

Warsaw ABC Board

Performance Audit Report



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Alcoholic Beverage Control

September 24, 2025

CHAIRMAN:

Hank Bauer

Warsaw ABC Board

COMMISSIONERS:

La'Tanta (L.T.) McCrimmon
Raleigh

Joal Smith, Chair

114 S. Pine St.

Warsaw, NC 28398

David Sherlin

Raleigh

Chairperson Smith,

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 Warsaw 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

Warsaw is town in southeastern North Carolina and was incorporated in 1855. It is the largest community entirely within Duplin County as the neighboring town of Wallace has a portion of their residents living in Pender County. The town's population per the 2020 census was 2,733 residents, down over 10% from 2010. The Warsaw ABC Board operates two (2) retail stores and is one of three boards with stores in the county.

Chapter 1004 of the 1965 Session Law authorized the Town of Warsaw to hold an election upon a written petition signed by at least twenty-five percent of voters. The referendum was held on November 9, 1965, and passed 212 to 97. The first retail sale was December 1, 1965. A mixed beverage election was held on December 11, 1999, and did not pass. Another election was held on March 6, 2001, and passed 204 to 91.

Upon election of an ABC store, the Town of Warsaw was authorized to create an ABC Board consisting of a chairman and two members to serve for three-year terms. Current board members include Joel Smith, Chair, William Herring, and James Fredrick Jr.

The last performance audit for the Warsaw ABC Board concluded in 2017. 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 Thursday, June 19, 2025, ABC Commission Program Analyst Edwin Strickland visited the Warsaw ABC Board and interviewed the General Manager, Mable Jones. Below is a financial analysis followed by operation observations, findings, and recommendations related to the performance audit.



114 S. Pine St.



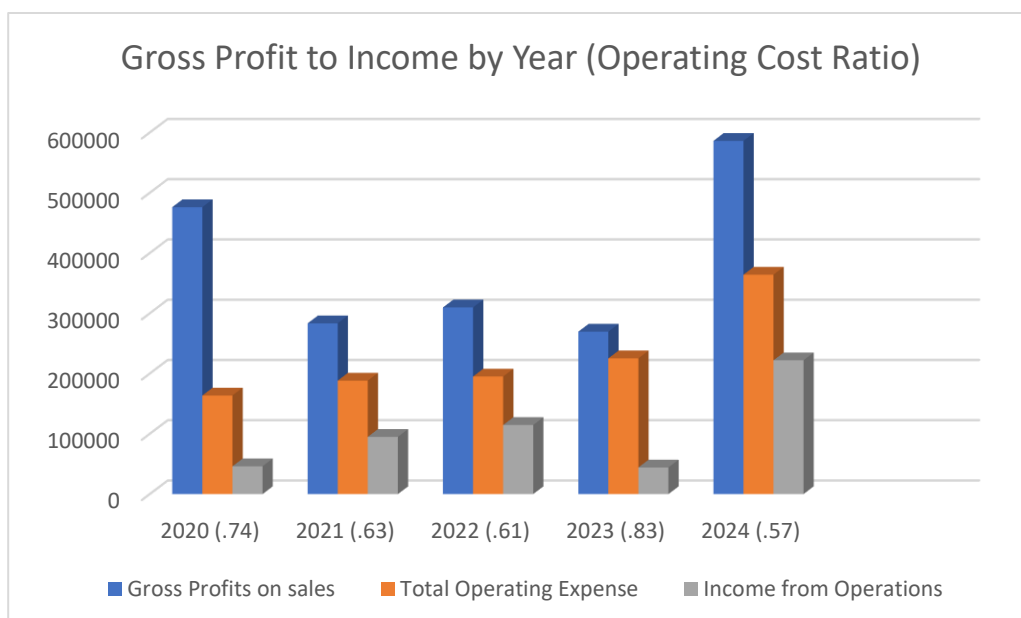
2715 NC Hwy 24.

FINANCIAL ANALYSIS

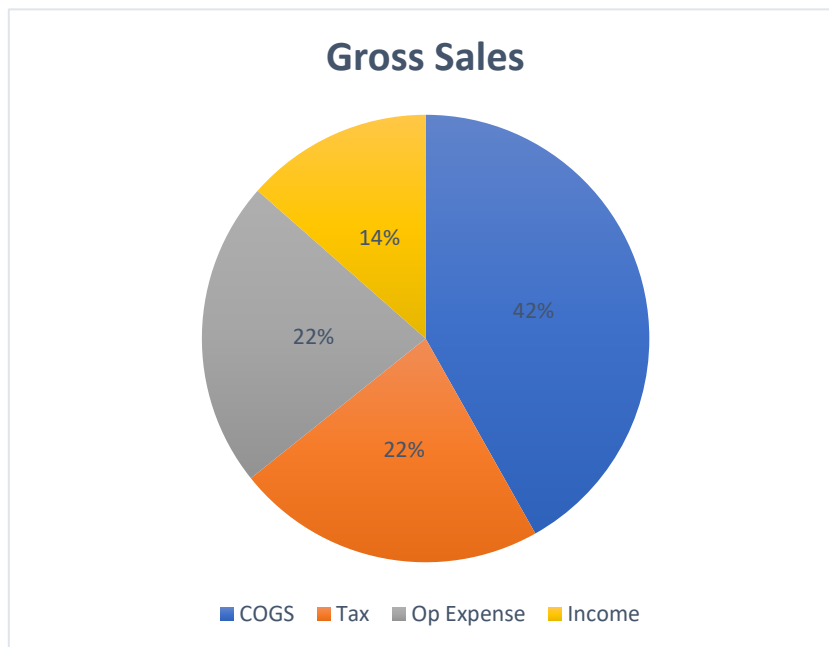
PROFIT PERCENTAGE TO SALES & OPERATING COST RATIO

- In fiscal year (FY) 2023-2024, the Warsaw ABC Board had a profit percentage to sales ratio of 13.54%. The NC ABC Commission profit to sales standards for ABC Boards with gross sales less than \$2M is 5%.
 - The Warsaw ABC Board's gross sales totaled \$1,639,821 which was an approximate 41.5% increase from the previous fiscal year.
 - The board's sales have grown almost 85% over the last five completed fiscal years.
- Warsaw ABC Board operates one retail store with mixed beverage sales. The operating cost ratio for the board was .57 in FY 2023-2024. The NC ABC Commission standard for ABC Boards with one or two stores and mixed beverage is .73 or less. *The operating cost standard for boards with no mixed beverage sales is .85 or less. In FY 23/24 mixed beverage sales accounted for .3% of the board's sales.*
 - 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 Warsaw ABC Board meets both the profitability and the operating cost standards 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	\$586,136	\$269,520
Total Operating Expense	(\$364,078)	(\$225,301)
Income from Operations	\$222,058	\$44,219



- 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.



- *Factors affecting sales:*
 - Other ABC boards with stores within a 30-mile radius include Kenansville, Wallace, Roseboro, Newton Grove, Clinton, and Wayne County.
 - A 3.6% unemployment rate in Duplin County in June of 2024 with a .2% increase from the previous year.
 - The board currently has 3 active mixed beverage customers. *In FY 2023/2024 mixed beverage accounted for .3% of gross sales.*

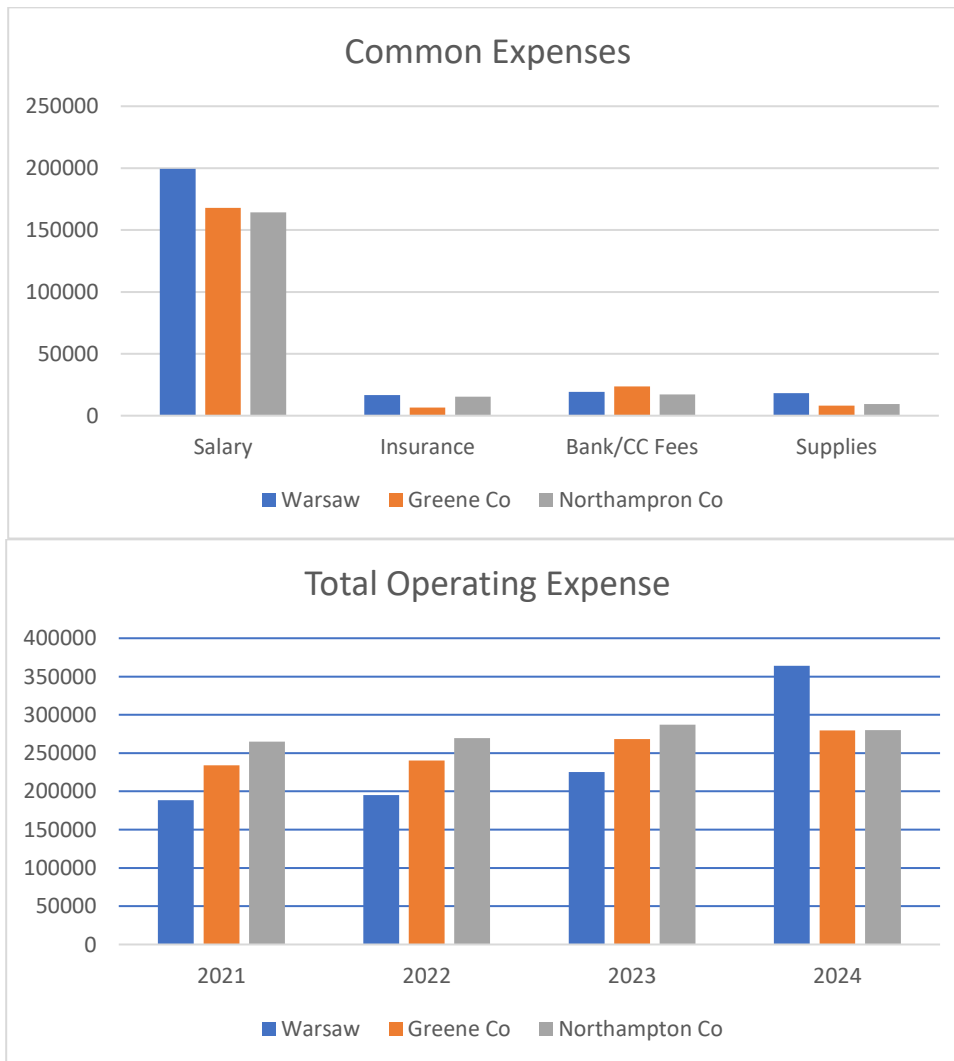
INVENTORY TURNOVER

- 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 Warsaw ABC Board receives shipments twice monthly with a target inventory turnover rate of 5. The inventory turnover rate in (FY) 2023-2024 was 1.7, which is below the goal. *The opening of a second store vastly impacted inventory turnover this fiscal year.*

FINANCIAL ANALYSIS (cont.)

➤ *Factors affecting expenses:*

- Total operating expenses increased approximately sixty-two percent (62%) from the last fiscal year and were more than twenty-two percent (22%) of total annual sales in FY-23/24.
 - Board salaries and were around twelve percent (12%) of total annual sales. Salaries and wages increased around fifty percent (50%) from the previous fiscal year.
 - Cost of Goods Sold (COGS) was roughly 41.8% for the fiscal year with a normal range being 52% to 54%. *COGS were low partially due to some unpaid invoices.*
- A common expense report and a total operating expense report show the Warsaw ABC Board has similar or higher categorical and 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>	<i>FY2023-2024 Actual</i>	Variance	Variance %
Total Revenues	\$1,710,000	\$1,639,839	(\$70,179)	(4.1%)
Total Expenditures	\$1,693,655	\$1,594,296	\$99,359	5.9%
Distributions	\$16,345	\$14,007		
Revenue over or (under) Expenditures		\$31,536		
After Reconciling Items		\$149,809		

- In reviewing the budget to actual analysis of the FY 2023-2024 financial audit, actual total revenues were 4.1% below final budget amendment and total expenditures were 5.9% below.
 - The net income change during the fiscal year was \$149,809. *The board's collective net position on June 30, 2024, was \$645,781; the net position has increased almost 132% over the last five (5) fiscal years.*
- Based on sales trajectory for the current fiscal year with eleven months (92%) of the budget year completed, the board is tracking at almost 74% 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, Warsaw ABC accrued funds for other statutory distributions totaling \$14,007 (Net profit distribution recipient received \$0).
- The amount of \$368,800 in primary distributions and other taxes were paid to the NC Department of Revenue (NCDOR), DHHS, and the county commissioners of Duplin County.
- *Per the local enabling act, the distribution formula for recipients of net profits is as follows:*
 - 55% to Warsaw General Fund
 - 35% to Duplin County General Fund
 - 10% to Duplin County for drainage control

DISTRIBUTIONS (cont.)

➤ STATUTORY DISTRIBUTIONS:

- Net Profit Distributions – The Warsaw ABC board has not made net profit distributions for the last five (5) fiscal years over 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 accrued for disbursement at or above the standard 5% statute amount over the last five (5) FYs.
- Alcohol Education Distributions: Have been accrued for disbursement at or above the standard 7% statute amount the last five (5) FYs.

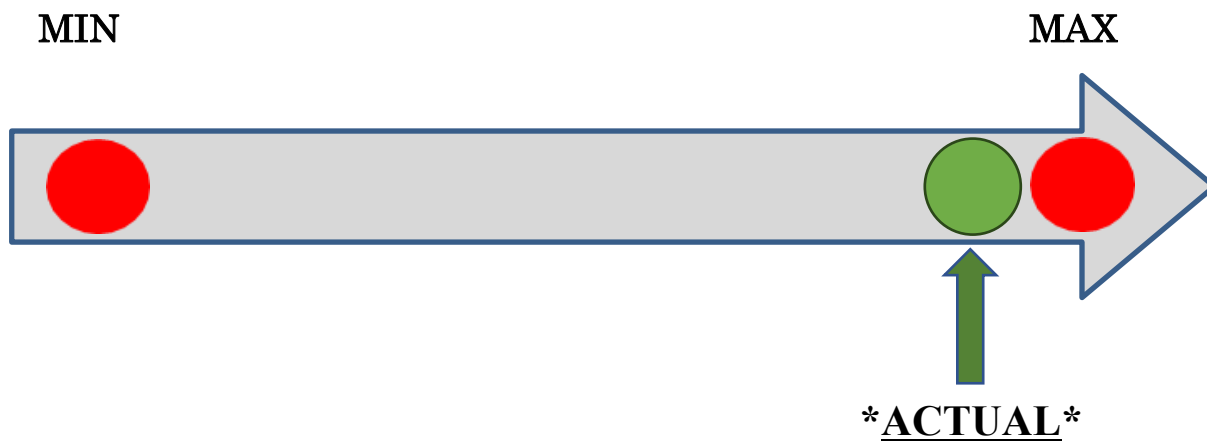
NC GENERAL STATUTE: 18B-805 (c)(1)			
Calculation of Minimum Mandatory Distribution for Net Profit to Designated Recipients		Warsaw ABC Board Net profit distribution made annually by fiscal year	
<i>Note: Referencing CPA Audit Reports</i>			
Calculated Amount		Total paid to recipient(s)	
FY-2024	\$47,095	FY-2024	\$0
FY-2023	\$33,837	FY-2023	\$0
FY-2022	\$34,987	FY-2022	\$0
FY-2021	\$36,214	FY-2021	\$0
FY-2020	\$22,248	FY-2020	\$0

- While alcohol education and law enforcement distributions have been accrued to meet statutory requirements, the board did not make a distribution in FY 23/24.
- Since inception, the board has made distributions to the Town of Warsaw in the amount of \$455,468 and Duplin County in the amount of \$372,656.

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 Warsaw ABC Board is required to maintain a minimum working capital of \$48,868 with a maximum working capital amount of \$423,522.
 - The Warsaw ABC Board had a working capital balance of \$400,981 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.

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. Members receive compensation for their services at or below the maximum \$150.00 per meeting.
 - Current board member terms are staggered to comply with G.S. 18B-700(a).
 - Board members are currently compliant on ethics training with one newly appointed member needing to satisfy the requirement in the coming months.
 - The Chairperson has served multiple terms, and the members are each serving in their first term, with one recently appointed member finishing the term for a long serving member who resigned their position.
 - Members have professional experience in business, management, and farming.
- Members may not have taken an oath of office per G.S. 11-7. *Copies of oaths should be kept available at the board's administrative office.*
- Meetings are generally held the fourth Wednesday of each month and public awareness is given to the town yearly. *The town's website posts meeting dates and location but currently doesn't have 2025 updated.*
- Meeting minutes are mostly available and generally follow the order of proceedings. The minutes review and approve previous meeting's minutes, and most included the no-conflict of interest statement.
 - Financial reports are provided by the general manager and are discussed at meetings to include P&L for month and year to date, budget comparisons, bank account reconciliation, and sales reports for all boards.
 - 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 location.

Board Personnel

- The board currently staffs ten total employees with four full time, some of which work closer to thirty hours weekly, and six part time.
- General Manager has been with the board for around eighteen years and has been in their current role for approximately nine years.
 - General manager is full time, their salary is below the maximum allowable compensation per G.S. 18B-700(g1), and they are compliant on ethics training.
 - They are responsible for oversight of all board operations and most administrative and financial activities.
- The Finance Officer has been with the board for approximately five years and has been designated as the finance officer in the past year.
 - Their responsibilities include recording deposits, counting the safe and tills, and working in the store(s).
- The board does not currently have an officially designated manager for store #2. *Board should verify compliance with G.S. 18B-803(a) regarding a designated store manager.*
- The board contracts with the city for casual labor utilized for truck deliveries.
- All other store employees are sales associates and primarily responsible for providing friendly customer service, general store cleaning and upkeep, and stock maintenance.
- Training is provided to new employees from management and seasoned personnel and is on the job and mentorship styled with an immediate emphasis on appearance and shortages.
 - RASP training has recently been extended to employees with, perhaps, half the staff having attended.
 - The board has a zero-tolerance policy for underage sales and each team member has signed the policy.
 - Product knowledge training is provided from in house conversations and by the manager educating staff on new products.
- Employee files are kept locked in the administrative office and include tax information, application, a pre-employment test, and signoffs for new policies.
- 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 that details various work requirements, behavioral standards, leave and other benefits, scheduling and holidays, register shortages, and all additional requirements of Rule 15A .1006.
 - The personnel manual is a paper copy and has been edited with handwritten changes. The current copy follows the template provided on the Commission's website with some alterations. *The board should update their manual to include any changes and forward a digital copy to the Commission for records retention.*
- Additional policies in Commission records include a shelf management plan, mixed beverage sales, cross training, and a credit card acceptance policy.
- Additional policies could be considered including credit card usage, tastings, and employee tastings.
- For travel, the board has chosen to follow a travel policy that conforms to their appointing authority's. For compliance with G.S. 18B-700(g2), the board should submit a copy of the policy and a written confirmation of an approval from their appointing authority to the Commission annually.

Law Enforcement

- The board has a law enforcement contract with the City of Warsaw Police Department from 2024 in Commission records.
- Law enforcement reports are submitted regularly by the general manager but contain no data from the police department.
 - The board should work with their law enforcement agency to ensure compliance with the reporting of applicable data for accountability as required by G.S. 18B-501(f1).

Operations

- Board personnel conduct full inventory, usually, quarterly.
 - The general manager conducts spot checks every two weeks.
 - Counts are made using scanners and multiple team members participate.
 - Variances are reviewed by the general manager, to include transfers, and adjustments are made after full review.
 - Strategies for slow moving products include moving to a table near the front of the store(s) and price reductions.
 - At Commission visit, a sample of items were selected to verify accurate current inventory. Of those selected all items actual inventory matched the database's theoretical inventory.
- Board receives deliveries for goods on the first and third Fridays of each month at both of their stores.
 - Pallets are dropped and scanners are used for offload.
 - Variances are reviewed and recounted by multiple team members before sending notification to LB&B.
- The general manager makes the liquor order by reviewing each item and comparing the thirty-day sales to the current stock status. Special pricing and special orders are considered routinely.
- Allocated products are available for mixed beverage accounts and others are shelved or local customers are altered when they arrive.
- The board does not have a website and is working to gain control of a Facebook page made by a previous employee.
- The board keeps thorough records for the destruction of unsaleable merchandise reports and unprocessed and historical records for these reports are available.
 - While having submitted reports on some occasions, board personnel should work to reestablish full compliance with NCAC 15A .1701(c), and email copies of the reports to the Commission at least quarterly.
- The board currently has three mixed beverage customer accounts.
 - Invoices are provided to permittees at the time of the transaction and one copy is retained in a separate file.
 - The board stamps bottles in the manner required by NCAC 15A .1901.
 - Two mixed beverage accounts often pull their own products, with the third calling in their orders.
 - Board personnel verify the purchases against the POS before finalizing the transaction.
 - The board does not deliver or have delivery requests.

Financial, Administrative, and Internal Controls

- Invoices for liquor are processed weekly by the general manager who staggers the payments to allow for available funds.
 - The board is working to satisfy some delinquent invoices that were unpaid by the board's previous finance officer.
 - *A small sample of invoices were checked and indicated payments submitted within the thirty-day requirement.*
 - *The Commission has received some correspondence from suppliers regarding late payments.*
- The board's checks have the required disbursement certificate in compliance with G.S. 18B-702(q).
 - Checks are signed by the general manager and a board member.
 - *The board should consult G.S. 18B-702(p) to verify full compliance with signatures.*
- A preaudit certificate is not used on purchase orders or liquor orders in compliance with G.S. 18B-702(m). *For liquor orders, this could most reasonably be accomplished by stamping the order edit list before the final order is placed.*
- The board has a credit card in possession of the general manager who keeps records and receipts for all purchases which are available in board records for audit purposes.
 - The board should consider adopting a written credit card usage policy.
- The board has a change fund and does not use petty cash.
- The stores have two or three registers with tills beginning at either \$100.00 or \$200.00.
 - Tills are verified at the beginning and end of shifts.
 - Each clerk completes a daily bag sheet which accounts for all coins and currency.
- A similar deposit worksheet is utilized, and deposits are made on the following business day.
 - The general manager makes the deposits, and the finance officer enters data.
 - *A sample of recent deposits were reviewed and matched with cash register tapes with no significant variances.*
 - Deposit receipts and register reports are deliberately left in the board's administrative office should members wish to review.
 - The general manager conducts month end reconciliation.
- Funds are kept in a pooling bank(s) approved by the North Carolina Treasury Office.
- Payroll is processed weekly by the General Manger using QuickBooks.
 - Team members use the board's POS system for tracking time worked.
 - The general manager reviews and issues paper checks which are signed by a board member.
 - *A review of recent payroll records indicates accurate pay rates as entered on the board website for board members and the general manager.*
- The board has accrued funds for alcohol education but did not make a distribution in the FY 23/24.
 - The board will now be distributing their alcohol education funds to the Warsaw police department who did supply a report to the board on how funds were spent.
- The annual CPA audit was received by the Commission on September 20, 2024.
- All board members and the general manager and finance officer are each bonded for \$50,000 per G.S. 18B-700(i). *The board should verify compliance with G.S. 18B-803(b) once an additional store manager is established.*

STORE INSIGHT & OVERVIEW

- The board's store #1 and administrative office is located near the center of town in the business district.
 - The building is free standing and has signage on the front and a street sign near the road which is faded and worn.
 - Parking is limited but generally adequate, with bollards installed near the doors for pedestrian safety.
- The board's store #2 is located near an interstate exit in an area with other stores and restaurants.
 - The store opened in October of 2023 and has excellent signage on the road and building.
 - The building is free standing and has ample parking to include space for trailers or boats.
- The retail areas and warehouses at both stores are well lit and organized.
 - Floors and shelves are clean.
 - Both stores have categorical signage, and space is maximized but still allows for easy flow for patrons and staff.
 - The Fetal Alcohol Syndrome posters required by G.S. 18B-808 are displayed.
 - Quarterly price book is kept at the counters for customers.
 - Outside areas around the buildings are free of trash and debris.
 - North Carolina products are mixed throughout the stores.
- Shelf management practices are implemented, and a plan is available.
 - Products are fronted and dusted, and most are placed in categorized areas.
 - Premium products are generally found at eye-level or top shelf.
 - Bottles are, mostly, arranged so they increase in size left to right of the same item.
 - Specially colored shelf tags are used to highlight quarterly and monthly special pricing.
- Sales associate interactions with customers are attentive, courteous, and the staff is eager to meet the needs of the customers. *All staff is aware that loitering is prohibited.*
- A sample of approximately 100 items were selected to determine if uniform pricing is displayed. Of those selected, all items across both stores 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.
- Tastings have been held at store #1 and will be considered in the future.
- Store #1's hours are from 10:00 am until 8:00 pm Monday through Thursday and from 9:00 am until 9:00 pm on Friday and Saturday.
- Store #2's hours are from 11:00 am until 8:00 pm Monday through Thursday and from 9:00 am until 9:00 pm on Friday and Saturday.
- They are currently closed every Sunday and the five (5) previously required annual holidays, Easter Monday, and Memorial Day.
- Security systems are in place and functional in all designated areas.
 - *The stores have cameras, alarms, and panic buttons.*
 - *Cameras can be viewed in the office and showroom and the board's store #2 has implemented a locking system for staff to remotely lock the doors.*

RECOMMENDED ACTIONS (STATUTES OR COMMISSION RULES)

- 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.*
- For full compliance with G.S. 18B-803(a)(b), the board should employ a store manager for each store it operates, and ensure each manager is bonded in an amount not less than fifty thousand dollars (\$50,000).
- 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). *NOTE: As another option the board can alternately adopt the official State of NC government travel policy referenced under G.S. 138-6. This would allow the board an option to eliminate the annual travel policy update requirement by instead formally adopting the state government travel policy at an official board meeting and providing a copy of minutes to the Commission.*
- The board should re-establish full compliance with G.S. 18B-702(m) preaudit approval certificate to take substantially the following form on checks, "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.*
- While the board does maintain excellent records of credit card use, the board should craft a written 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. Additionally, the board should work to ensure their personnel manual is updated and a digital version of the manual and any other policies are provided to the Commission in accordance with Rule 15A .1102.
- While the General Manager has been routinely submitting law enforcement reports, the board should work with their contacted law enforcement agency to re-establish accountability reports that comply with the stipulations in G.S. 18B-501(f1).
- When applicable, ensure unsaleable merchandise (breakage) reports are submitted to the Commission quarterly. NCAC Rule 15A .1701(c) requires quarterly reports be submitted for any unsaleable merchandise and retain original copies for three (3) years.
- 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.
- When sales increase and profits are generated, begin making plans to distribute quarterly the 3.5 % markup, law enforcement, and alcohol education distributions.
- 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.
- While already being addressed in the board meetings and sometimes in meeting minutes, the board should ensure official meeting minutes include the no conflict of interest statement referencing G.S. 18B-201(f) for each meeting.
- The board is currently and has been working to satisfy previously unpaid liquor invoices. The board should continue implementing practices to help ensure distiller's invoices are paid within thirty days for full compliance with Rule 15A .1406.
- Board should consider updating their street sign at store #1 as it is faded and worn referencing Rule 15A .1703(b)(2).
- 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 (2017)

- To increase sales, consider effective practices to generate more revenue such as:
 - Extending store opening hours to attract customers traveling to other areas.
 - Utilize resources that would provide effective practices, i.e. shelf management, customer service, and inventory management, using the board's sales history.
 - Create an ABC Board website that displays store hours, board meeting notices, sales pricing information
 - Have a feasibility or economic study completed to determine whether or not relocating the store to the interstate would increase sales sufficiently to offset the additional operating costs.
 - Contact neighboring systems to inquire about selling off discontinued or slow-moving products or ask for a price reduction from the NC ABC Commission.
- When sales increase and profits are generated, begin making plans to distribute quarterly the 3 ½% markup, law enforcement, and alcohol education distributions.
- Adopt a law enforcement contract between the Warsaw ABC Board and a law enforcement agency that would provide alcohol enforcement within the town limits and detailing if profits are generated, a distribution will be made.
- Continue to offer cross training in key areas of operation to capable and skilled staff so that in the event the general manager is suddenly unavailable store operations can continue without interruption.
- Have all new and reappointed board members to complete the required ethics training. G.S. 18B-706 (b) states, "Each member of a local board shall receive a minimum of two hours of ethics education within 12 months after initial appointment to the office and again within 12 months after each subsequent appointment to the office. The ethics education shall cover laws and principles that govern conflicts of interest and ethical standards of conduct for local ABC boards."

While having addressed many considerations from previous Commission review (2017), board should still monitor and strive to satisfy previously noted recommended actions.

WARSAW ABC BOARD

114 S. Pine Street

Warsaw, NC 28398

September 22nd, 2025

NC ABC Commission

400 E. Tryon Rd.

Raleigh, NC 27610

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

The board members have taken an oath office and was sword in by the city mayor. These oaths have already been forward to the Commission. In the future the mayor will have them sworn in as they are the appointed by the local town board.

The Warsaw ABC Board has appointed Ms. Kaylee Haper as store manager at the second store; Kaylee has worked in the second store ever since opening in 2023 and has been a great asset to the business.

The general manager's office is located at 114 S. pine street (store one); she manages store one has she has the last 9 years.

The Warsaw ABC Board has been accustomed to using the local government travel policy: which has not been updated since 1970. The Warsaw ABC Board has temporally adopted the state travel policy until the town board as a chance to update their travel policy at which time the policies will review by the board and for a permeant decision.

The Warsaw ABC Board finance officer is reviewing and stamping and signing off on all purchase's orders.

The Warsaw ABC Board has adopted a Credit Card Policy, which has been forward to the Commission.

The general manager has spoken to the local acting police chief and has expressed concerns about the monthly law enforcement report. She has given them a copy of what needs to be in the report. The manager calls on the first day of the month, to remind them of the report is due by the 10th. She also goes to the police department on the 9th of the month to pick up the report.

The Warsaw ABC Board has instructed the general manager to fax all claims and breakage reports at the end of a quarter.

The Warsaw ABC Board, general manager and finance officer, has signed an accountability statement and has forwarded it to the Commission.

Sincerely

A handwritten signature in cursive script that reads "Mable Jones". The signature is written in dark ink and is positioned above the printed name.

Mable Jones GM

Warsaw ABC Board

7 23 2025
Month Day Year

Warsaw
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).

Mable James
General Manager

Muriel Ows
Financial Officer

Joe N. Smith
Chairman

Bill A. Hays
Board Member

Board Member

James A. Frederick
Board Member

Board Member