

Shallotte ABC Board

Performance Audit Report



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ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

March 5, 2026

CHAIRMAN:
Hank Bauer

Shallotte ABC Board
Chris Lane, Chair
105 Wall St.
Shallotte, NC 28470

COMMISSIONERS:
La'Tanta (L.T.) McCrimmon
Raleigh

David Sherlin
Raleigh

Chairperson Lane,

DEPUTY COMMISSIONER:
Mike DeSilva

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

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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

Shallotte is a town in southeastern North Carolina in Brunswick County. The town's population per the 2020 census was 4,185 residents, an increase of 13.9% from 2010. The Shallotte ABC Board operates one (1) retail store and is one of nine (9) boards in the county.

Chapter 519 of the 1959 Session Laws authorized the town of Shallotte to hold an election upon a written petition of at least fifteen percent (15%) of registered voters. The referendum was held on July 7, 1959, and passed 125 to 39. The first retail sale occurred on August 1, 1959. Special legislation allowed the board to hold mixed beverage sales. 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. Current board members are Bobby Ray Russ and Chris Lane, and a long serving member and chair of the board, Roy Mintz, recently resigned.

The last performance audit for the Shallotte 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 September 23, 2025, ABC Commission Program Analyst Edwin Strickland visited the Shallotte ABC Board and interviewed the General Manager, Arthur (Artie) Duncan III, Finance Officer, Joel Lovett, and other key board personnel. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



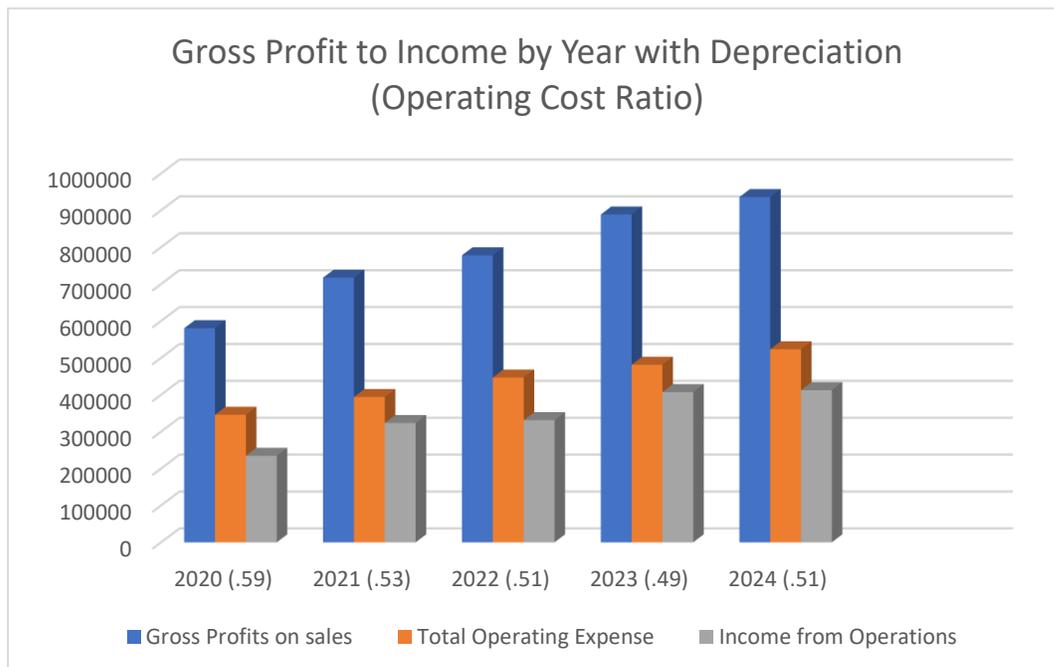
105 Wall St. Shallotte

FINANCIAL ANALYSIS

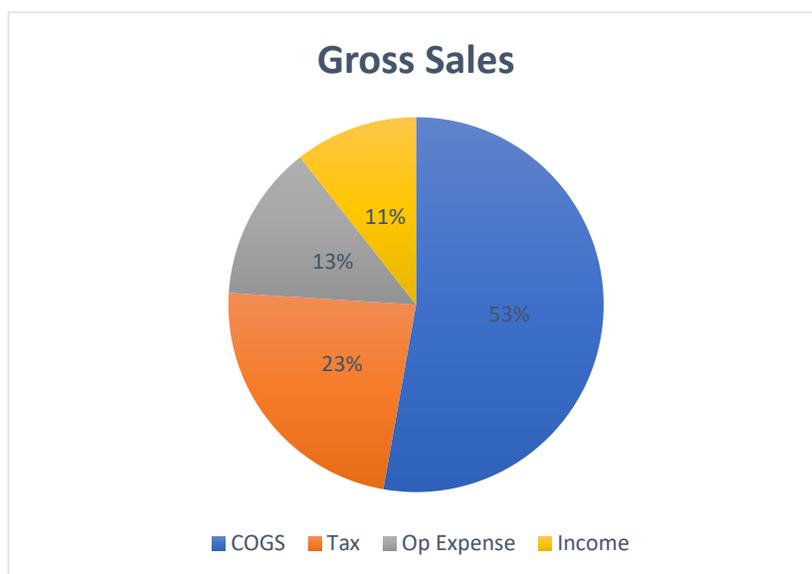
PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2023-2024, the Shallotte ABC Board had a profit percentage to sales ratio of 10.59%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%.
 - The Shallotte ABC Board’s gross sales totaled \$3,895,751, which was an approximate 9% increase from the previous fiscal year.
 - The board’s sales have grown almost 64% in the last five complete fiscal years.
- Shallotte ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .51 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one store and mixed beverage is .73 or less.
 - Operating cost ratio is calculated by dividing total operating expense less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).
- Thus, the Shallotte ABC Board meets the profitability standard, and the operating cost standard set by the NC ABC Commission. Below are charts showing gross profit on sales, total operating expenses including depreciation, and income from operations for recent years.

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$936,179	\$888,975
Total Operating Expense	(\$523,510)	(\$481,460)
Income from Operations	\$412,669	\$407,515



- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy-six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, debt service. or as additional distributions beyond the minimum requirement.



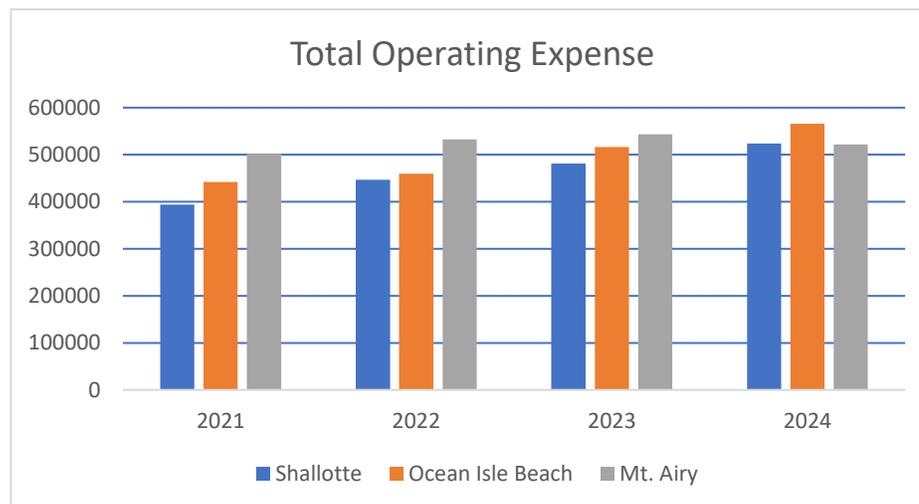
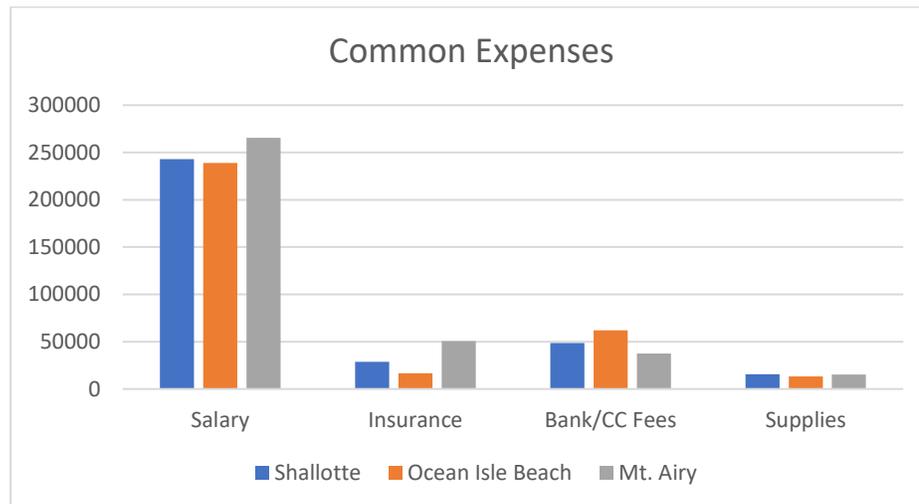
- *Factors affecting sales:*
 - Brunswick County has eight other ABC Boards and surrounding counties have additional boards with stores.
 - South Carolina is approximately fifteen miles from the store with additional outlets.
 - A 4.5% unemployment rate in Brunswick County in June of 2024 with a .3% increase from the previous year.
 - The board currently has approximately 16 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for more than 14% of gross sales.*

INVENTORY TURNOVER

- The inventory turnover rate is calculated by dividing the cost of liquor by the average inventory in the system (Cost of Liquor/Average Inventory). The Commission has set these goals for determining an effective rate based on the frequency of deliveries.
 - Once a week deliveries target at 6 times or more per year
 - Twice a month deliveries target at 5 times or more per year
 - Monthly deliveries target at 4.5 times or more per year
- The Shallotte ABC Board receives shipments two times a month with a target inventory turnover rate of 5. The inventory turnover rate in (FY) 2023-2024 was 3.9, which is somewhat below the goal. *The board's inventory strategy is to maintain a high inventory for top selling products. They conduct barrel picks and make other unique purchases which they prefer to have available to attract visitors to their store and to help distinguish their board.*

FINANCIAL ANALYSIS (cont.)

- *Factors affecting expenses:*
 - Total operating expenses increased by almost nine percent (9%) from the last fiscal year and were around thirteen- and one-half percent (13.5%) of total annual sales in FY-23/24.
 - Board salaries were around six percent (6%) of total annual sales and increased slightly more than fourteen percent (14%) from the previous fiscal year.
 - Cost of Goods Sold (COGS) was roughly 52.8% for the fiscal year with a normal range being 52% to 54%.
- A common expense report and a total operating expense report show the Shallotte ABC Board has similar categorical and mostly lower total operating expenses comparable to other ABC boards within a relatable gross sales range and other variables. *Common expense report categories can, sometimes, be unreliable as different CPAs may include different expenses in their line items.*



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Total Revenues	\$3,500,000	\$3,868,809	\$368,809	10.5%
Total Expenditures and Debt Service	\$3,407,700	\$3,692,251	(\$284,551)	(8.4%)
Distributions	\$33,000	\$141,596		
Revenue over/under Expenditures & Finance		\$34,962		
After Reconciling Items		\$244,131		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual total revenues were 10.5% above budget and expenditures were 8.4% above the final budget amendment.
 - The change in net position during the fiscal year was \$244,131. *The board’s collective net position on June 30, 2024, was \$1,591,859; the net position has increased by one hundred and forty one percent (141%) over the last five (5) fiscal years.*
- Based on sales trajectory for the current fiscal year with two months (16%) of the budget year completed, the board is tracking at 21% of annual budgeted sales.

DISTRIBUTIONS

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, excise, and rehabilitation taxes. G.S. 18B-805(c)(2) requires the board to *typically* distribute at least five percent (5%) of applicable gross receipts to law enforcement and *typically* at least seven percent (7%) for alcohol education. *Before assigning these percentage distributions, G.S. 18B-805(c)(1) requires the board to first make a minimum quarterly distribution of the 3.5% markup & relevant bottle charges to certain county/municipal recipients. **Some of these distribution percentages are designated by an official local enabling act (and thus distribution requirements and recipients are subject to vary).***

- In FY 2023-2024, Shallotte ABC accrued funds for other statutory distributions totaling \$141,596 (Net profit distribution recipient received \$108,305).
- The amount of \$903,446 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Brunswick County.
- Per the local enabling act, the distribution formula for recipients of net profits is as follows:
 - 80% to Shallotte General Fund
 - 10% to West Brunswick High School
 - 5% to Union Primary School
 - 5% to Shallotte Middle School

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Shallotte ABC board has made net profit distributions for last five (5) fiscal years at or above the minimum mandatory distribution in reference to G.S. 18B-805(c)(1). **The table below references distributions calculated on the left and total distributions made by the ABC Board for the last five (5) years on the right.**
- Law Enforcement Distributions: Have been disbursed at or above the standard 5% statute amount for three (3) the last five (5) FYs.
- Alcohol Education Distributions: Have been disbursed at or above the standard 7% statute amount for three (3) of the last five (5) FYs.

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Shallotte 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	\$108,305	FY-2024	\$108,305
FY-2023	\$98,276	FY-2023	\$98,985
FY-2022	\$86,922	FY-2022	\$86,922
FY-2021	\$73,805	FY-2021	\$73,806
FY-2020	\$66,802	FY-2020	\$66,802

- Since inception, the board has made net profit distributions to the Shallotte General Fund in the amount of \$3,506,504.

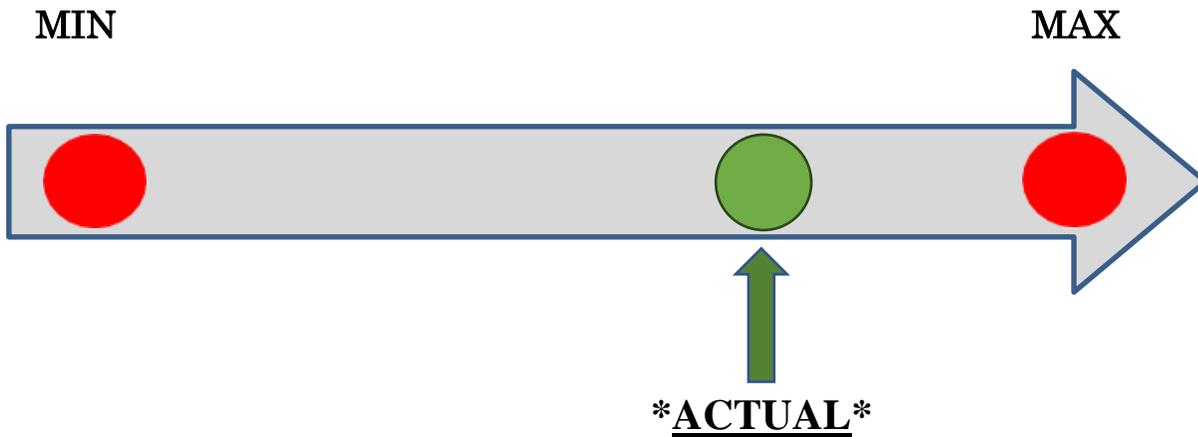
WORKING CAPITAL

- 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. 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).

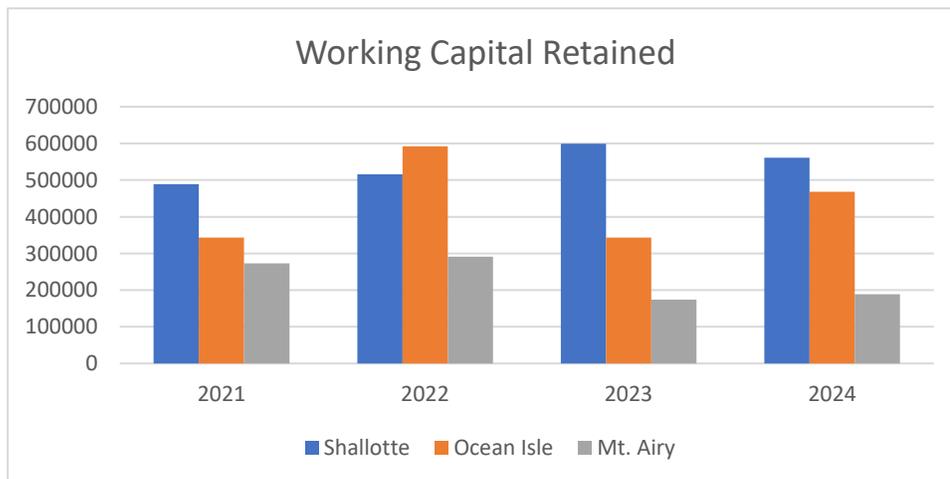
WORKING CAPITAL (Cont.)

- Based upon the existing rules, as of June 30, 2024, the Shallotte ABC Board is required to maintain a minimum working capital of \$115,088 with a maximum working capital amount of \$748,076.
 - The Shallotte ABC Board had a working capital balance of \$561,015, which is more than the minimum and less than the maximum Commission requirement for this section (*).

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



- Under G.S. 18B-805(d), with approval of the appointing authority for the board, the local board may set aside a portion of the remaining gross receipts as a fund for specific capital improvements whenever working capital is exceeded.
- The chart below showing working capital year end amounts for similar boards over the last four years indicates the Shallotte ABC Board usually maintains higher working capital than these other boards with comparable sales and other variables.



PERSONNEL, OPERATIONAL & ADMINISTRATIVE COMPLIANCE

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

Board Members

- The board consists of two members and a chairperson each receiving compensation for their services below the maximum \$150.00 per meeting and in compliance with G.S. 18B-700(g).
 - Current board members' terms are staggered to comply with G.S. 18B-700(a). *The board has one vacancy with a long serving, and current chairman, having recently resigned. The board could request their appointing authority appoint a new member through the scheduled end of the former member's term or appoint a new member through January of 2029.*
 - Board members are compliant with the ethics training requirements.
 - All members have served multiple terms.
 - Members have professional experience in the fields of business and banking and have served on other local boards and political units.
- Members may not have taken an oath of office per G.S. 11-7. *With the long-term commitments by board members, the board is unsure if oaths were originally administered. The board should work to ensure copies of oaths are maintained at the board administrative office.*
- Meetings are generally held on the first Wednesday of each month, and public awareness is provided at the town hall.
- Meeting minutes are organized, available, and follow the order of proceedings.
 - While the meeting agendas do reference the no conflict of interest statement, the minutes do not. *The board could consider using a template for their meeting minutes to include the required statement rather than a handwritten account.*
 - Financial data is provided and discussed at meetings to include sales comparisons and mixed beverage sales with previous year's month, bank statement, and other applicable items for consideration.
 - Board members are heavily encouraged by the Commission to use checks and balances to ensure that cash management practices are upheld. Boards should also routinely review any notes and recommendations provided by the CPA firm on annual audits.
- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store locations.

Law Enforcement

- The board has a law enforcement contract with the Shallotte Police Department signed in 2013.
- Law enforcement reports are submitted regularly by board personnel with data provided from Major Gravino of the department and contain applicable data for accountability as required by G.S. 18B-501(f1).
 - The law enforcement reports are discussed or provided at board meetings.

Board Personnel

- The board currently staffs seven total employees with four working full-time.
- The General Manager has been with the board for thirty-nine years and is responsible for all board operations.
 - He is full-time, his salary is below the maximum allowable compensation per G.S. 18B-700(g1), and he is compliant with the ethics training requirement.
- The Finance Officer is full-time and has been with the board for 27 years.
 - They serve as the assistant manager for the board and are responsible for billing and some other accounting related activities.
- The full-time clerks work directly with the administrative team and at least one is currently being trained on some of the management's responsibilities.
- All other store employees are sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- The board uses a third-party accounting service for payroll.
- Reports are provided to the board's CPA firm who compiles distributions, taxes, and other applicable oversight monthly.
- Training is provided for new employees from management and seasoned employees and is on-the-job mentorship styled.
 - Some cross-training opportunities are extended.
 - All employees have attended RASP training with many having completed the training multiple times.
 - Product knowledge training is provided through conversations between team members, independent research, and from customer feedback.
 - There is a request form for special orders and all are considered.
- A file for each employee is kept in the administrative office and includes application, tax and contact information, and personnel manual acknowledgment forms.
- All employees are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with the general manager.

Policies

- The board has a thorough personnel manual that details various work requirements, behavioral standards, leave and other benefits, scheduling and holidays, and most additional requirements of Rule 15A .1006.
 - *The manual may not fully cover employee grievances.*
 - The manual includes additional policies for price discrepancies, employee purchase, alcohol sales, and shelf management.
 - Additional policies on file with the commission include a code of ethics, allocated products, and mixed beverage sales.
 - The board does not currently have a credit card policy that defines the usage and method for retaining receipts when the card(s) is used.
- For travel, the board follows the reimbursement schedule for state employees in G.S. 138-6.

Alcoholism Fund Recipients

- G.S. 18B-805(c)(3) states the local board shall spend, or pay to the county commissioners to spend, for the purposes stated in subsection (h), an amount set by the board which shall be at least seven percent (7%) of the gross receipts remaining after the distribution required by subdivision (1). This provision shall not be applicable to a local board which is subject to a local act setting a different distribution.
- G.S. 18B-805(h) requires funds distributed under subdivisions (b)(4) and (c)(3) of this section, shall be spent for the treatment of alcoholism or substance abuse, or for research or education on alcohol or substance abuse.
 - In FY 23/24 the board made or accrued distributions in the amount of \$19,046 to multiple recipients. *While the board has received reports on how these funds are spent, for compliance with G.S. 18B-805(h), they should include in their minutes the activities for which these funds are to be spent.*

Operations

- Board personnel conduct full inventory annually with perpetual categorical and other spot checks.
 - Counts are made using scanners and variances are re-checked multiple times and by different people.
 - Adjustments or transfers are made only by the general manager.
 - *A small sample of products were inventoried at Commission visit without any variances.*
 - Multiple different strategies are in place to counter theft including utilizing cameras.
 - Strategies for slow moving products include moving to the front of the store and labeling as “clearance”.
- The board receives deliveries of liquor on the first and third Mondays of each month.
 - Pallets are dropped and cases are down stacked using scanners with all team members participating.
 - Any variances are recounted and balanced against store and warehouse stock before reports are sent to LB&B.
- Liquor orders are made by management. Each item code’s stock status and 30-day sales are reviewed.
 - Due to warehouse space restraints, the board is unable to routinely buy in for specially priced items.
- The board has distribution procedures for allocated Bourbons posted at their sales counter. Half of these products are reserved for mixed beverage accounts on a rotating basis.
- The board retains breakage reports and regularly includes the reports for credit with their suppliers. For compliance with Rule 15A 1701(c), the board should email copies of the reports to the Commission at least quarterly.
- The board currently has around sixteen mixed beverage customer accounts.
 - Picked orders are checked twice by staff and again at the transaction.
 - Invoices are provided to permittees and signed copies are retained in a file for each account.
 - The board stamps bottles in the manner required by NCAC 15A .1901.
 - A mixed beverage sales policy is provided to accounts.
- The board holds tastings and plans to continue.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed monthly and generally within the 30-day requirement.
 - The board currently cuts checks but may consider ACH in the future.
- The board's checks have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - Checks are cut and signed by the finance officer, and counter-signed by the general manager or a board member.
- The finance officer preaudits invoices for liquor purchases after the product has been received. For full compliance with G.S. 18B-702(m), the finance officer should be administering the preaudit certificate on purchase orders before the transaction is made. *For liquor, this could most easily be done on an order edit list or similar document.*
- The board has a credit card maintained in their administrative office or with the general manager. Itemized receipts are kept and reviewed, and the account is fully settled monthly.
- The board does not have petty cash.
- The store uses two registers and tills usually start at \$100.00.
 - Loans are made from the deposit but returned once funds are available and in the same day.
 - The board maintains a change fund.
 - Deposits are compiled daily and usually taken to the bank the following day. *Because deposits are not always made daily, the board could consider requesting a waiver from the Commission to make daily deposits on a different schedule per Rule 15A .0905(a)(d).*
 - The administration verifies deposits match receipts routinely and again at month end reconciliation conducted by the board's CPA firm.
 - *A sample of recent deposits were reviewed and matched with cash register tapes with no significant variances.*
- Funds are kept in a pooling bank(s) approved by the North Carolina Treasury Office.
- Payroll is processed bi-weekly through an accounting service.
 - Employees clock in from their POS and hours are reviewed by the administrative staff before being sent for processing.
 - *A review of recent payroll records indicates accurate pay rates as entered on the board website for board members and the general manager.*
- The annual CPA audit was received by the Commission on September 26, 2024.
- All board members and applicable personnel are bonded for at least \$50,000 per G.S. 18B-700(i).

STORE INSIGHT & OVERVIEW

- The board's store, warehouse, and administrative office are on the town's main throughfare in a commercial area with other retail businesses.
 - The building is free-standing and has ample parking.
 - There is easily viewable signage, and the appearance of the building is professional.
 - Landscaping is well maintained, and the exterior of the building is free of trash or debris.
- The interior of the store and warehouse is well lit and organized.
 - Floors, counters, and shelves are clean.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed.
 - Quarterly price books are available.
 - Category signs are prominently displayed.
 - There is a North Carolina product section with other NC products found in their category. Shelf tags indicating NC products are used.
 - Specially priced items' shelf tags are highlighted or identified with a broker supplied sign.
 - The showroom is modern, aesthetically appealing, and multiple displays are utilized.
- Shelf management practices are implemented.
 - Products are fronted, dusted, and in their designated category.
 - Premium products are generally found at eye-level or top shelf.
 - Bottles are arranged so they increase in size left to right of the same item.
- Sales associate interactions with customers are attentive, courteous, and the staff are eager to meet the needs of the customers.
- A sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items' shelf price tags reflected current pricing.
 - Price discrepancies will be handled in the customers favor if the shelf tag were to be lower than the current price mandate and the customer objects.
- Store hours can vary with the day of the week or season, but the store is always open from 9:00 am until 8:00 pm or 9:00 pm.
- All stores are closed every Sunday and the five previously required holidays.
- Security systems are in place and functional in all designated areas.
 - *The store has cameras, alarms, and panic buttons.*
 - *All staff are aware that loitering is prohibited*

REQUIRED ACTIONS

- Item #1: Board members should take an oath before taking office or before the execution of the office per G.S. 160A-61 and G.S. 11-7. *A written account of the oaths should, please, be available at the board's administrative office.*
 - Because the members have served multiple terms with the board, it may be difficult to locate the original oaths of office. The board may consider requesting their town reaffirm oaths and simply maintain a written copy in board records.
- Item #2: While the board already has sufficient oversight with the finance officer preauditing invoices, the board should re-establish full compliance with G.S. 18B-702(m) preaudit approval certificate to take substantially the following form on purchase orders, “This instrument has been preaudited in the manner required by GS 18B-702”. *This could most reasonably be accomplished by stamping and signing the order edit list or other purchase orders.*
- Item #3: While already providing sufficient procedural oversight, the board should craft a credit card policy that clearly defines the purposes for usage of the card(s), people that may use the card(s), and the method for retaining records of usage. In accordance with Rule 15A .1102, the board should send the Commission all rules for approval and record retention.
- Item #4: When applicable, ensure unsaleable merchandise (breakage) reports are submitted by email to the Commission quarterly. Rule 15A .1701(c) requires quarterly reports to be submitted for any unsaleable merchandise and retain original copies for three (3) years.
- Item #5: 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.

RECOMMENDED ACTIONS

- Board personnel usually make deposits daily but occasionally do not. The board could consult Rule 15A .0905 and consider requesting a waiver for staggered daily deposits if the practice is to continue.
- The board meeting agendas reference the required no conflict-of-interest statement, but meeting minutes do not. Meeting minutes are handwritten. The board could consider utilizing a word document template to include the no conflict of interest statement and ease the process for keeping their minutes.
- While alcohol education recipients have submitted reports on how awarded funds are spent, the board should include in their meeting minutes how the funds are spent per G.S. 18B-805(h).
- While the board has a thorough personnel manual, they should consult Rule 15A .1006 to verify their personnel manual covers all requirements, notably (a)(7) employee grievance procedures.

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.
- With the anticipated construction of a new state warehouse in the foreseeable future, boards should evaluate the need for updates or expansions to efficiently accommodate the expected increase in products and their availability.
- ABC boards are highly encouraged to find straightforward ways to lower any recurring expenses. Ways to try to improve expenses include requesting bids annually from various vendors to get the best rates possible on financial audits, various utilities, maintenance contracts, and credit card processing companies.

PREVIOUS PERFORMANCE AUDIT ACTIONS (2015)

- Consider the following to increase inventory turns:
 - Incorporating a shelf management plan that analyzes sales data to targeted shopping patterns;
 - 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;
 - 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 renovating to create a larger footprint that would give customers more room to shop. Studies have shown that stores can increase sales by more than 10% simply by increasing their retail space and providing more display area-both of which benefit impulse shopping.
- Have all reappointed board members complete the ethics requirement within 12 months of reappointment.
- To save time, eliminate stamping and signing each invoice; place the pre-audit certificate on the order to LB&B. Authorization should occur before the transaction takes place.
- Create a filing system that will make accounts payable and other information easily accessible.

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

February 4th, 2026

Edwin Strickland
NC ABC Board Auditor/Program Analyst
4307 Mail Service Center
Raleigh NC 27699-4307

Dear Mr. Strickland

We are responding to your Performance Audit Report dated September 23, 2025, and appreciate your 33-minute Virtual Meeting with our Board on December 4, 2025, explaining and discussing everything to us.

Shallotte ABC Board members and Staff carefully reviewed each page of your report and acknowledge and accept the items that need attention and your recommendations.

The Shallotte ABC Board members have all (3) taken the Oath of Office to be in compliance with G.S. 160A-61 and G.S. 11-7.

The Shallotte ABC Board has created a new Credit Card Policy to file with the Commission with guidelines of who can carry and use the card along with how it can be used.

Shallotte ABC Board members, General Manager and Finance Officer have all signed a Certificate of Accountability Form to be in compliance with State Regulations.

Authorization of the Preaudit Certificate/LB&B Order Edit List has been corrected by SGC and will now be signed before each order is sent to LB&B.

Should you have any other questions, please do not hesitate to call.

Thank you

Manager Arthur B Duncan III

Board Chairman Chris Lane

12 4 2025
Month Day Year

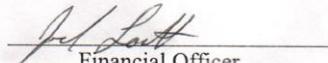
(Shallotte 094)
ABC Board

Certificate of Accountability

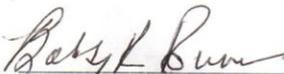
This document assures this Board and the State of North Carolina that the following statutory duties required of local ABC Boards have been properly performed.

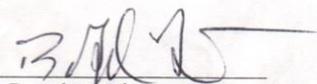
1. The system has complied with all State uniform pricing requirements pursuant to NCGS §18B-804.
2. That all alcoholic beverages sold have been approved by the Commission for sale in this State pursuant to NCGS §18B-800.
3. That all "gross receipts" pursuant to NCGS §18B-805(a) have been properly accounted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


General Manager


Financial Officer


Chairman


Board Member


Board Member

Board Member

Board Member