

Rowland ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
400 East Tryon Road, Raleigh, NC 27610
p: 919-779-0700 | f: 919-661-5927 | <http://abc.nc.gov>



ABC
COMMISSION
NORTH CAROLINA

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Alcoholic Beverage Control

CHAIRMAN:

Hank Bauer

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon
Raleigh

David Sherlin

Raleigh

DEPUTY COMMISSIONER:

Mike DeSilva

LOCATION:

400 East Tryon Road
Raleigh NC 27610

MAILING:

4307 Mail Service Center
Raleigh NC 27699-4307

PHONE: (919) 779-0700

<http://abc.nc.gov/>

September 9, 2025

Rowland ABC Board
Eddie Smith Jr., Chair
308 N. Bond St
Rowland, NC 28383

Chairperson Smith,

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

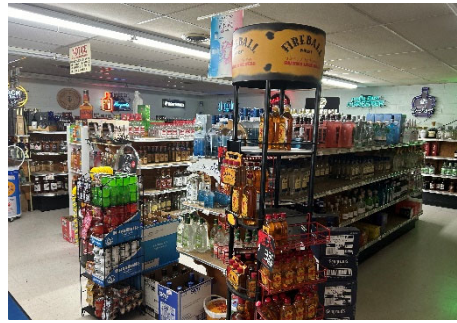
To achieve the objectives of the audit, auditors:

- Review applicable General Statutes, ABC Commission Rules, 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.

Rowland ABC Board found in Rowland is a small town in Robeson County, North Carolina, known for its rich history and close-knit community. As of the last census, its population is around 1,000 residents. The town is part of the larger Lumberton metropolitan area and is located near the border with South Carolina. Positioned along Interstate 95, makes Rowland accessible for travelers heading along the East Coast. Rowland has roots in agriculture and railroads, with a historic downtown area that reflects its past. The town has strong ties to the Lumbee Tribe of North Carolina, which is prominent in the region. Rowland hosts annual events and festivals that bring together residents and visitors, emphasizing its welcoming, small-town atmosphere. Rowland ABC Board operates one retail store. The board staffs one full-time employee, including the general manager, and one part-time employee. 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 hired an external accountant who assists with payroll, financial reporting, the annual audit, and other bookkeeping duties as needed. 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 in 1967, and it passed. Currently, the Rowland ABC Board appoints a chairperson and two (2) additional board members to serve on the ABC board. Rowland ABC Board currently operates one (1) retail store. The board staffs two (2) total personnel. These includes one (1) full-time employee and one (1) part-time employee, they are appointed by the governing body of each town. The general manager is responsible for daily store operations including supervising personnel, inventory management, and various retail functions. The general manager also serves as the 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 Rowland ABC Board occurred 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, January 21, 2025, ABC Board Program Analyst Eric McClary, visited the Rowland ABC Board and interviewed Glenda Locklear (General Manager & Finance Officer), and Eddie Smith Jr. (Chair). 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) 2023-2024, the Rowland ABC Board had a profit percentage to sales ratio of 4.4%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%.
 - The Rowland ABC Board's gross sales totaled \$422,106, which was an approximate 1.0% increase from the previous fiscal year.
- Rowland ABC Board operates one retail store with no mixed beverage sales. The operating cost ratio for the board was .81 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .85 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 Rowland ABC Board did not meet the profitability standard, however did meet the operating cost standard set by the NC ABC Commission. Below are charts showing gross profit on sales, total operating expenses, and income from operations for recent years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$103,071	\$96,122
Income from Operations	\$18,859	\$18,086

Factors affecting profitability and cost include:

- Surrounding areas with other ABC Boards operating stores is Rowland ABC which is within a 25-mile radius. Fairmont ABC, Pembroke ABC, and Lumberton ABC.
 - An ABC Board's average cost of goods sold (COGS) is between 52% & 54% per year. The Rowland ABC Board's cost of goods sold was approximately **53.1%** in FY 2023-2024.

BUDGET ANALYSIS

	FY 2023-2024 Budget Projections	FY2023-2024 Actual	Variance	Variance %
Sales	\$415,000	422,106	7,106	1.7 %
Revenue over or (under) Expenditures		(\$2,940)		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues sales revenues were 3.18% above the forecasted projections.

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).*

Rowland ABC Board made a total of \$95,051 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 Lincoln County.

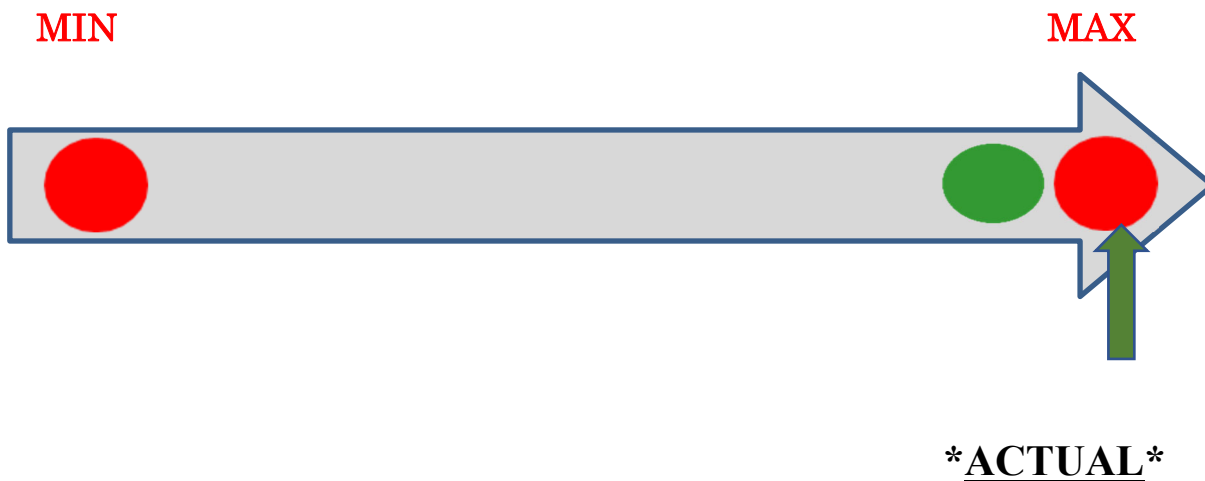
Per the local enabling act, the distribution formula for recipients of net profits is as follows:

- Sixty-Five percent (65%) to Roland General Fund for any Governmental, Library, Recreational or Educational Purposes
- Thirty-Five percent (35%) to Robeson County General Fund for any Governmental, Library, Educational or 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.
 - NCAC 15A .0902 sets a working capital maximum standard for boards with annual gross sales less than \$1.5M as an amount equal to four (4) months of gross sales.
 - G.S. 18B-702(g)(3) defines "Working Capital" as the total of cash, investments, and inventory less all unsecured liabilities. As it pertains to working capital computation, gross sales mean gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805(b)(2), (3), and (4).
- Based upon the existing rules, as of June 30, 2024, the Rowland ABC Board is required to maintain a minimum working capital of \$12,580 with a maximum working capital amount of \$109,020.
 - The Rowland ABC Board had a working capital balance of \$109,020 which is more 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

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

- The board holds board meetings quarterly, the first Friday of each quarter at 1:00 PM, records regular meeting minutes, and provides public notification and awareness of these meetings. The meeting minutes are organized in a folder for review. The Chairperson rotates annually across the three municipalities.
 - Training records review: All board members are current with their Ethics Training. The general manager last completed training in 2024 per training records.
 - 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 adequately efficient 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 Commission does not have a copy of the board's personnel policy manual, Credit Card Policy, MXB Policy, Discrepancy Policy and Travel Policy.
- BUDGETS: In FY-2024, the board met the projected budgeted sales. *Based on sales trajectory for the current fiscal year, the board is tracking well on projected sales through November 2024.*
- FINANCIAL INSIGHT: The GM in a dual role as finance officer is signing checks as required per statute with a board member as secondary signature. 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 uses an Excel Spreadsheet for routine journal entries. *Beginning in 2025, all boards with GMs serving as Finance are required to have an accounting firm provide quarterly financials to the Commission.*

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- Bank deposits are routinely twice per week due to the cost deposit books, 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.
- Payroll is processed every two weeks through Excel Spreadsheet, and paper checks are issued. Board members will alternate review of monthly financial records and signing checks. Paper checks and biweekly.
- All board members and applicable personnel are each bonded for \$50,000 per G.S. 18B-700(i).
- The annual CPA audit was received and logged by the Commission on September 10, 2024.

➤ **STATUTORY DISTRIBUTIONS:**

- **Net Profit Distributions** - The Rowland ABC Board has routinely made the minimum mandatory distributions to the designated recipients over the last several 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.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Rowland ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
CPA Calculated Amount		Total paid to recipient(s)	
FY-2024	\$12,293	FY-2024	\$16,749
FY-2023	\$12,220	FY-2023	\$18,717
FY-2022	\$11,511	FY-2022	\$0

PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE (cont.)

- **LAW ENFORCEMENT (LE) REPORTS:** Reports have been submitted through December 2024 and are current and compliant. The GM submits the reports and states that she has no knowledge of what officer at the contracted local authority is responsible for this.
- **LAW ENFORCEMENT (LE) CONTRACT:** The Commission has an electronic copy of a law enforcement contract. Because the current LE contract is from 2015 and there is a new Police Chief a new contract is recommended. This should be beneficial to communicate the need for the department to provide enforcement & regulatory data to the ABC board as part of the monthly reporting process.
- **INVENTORY:** Full store inventories are conducted twice annually. Outside of this, spot checks in certain categories are conducted at random intervals. The inventory turns over at the store with a 8.3 turnover ratio per most recent fiscal year. The target turnover ratio is 5.0 for ABC systems which received deliveries twice per month.
- **INTERNAL CONTROLS:**
 - The board has a Full time General Manager and one part-time employee that supports the general manager.
 - An accounting firm prepares monthly financial statements for the board. The GM reviews and makes these available for the monthly board meetings.
 - Invoice information is entered into an Excel Spreadsheet, 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.
 - Board members alternate reviewing financial statements and monthly reconciliations.
 - Board members alternate signature authority.
- **EXPENSES:**
 - Total expenses increased by roughly 7.0% from the last fiscal year.
 - Board payroll was roughly 12.1 % of total annual sales.
 - Cost of Goods Sold (COGS) was around 53.1%. With adequate warehouse space, however more space would likely be a benefit. The board is in an isolated and rural area.

STORE INSIGHT & OVERVIEW

The findings for store insight & overview are as follows:

- Store has a modern layout, good ergonomics for shoppers, and plenty of inventory on the shelves, however this is a non-self-serving, walk up counter board.
- The one sales associate interacts with customers and is attentive, courteous, and is eager to meet the needs of the customers.
- The board has no MXB customers. The board is a very small counter service store.
- A random sample of approximately 120 items were selected to determine if uniform pricing is displayed. Of those selected, there were several that required updating and were updated immediately. 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.
- North Carolina products are cross merchandised according to product category.
- Products are placed within the designated categories; premium products are found at eye-level or top shelf. A few occurrences were found with various bottle sizes of the same products increasing appropriately from right to left. Bottles were properly fronted and dusted.
- 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.
 - *Eight (8) cameras work to cover the property footprint with three outside and five interior cameras.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- 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.*
- 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).
- The board is recommended to forward an updated law enforcement contract due to age of current contract and signed members “Police Chief” are no longer with the municipalities. Please provide a copy to the Commission *per G.S. 18B-501(f)*.
- The board is recommended to forward copies of the Personnel Manual, and Conflict of Interest Disclosures.
- ABC Board members must complete ethics training within one (1) year of each appointment and again following all reappointments under NCGS 18B-706(b).
- The board shall submit a copy of the law enforcement report to the appointing authority and the Commission by the 5th business day of each month per G.S. 18B-501(f1). The LEO system is provided for municipalities to capture this data as a good option. Otherwise, the ABC boards would have to submit the required data. On the board log in website.
- 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.

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.
- 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.

**Performance Audit Response Letter
Rowland ABC**

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

September 8th, 2025

The Rowland ABC board appreciates the time taken by Mr. McClary in regards to the performance audit as well as the recommendations received. The audit highlighted areas in which the board could improve as well as things that should be updated. Listed below are the Boards responses to the recommendations and reviews.

Item 1: Budget Amendments

The Board will ensure any changes in the budget are updated with the commission prior to enactment.

Item 2: Store Policies

The Board will ensure any policy updates are sent to the commission and will establish a credit card policy.

Item 3: LEO contract

The Board has updated the law enforcement contract and sent a copy to the commission.

Item 4: Employee Manual

The Board will ensure all ethics training be completed on time and keep a copy of each on file.

Item 5: Ethics Training

The Board is in the process of making a detailed shelf management plan following the guidelines and recommendations and will keep it on file.

Item 6: LEO report

The board will ensure the law enforcement report is entered on time each month.

Item 7: Mixed Beverages

The Board will follow the states guidelines to start its mixed beverage sales.

Item 8: Training

The Board shall investigate available training offered through the commission and have employees attend if possible.

Item 9: Certificate of Accountability

The Board will send a signed COA with or prior to this letter.

Sincerely,
Rowland ABC Board

6 12 2025
Month Day Year

Rowland
ABC Board

Certificate of Accountability

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

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

Glenda Locklear
General Manager

Eddie Smith
Financial Officer

Eddie Smith
Chairman

Allen J. Love
Board Member

Board Member

Board Member

Board Member