

Thomasville ABC Board

Performance Audit Report



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Alcoholic Beverage Control

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April 16, 2025

Thomasville ABC Board
Cranford Plyler III, Chair
1144 Randolph St
Thomasville, NC 27360

Chairperson Plyler,

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

Thomasville is a city in central North Carolina in Davidson County. The city was a major furniture manufacturing center and is nicknamed “Chair City”. It is the largest community in the county and part of the Piedmont Triad urban area. The city’s population per the 2020 census was 27,183 residents which was an approximate one- and one-half percent (1.5%) percent increase from 2010. The Thomasville ABC Board operates one (1) retail store and is one of three (3) boards with stores in the county. A county wide mixed beverage election passed in 2016, which also established a Davidson County ABC Board.

G.S. 18B-601 (c) authorized the town of Thomasville to hold an election for an ABC store. The referendum was held March 9, 1999, and passed 2,150 to 1,843. A mixed beverage election occurred on the same date and passed 2,084 to 1,777, with a county wide mixed beverage passing in 2016. The first retail sale occurred on November 15, 1999. Upon election of an ABC store, the town was authorized to create an ABC Board consisting of a chairperson and two members to serve for three-year staggered terms. Current board members are Cranford Plyler III (Chair), Neal Grimes, and Roger Bryant.

The last performance audit for the Thomasville 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 Wednesday, February 26, 2025, ABC Commission Program Analyst Edwin Strickland visited the Thomasville ABC Board and interviewed the General Manager, Leigh Ann Lowe, and the Finance Officer, Angie Shook. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



1144 Randolph St. Thomasville, N.C.

FINANCIAL ANALYSIS

INVENTORY TURNOVER

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

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

The Thomasville ABC Board receives two shipments monthly with a target inventory turnover rate of 5. The inventory rate in (FY) 2023-2024 was 6.9, which is above the goal.

PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

In fiscal year (FY) 2023-2024, the Thomasville ABC Board had an impressive profit percentage to sales ratio of 8.6%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales greater than \$2M is 6.5%.

- The Thomasville ABC Board's gross sales totaled \$5,716,188, which was an approximate .4% increase from the previous fiscal year.
- The board's sales have grown approximately 30% over the last five completed fiscal years.

Thomasville ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .59 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .73 or less.

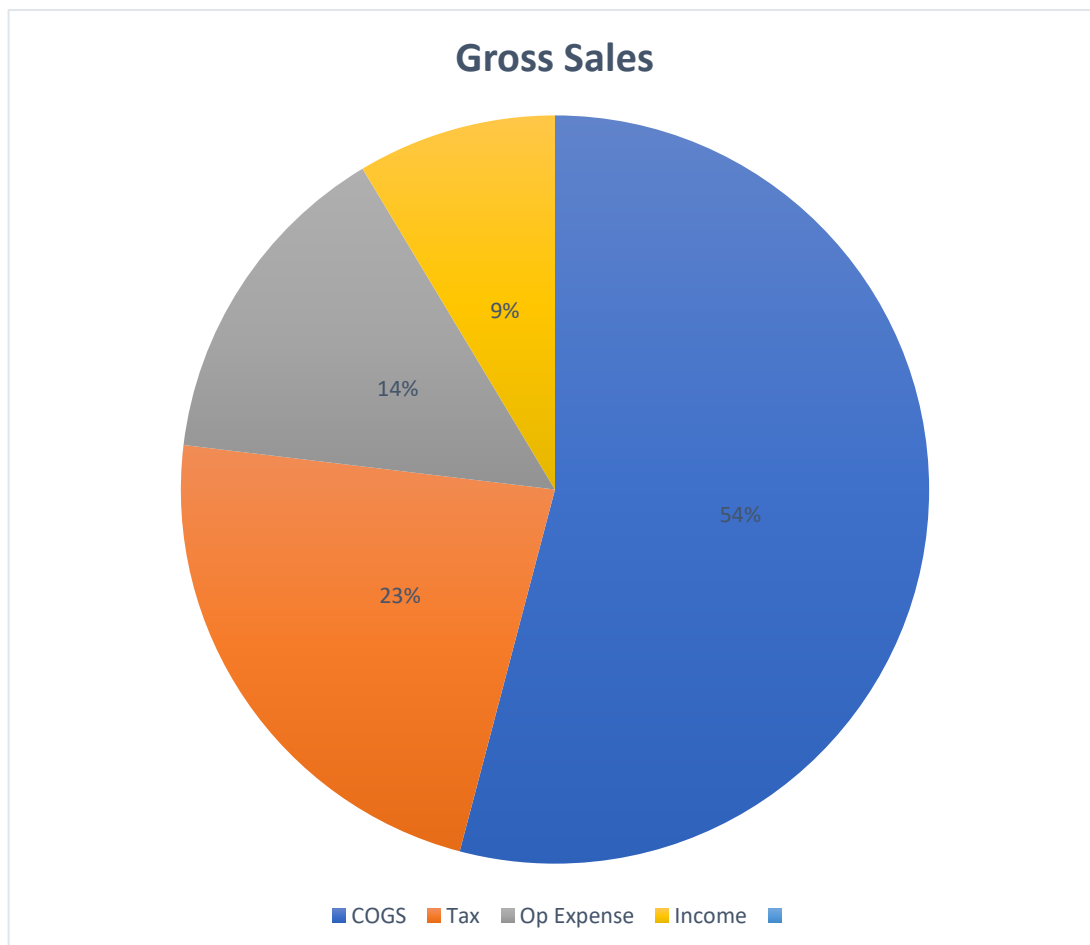
- Operating cost ratio is calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total operating expenses less depreciation/Gross Profit).

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

	FY 2023-2024	FY 2022-2023
Gross Profit on Sales	\$1,320,663	\$1,323,875
Total Operating Expense	(\$829,183)	(\$807,567)
Income from Operations	\$491,480	\$516,308

FINANCIAL ANALYSIS (cont.)

- *Factors affecting sales:*
 - Other ABC boards with stores within a 30-mile radius include Triad, High Point, Lexington, Greensboro, Asheboro, Randleman, Rowan-Kannapolis, and Davidson County.
 - A 4.1% unemployment rate in Davidson County in June of 2024 with a .6% increase from the previous year.
 - The board currently has approximately 13 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for nearly 6% of gross sales.*
- The chart below shows where portions of gross sales are expended or retained as income. COGS and primary distributions (Taxes) usually account for approximately seventy six percent (76%) of any board's gross receipts, with the remainder used to operate the system and as income. In turn, the income is then used to satisfy other statutory distributions and as working capital, capital improvements, or as additional distributions beyond the minimum requirement.

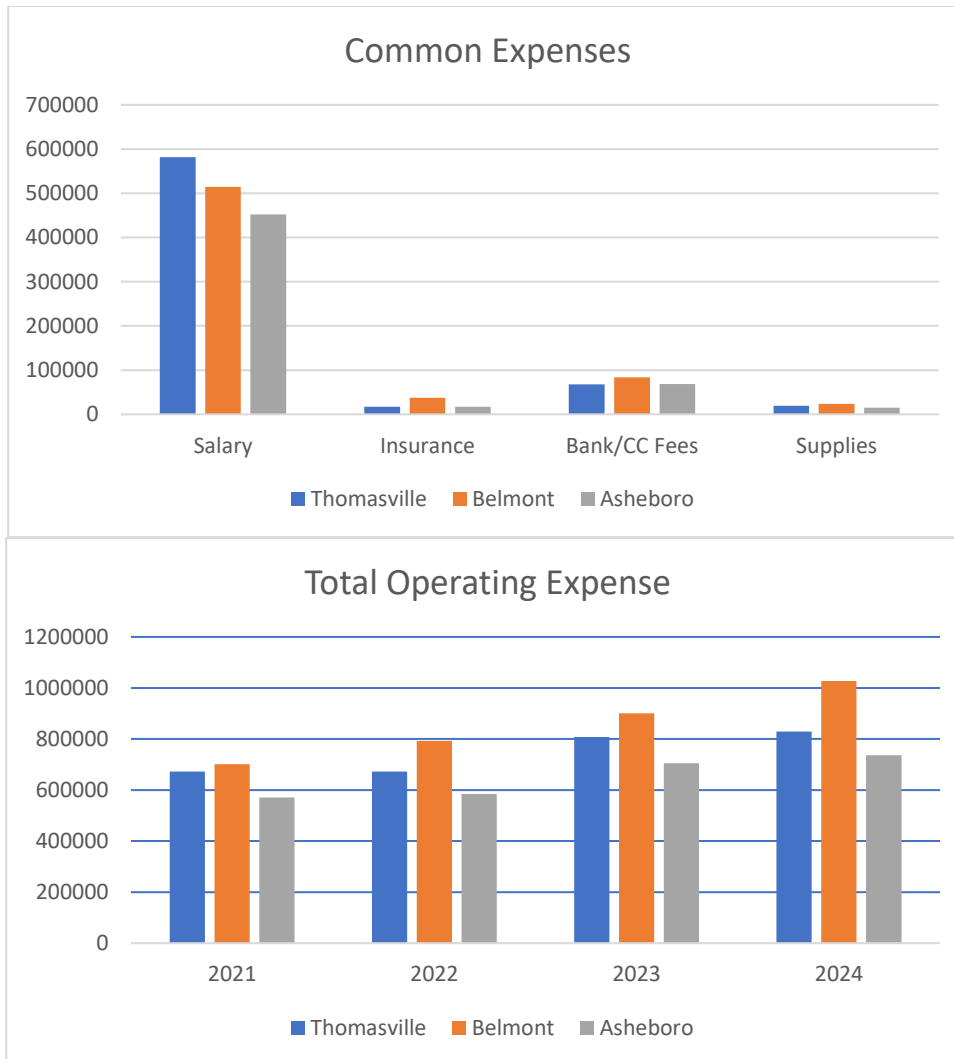


FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased less than three percent (3%) from the last fiscal year and were roughly fourteen percent (14%) of total annual sales in FY-23/24.
- Board salaries and wages were approximately ten percent (10%) of total annual sales. Salaries and wages increased by around three- and one-half percent (3.5%) from the previous fiscal year.
- Cost of Goods Sold (COGS) was roughly 54.1% for the fiscal year with a normal range being 52% to 54%.

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



BUDGET ANALYSIS

	FY 2023-2024 <i>Budget Projections</i>	FY2023-2024 <i>Actual</i>	Variance	Variance %
Total Revenues	\$5,757,931	\$5,734,285	(\$23,646)	(.4%)
Total Expenditures	\$5,281,731	\$5,220,830	\$60,901	1.2%
Distributions	\$474,180	\$561,928	(\$87,748)	(18.5%)
Revenue over or (under) Expenditures		(\$48,473)		
After Reconciling Items		\$33,181		

In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual sales revenues were .4% below final budget amendment. In addition, the net income change during the fiscal year was \$33,181. *The board's collective net position on June 30, 2024, was \$2,453,943; the net position has increased approximately 20% in the last five (5) fiscal years.*

Based on sales trajectory for the current fiscal year with seven months (58%) of the budget year completed, the board is tracking along very well at 61.5% 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, Thomasville ABC made other statutory distributions totaling \$561,928 (Net profit distribution recipient received \$509,880). The amount of \$1,301,023 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Davidson County.

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

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

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

NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Thomasville 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	\$161,379	FY-2024	\$509,880
FY-2023	\$160,984	FY-2023	\$510,031
FY-2022	\$156,334	FY-2022	\$507,967
FY-2021	\$154,390	FY-2021	\$385,000
FY-2020	\$126,581	FY-2020	\$330,707

WORKING CAPITAL

G.S. 18B-805(d) allows the board to set aside a portion of the remaining gross receipts, within the limits set by the rules of the Commission, as cash to operate the ABC system. The NC ABC Commission has set a working capital 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 Thomasville ABC Board is required to maintain a minimum working capital of \$169,814 with a maximum working capital amount of \$1,103,791. The Thomasville ABC Board had a working capital balance of \$914,982 which is 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:

Board Members

- The board consists of two members and a chairperson, each receiving compensation for their services at or below the maximum \$150.00 per meeting.
 - Board members are compliant on ethics training and all terms are appropriately staggered with end dates the same month and in sequential calendar years.
 - Members have a mix of multiple and initial appointments. *Board is anticipating a change for one member.*
 - Members have professional experience in law, business, local government, and one member serves on the city council.
- Members have taken an oath of office per G.S. 11-7. *Written copies of oath are available at the board's administrative office.*
- Meetings are generally held the third Tuesday of each month and public notices are posted on the town's website, with local media, and at the store.
- Meeting minutes are well organized and available and follow the order of proceedings, providing thorough detail of business discussed in a transparent and easily comprehensible manner.
 - Minutes reviewed contained all required notations including time and date, no conflict-of-interest statement, approval of previous meetings minutes, and were signed by chairperson and other members.
 - Full financial reports, payroll data, and law enforcement activities are provided and discussed at meetings in addition to other board business.
- The board's login website had been updated at and prior to Commission visit and contains accurate information pertaining to board members, personnel, and store location.
 - *The expectation going forward is that ABC boards will routinely manage this information online, and work to communicate with the Commission particularly when new members are added, or whenever any current serving members resign before a term has ended.*

Law Enforcement

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

Board Personnel

- The board currently staffs ten (10) total employees, with six (6) full time, and four (4) part time.
- General Manager has served in this role with the board for over twenty years and was a sales associate previously.
 - General manager is full time, and their salary is below the maximum allowable compensation per G.S. 18B-700(g1).
 - Their responsibilities include full oversight of all daily store operations, human resources, scheduling, ordering, payroll, taxes, and other administrative projects.
- The Finance Officer is full time and has a wealth of experience with the board.
 - Their responsibilities include billing and payables, deposits, distributions, and bank reconciliation.
- Both the finance officer and general manager have recently completed an ethics training course.
- The board has a lead sales associate who has been with the board for eighteen years.
 - They work with management to ensure tasks are completed, and to supervise activities in the warehouse and showroom.
- All other store employees are part- or full-time sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- Training for new employees is handled informally with the board's personnel manual covering many job descriptions and expectations.
 - The general manager has a booklet of scenarios used for training which direct employees on how to handle potential situations or customer behaviors.
 - Some staff members have attended RASP training, and the board has a training session scheduled in the next month.
 - A product knowledge booklet is reviewed during training and continually available to staff.
- Employee files are kept locked in the administrative office and include tax and other identification information, application, past performance reviews, disciplinary accounts, and personnel manual acknowledgment form.
- Full time employees are enrolled in LGERS.
- No conflicts pertaining to nepotism found and per discussion with general manager.

Policies

- The board has a thorough personnel manual which outlines many policies and behavioral standards. The manual is a modified version of the Commission's template, and an *updated copy is in Commission records retention*. Additional policies have been submitted for approval including:
 - LBD ordering and mixed beverage, price discrepancy, tastings, shelf management, and sales to minors. *The board has submitted amendments to their policies in previous years.*
- The board's personnel manual covers travel reimbursement guidelines. The board has limited travel in recent years, but key personnel will be attending the Association's meeting later this year.
 - The board has crafted a modified travel policy that generally conforms to their appointing authority's and is slated for an upcoming city council meeting for approval.
 - *Written confirmation of approval from the appointing authority should be provided to the Commission annually.*
- Additional policies could be considered including credit card usage.

Operations

- Inventory is conducted categorically each month.
 - The general manager coordinates and multiple personnel participate.
 - Scanners are used and discrepancies are investigated.
 - Adjustments are made by the finance officer and reviewed by the general manager.
 - A small sample of items were selected to verify accurate current inventory. Of those selected all items actual inventory matched the theoretical.
- Board receives deliveries for goods twice a month and warehouse loading dock accommodates pallet shipments.
 - Offload is counted with a unique sticker system and scanners are used for inventory.
 - Variances are reviewed by a second person and the general manager before sending notification to LB&B.
- All mixed beverage accounts have a binder for invoices.
 - Pick ups are made in the warehouse section of the store on a different register.
 - The board has a delivery policy but does not currently have interest from accounts.
- General manager makes liquor order by reviewing monthly sales and current inventory.
 - Manager utilizes a spreadsheet for verifying current and on-coming special pricing.
 - *The board recently helped to uncover fraudulent activities effecting a major supplier which will help prevent further incidents for other boards throughout the state.*
 - Allocated products are offered to mixed beverage customers and the board has different methods for other products including random shelving.

Financial, Administrative, and Internal Controls

- Invoices for liquor are usually processed monthly for two deliveries.
 - A sample of check payment dates were reviewed and indicated invoices were paid within the thirty-day requirement.
- Board's checks have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - The finance officer and a board member countersign all checks.
- Pre-audit stamp verification is being implemented on liquor orders and other purchase invoices.
- The general manager has a credit card used primarily for recurring subscriptions, and supplies.
 - *Board members initial receipts, purchases are limited to less than \$500.00 without prior approval, and the finance officer preaudits purchase agreements.*
- Deposits are made daily for the previous business day. Each register's cash is left in a bank bag and the deposit is compiled and verified by at least two team members. The change fund and safe are counted multiple times daily and a log for initials is maintained. Deposit slips and other banking information are retained at board and the finance officer conducts month end reconciliation.
 - The board supplies monthly reports to their CPA to promote accuracy and transparency.
 - *A review of one month's deposit information was conducted, and no discrepancies were found between deposits and register receipts.*
- The board has up to three registers in their retail area and another for mixed beverage. Tills begin with \$100.00 and are counted by multiple team members.
 - The board has a shortage policy included in their personnel manual.
 - Store has a change fund and no petty cash.
- All funds are kept in a pooling bank approved by the North Carolina Treasury Office.
- Payroll is bi-weekly and processed by the general manager using Traverse.
 - Staff clock in through computer system and the general manager is responsible for rate changes which are approved by the board.
 - Some overtime pay is extended to the board's lead sales associate.
- Board keeps records for unsaleable merchandise reports and emails copies of the claims to the Commission regularly in compliance with NCAC 15A .1701(c).
- The board receives reports describing expenditures of funds from their alcohol education and rehabilitation recipients and the county for their distribution in compliance of G.S. 18B-805(h).
- The annual CPA audit was received by the Commission on August 29, 2024.
- All board members and all store employees are each bonded for \$50,000 per G.S. 18B-700(i).
- Board has an approved code of ethics policy on file with the Commission.

STORE INSIGHT & OVERVIEW

- The board's store and administrative office is in a highly commercial area with many retail outlets and is near the city's busiest interstate exit.
 - There are easily viewable building and street signs, and the store has a second story front tower façade which is viewable from a distance.
 - There is ample parking and entries to the parking area from different roads.
 - Outside area surrounding the store is well-maintained and free of debris or trash.
- The interior retail area and warehouse are well lit and organized.
 - Show room space is maximized and has an aesthetically pleasing and modern layout.
 - The Fetal Alcohol Syndrome poster required by G.S. 18B-808 is displayed, and the quarterly price book is available.
 - The loading dock allows for easy accessibility and offload for deliveries.
- Shelf management practices are fully implemented, and a written plan is now available for store personnel which corresponds with NCAC 15A .1708.
 - Products are fronted and dusted and are placed within designated categories.
 - 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.
- Management utilizes bright yellow self-made signs to highlight special pricing and has additional signs for out-of-stock skewers (SKUS).
- Sales associate interactions with customers are attentive, courteous, welcoming, and all 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 item's prices were accurately posted.
 - Board uses scanners at beginning of the month to minimize inaccuracies.
 - *Price discrepancies are handled in the customers favor if the shelf tag were to be lower than the current price mandate.*
- Store is generally open from 9:00 am until 9:00 pm daily. They are currently closed every Sunday, the five (5) previously required annual holidays, Martin Luther King Jr. Day, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *The store has twenty-eight cameras, panic buttons, and a magnetic door lock on entry way.*

RECOMMENDED ACTIONS (PER STATUTES OR COMMISSION RULES)

- 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. *The General manager indicated post Commission visit they will work on a policy for the board to consider.*
 - A previously board approved credit card policy was located post Commission visit which adheres to current procedures and is now in Commission records retention.
- The board must annually obtain approval from the appointing authority to adhere to their local government travel policy and annually provide the Commission a copy of this approval per G.S. 18B-700(g2). *Prior to Commission visit, the board had already arranged to be included in their appointing authority's upcoming board meeting to request approval of their travel policy.*
- 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 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. *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.*
- All board members, general manager, and finance officer are required to complete ethics training within one (1) year of their appointment (reappointment) date per G.S. 18B-706(b). *Completion certificates should then simply be forwarded via email to the Commission.*

- ABC boards are encouraged to closely review financial statements monthly, comparing with the annual budget forecast, approving budget amendments when necessary and submitting copies to the Commission for anticipated sales increases as well as other adjustments for budgeted accounts.
- ABC boards are 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*.
- With the anticipated construction of a new warehouse in the foreseeable future, boards should evaluate the need for updates or expansions to efficiently accommodate the expected increase in products and availability
- Cross training opportunities for personnel should be maximized to ensure solid continuity of operations occurs for ABC boards. Also, training opportunities can work well to develop store employees for increased responsibility roles and serving to make both the routine operations and employee morale stronger.
- ABC boards can explore additional training opportunities periodically available through the ABC Commission Education Outreach as well as partnering with other ABC boards or the Association of ABC Boards on specific areas such as best retail and marketing practices.

Please network with the ABC Commission whenever needed for guidance and assistance to support local ABC board mission and success.

PREVIOUS PERFORMANCE AUDIT RECOMMENDATIONS (2015)

- Have all reappointed board members complete the ethics requirement within 12 months of appointment.
- Consider additional training opportunities through the Commission, such as the Responsible Alcohol Sellers Program, and other Commission-approved courses.
- Follow the proper procedures when entering into closed session and taking minutes.

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

Appendix A

Program Analyst's Summary

The performance audit findings were presented to the Thomasville ABC Board on March 25, 2025. The Board agreed with the report as presented and had addressed both recommendations prior to the conclusion of the review. The Board will continue to operate within the laws and regulations of the state and remains committed to striving for improved performance and service to their city.