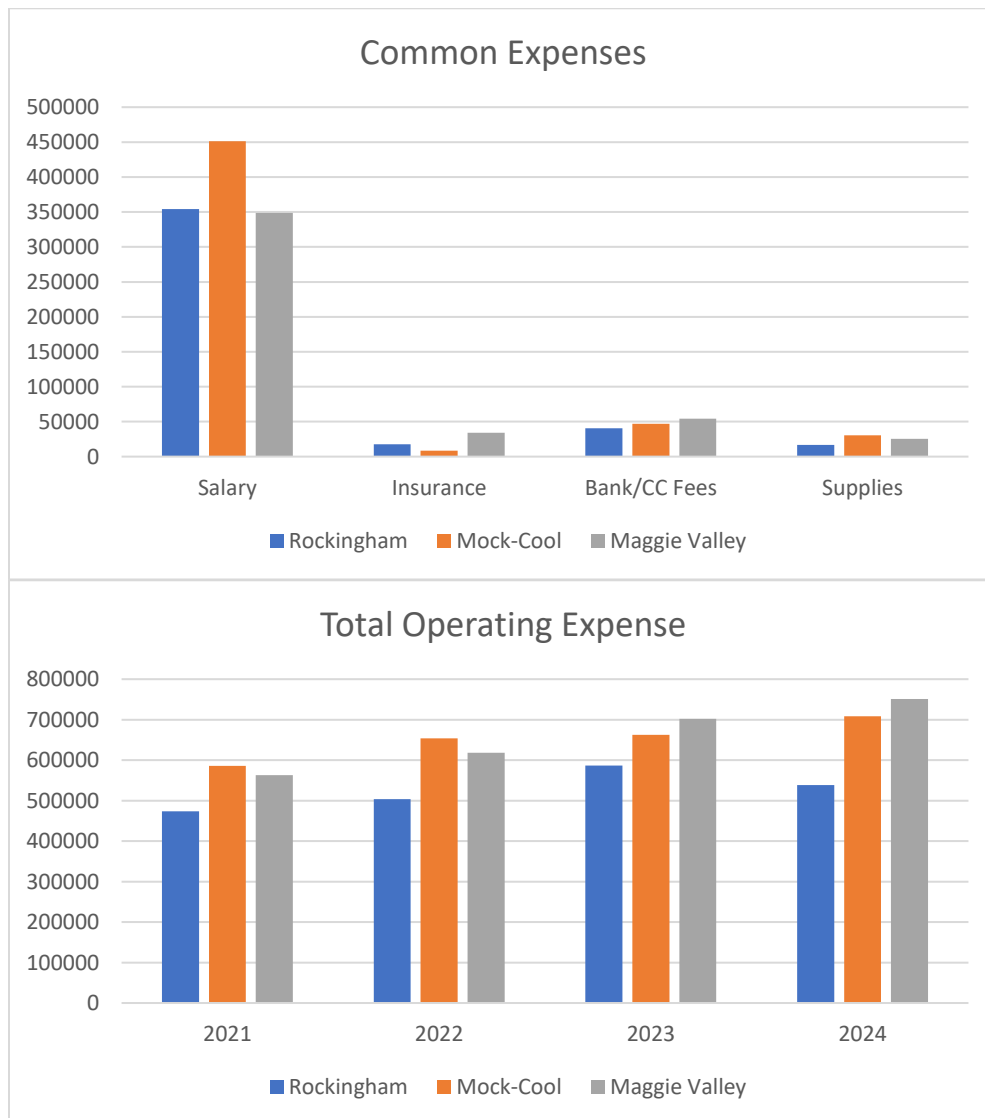
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- **INVENTORY:** Full inventory is currently conducted twice annually. *Board has previously inventoried quarterly but has currently reduced frequency because of staffing.* The finance officer, as manager of store #2, conducts the store's inventory alone. Store #1's inventory is administered by the general manager, finance officer, and the board's other full-time employee. Final discrepancies are reviewed by the general manager and adjustments are made. Board's strategies for slow moving stock include moving stock to displays or nearer the register, moving stock between stores, discussing options with sales reps, and simply trying to sell to customers.
- **INTERNAL CONTROLS:**
  - The general manager has worked for the board for approximately fifteen years. He has been the general manager for around one year and was previously a part-time and later a full-time clerk.
  - The finance officer has been with the board for approximately nine years as a full-time clerk and held their current position for about one year. Additionally, the finance officer serves as the store manager for their store #2.
  - The board utilizes a third-party accounting firm for all accounting related controls including billing, payroll, and reconciliations.
  - The Board members and Chairperson have a variety of experience in professional areas including law and business. The board has two long tenured members and one recent appointee.
  - All board members, General Manager - Finance Officer are each bonded for \$50,000 per G.S. 18B-700(i). *Board could consider insuring bonds cover other applicable staff to include other employees per G.S. 18B-803(b)(c).*
  - The board does not receive a report(s) describing expenditure of funds from their alcohol education and rehabilitation recipient, Richmond County.
  - All employees are subject to on-line RASP training and other various behavioral standards. *Board could consider in person RASP or law enforcement training from local or state level agencies for responsible alcohol sales and other applicable rules and laws.*
  - Full time employees are enrolled in LGERS and have insurance coverage.
  - The finance officer makes their liquor order by reviewing current inventory and analyzing each item code, which is then reviewed by the general manager. *Board could discuss the financial benefits of buys ins and other purchase price evaluations for the purpose of lowering liquor costs and retaining income.*
  - Board usually receives two deliveries monthly on the second and fourth Thursdays. Counts are made using load sheets and cases are unloaded via conveyor belt. Any variances are recounted, and actual discrepancies are reported to LB&B.
  - Board has a credit card, with a current zero balance, in the possession of the general manager.
  - Board uses pens for bills to prevent counterfeit exchanges.
  - No conflicts pertaining to nepotism found and per discussion with general manager.
  - Board has a code of ethics policy on file with the Commission.

## PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

### ➤ EXPENSES:

- Total operating expenses decreased around eight percent (-8%) from the last fiscal year and are roughly thirteen percent (13%) of total annual sales in FY-23/24.
- Board salaries were approximately six percent (6%) of total annual sales. Salaries and benefits decreased by around eight percent (-8%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 53.4% for the fiscal year with a normal range being 52% to 54%.
- An operating expense report and common expense report shows the Rockingham ABC Board has categorical and total operating expenses lower than or 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.*





## STORE INSIGHT & OVERVIEW

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- Board's store #1 is a free-standing building owned by the board and is located on one of the town's major commercial thoroughfares. It has good exterior signage and ample parking. The interior is well lit, aesthetically pleasant, and has had some recent upfit with flooring. The warehouse area was well stocked and organized at Commission visit.
- Board's store #2 is located on a major highway in a shopping center suite with other businesses to include a grocery store, pharmacy, grill, and health club. The showroom is small but is able to accommodate a good variety of products. Displays and general shelving are well organized and professional in appearance. The warehouse-office area is very small and does not provide adequate storage to support their sales.
- Outside area surrounding the stores are well-maintained and free of debris or trash.
- Both stores display the required Fetal Alcohol Syndrome poster required by G.S. 18B-808, and the quarterly price books were available.
- Products are placed within the designated categories; premium products are generally found at eye-level or top shelf. Bottles were fronted and dusted, and shelf space is well utilized. *Some products were arranged so that they did not increase in size left to right. Board should establish a shelf management plan and work to ensure all staff members are familiar with their plan.*
- Sales associate interactions with customers are attentive, courteous, welcoming, and all are eager to meet the needs of the customers.
- Product knowledge growth is accomplished through literature from brokers and general dialogue between team members and management.
- New hire training is "on-the-job" by pairing new staff with a full-time clerk.
- Many allocated or limited distribution products are sold via lottery. The board does offer these products to mixed beverage and other customers with a one per each limit.
- The board does not have a web page.
- The board does conduct tastings and should consider a tasting policy.
- The board has fifteen (15) mixed beverage (MXB) customers according to board records. Board provides an invoice to customer at transaction and retains an invoice in a file for the year. Additionally, all invoices are electronically available through the POS system.
- A random sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items except four reflected the current quarterly or monthly SPA price at store #1 and all items were correct at store #2.
- A random sample of approximately 20 items was selected to verify accurate current inventory at store #1. Of those selected about half matched with system data correctly.
- General manager indicates price discrepancies are handled in the customers favor if the shelf price is lower than the cash register and the customer objects.
- The board's store is generally open from 9:00 am until 8:00 pm daily.
  - They are currently closed every Sunday, the five (5) previously required annual holidays, Martin Luther King Jr. Day, Memorial Day, and June 19th.
- Security systems are in place and functional in all designated areas.
  - *Currently sixteen (9) cameras operating and panic buttons behind the registers, and in the office.*

## **RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)**

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- 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.*
- For compliance with GS 143-318.12, board should post in the city clerk's office and in the store(s) an announcement of board meetings.
- ABC Boards are required to operate within a balanced budget each fiscal year. Budget amendments must be approved by the board before any funds are transferred between accounts and utilized, occurring at the actual point of time an adjustment of funds is necessary. This would include the point in time during the fiscal year when annual forecasted sales or expenditures will differ significantly from budgeted. Ensure budget amendment copies are submitted to the ABC Commission and the board's appointing authority as required per GS 18B-702(h), to include a final reconciliation budget amendment for the fiscal year end.
- 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 could 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.
- The recipient of alcoholism fund or education distributions must 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.*
- Audit shelf tags and conduct spot counts of inventory more frequently. Consider the use of the scanners as they can make this task much easier and more time efficient.
- 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 Oct 1<sup>st</sup>.
  - 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.*
- Board should work with their accounting service or implement other internal policies to ensure liquor bills are paid within the required thirty (30) days in accordance with NCAC 15A .1406. *Commission request board correspondence when having an issue with a payment recipient or any other difficulties.*
- Board could consider adopting or updating any policies to include, but not limited to, tastings, employee tastings, lotteries, social media, or others. *Personnel manual could also be updated to include some of these policies and would then be signed by personnel when onboarding.*
- Although currently in a healthy position and well within the parameters set by NCAC Rule 15A .0902, the board could consider retaining additional funds as working capital should they have any aspirations for future improvements to the board stores or other perspective projects.
- While already understood by personnel, board should establish and maintain a shelf management plan to comply with NCAC 15A .1708 (a)(3), specifically having bottles arranged so they increase in size from left to right. *Once established, board administration should keep a copy at their store and, upon request, provide a copy to Commission representatives.*
- 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.
- 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 RECOMMENDATIONS (2022)

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- 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. *Ensure budget amendments are submitted to the ABC Commission as required per NCGS 18B-702(h), to include a final reconciliation budget amendment for the FY 2020-2021 period.*
- Ensure all policies are submitted to the Commission prior to official board approval. Currently, an electronic copy of the policy & procedures manual needs to be adopted by the board and submitted to the Commission. NCAC 15A .1102 states, “A copy of all rules or amendments thereto that may be adopted by a local board to govern the operation of ABC stores, or the enforcement of the ABC laws shall be submitted to the Commission at least 15 days prior to the date on which it is proposed that those rules or amendments are to become effective.”
- 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.*”
- Referencing G.S. 18B-702(j), the board must request reapproval through the Commission for the General Manager to continue filling the dual-role of Finance Officer. As applicable, this approval should be obtained every 36 months from the Commission.
- Recipients of alcohol education/research funds must annually provide an annual report to the Rockingham ABC Board, describing how the funds were spent [Referencing 18B-805(h)]. *Consider the request to obtain documentation before the funds are officially awarded or transmitted to the recipient.*
- All reappointed board members are required to complete ethics training within one (1) year of their reappointment date per G.S. 18B-706(b). Per Commission records, the Chairman would need to complete the training before August 2022.
- Due to new city or law enforcement officials involved, a new law enforcement contract reflecting current city officials must be adopted and a copy provided to the Commission per G.S. 18B-501(f).

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

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

March 14<sup>th</sup>, 2025

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

**Item 1: All Board members have completed the oaths of office forms and are now on file. Board will administer and retain copies for members oaths of office.**

**Item 2: Rockingham ABC will announce board meetings with a sign every month for the public.**  
**All recommendations will be followed. Board will announce meetings by...**

**Item 3: The board is now discussing budget amendments as needed at board meetings. The board will discuss applicable budget amendments.**

**Item 4: The board is now doing pre-audit certificates for all liquor orders. The board will ensure pre-audit certificates are present on liquor orders to adhere to NCGS 18B-702(m).**

**Item 5: Attached is a copy of our alcohol education contributions for the last fiscal year. Board will request a report on alcohol education contributions.**

**Item 6: Employees are now checking price tags monthly to ensure they are correct. The board will audit shelf tags more frequently.**

**Item 7: Attached is a copy of the COA form that the board has signed. The board has signed and submitted a COA form.**

Sincerely,

Bruce Covington, Chairman / GM  
Rockingham ABC Board