

Wingate ABC Board

Performance Audit Report



Alcoholic Beverage Control Commission
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ABC
COMMISSION
NORTH CAROLINA



ABC

COMMISSION
NORTH CAROLINA

Alcoholic Beverage Control

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COMMISSIONERS:
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Your Name
Director
Permit Division
(this is editable)

September 3, 2013

Wingate ABC Board
Ms. Elizabeth Hyatt, Chairperson
PO Box 956
Wingate, NC 28174

Dear Ms. Hyatt,

We are pleased to submit this performance audit report on the Wingate ABC Board. The objective of this audit was to examine existing policies, practices, and controls and to provide recommendations on methods to improve operating efficiency at the ABC Board in accordance with new legislative mandates.

The report consists of an executive summary, background information, operational findings and recommendations along with your response to our recommendations. This report will be posted on the Commission's public web site.

We would like to thank you, the ABC Board and your staff for the assistance and cooperation provided to us during the audit. Additionally, we appreciate the efforts that your Board has made to be in compliance with the new performance standards along with the other statutes and regulations pertaining to ABC Boards since opening in June 2012.

If we can be of assistance in the future, please advise.

Respectfully,

Michael C. Herring
Administrator

CC. North Carolina Association of ABC Boards

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EXECUTIVE SUMMARY

By state law, the ABC Commission shall ensure that all local ABC Boards comply with established performance standards by conducting regular performance audit evaluations. Performance standards shall include, but are not limited to, standards that address enforcement of ABC laws, store appearance, operating efficiency, solvency, and customer service. Performance audits are examinations of existing operating policies, practices, controls, and activities to determine those areas in which there may be a need for improvements. This audit was conducted in accordance with Government Auditing Standards. This report details findings and recommendations with regard to organizational and operational issues.

To achieve the objectives of the audit, ABC Commission staff

- Reviewed applicable General Statutes, ABC Commission Rules, and administrative policies;
- Reviewed applicable reports and studies of ABC boards with similar size and geography;
- Verified compliance with Commission and Board policies;
- Reviewed organizational chart and job descriptions;
- Reviewed ABC store annual audit for the fiscal year 2012;
- Visited the store;
- Interviewed key ABC board personnel.

The Wingate ABC Board has responded to the performance audit recommendations and is striving to improve profitability through analyzing and reducing current costs while continuing to meet the demands of customers. Policies and procedures have been adopted and implemented to maintain compliance with statutes and Commission rules and to maintain stronger segregation of duties.

BACKGROUND INFORMATION

G.S. 18B-601 (c) authorized the town of Wingate to hold an election for an ABC store. The referendum was held on November 3, 2009 and passed 130 to 85. A mixed beverage election occurred in conjunction with the initial election and passed 137 to 78.

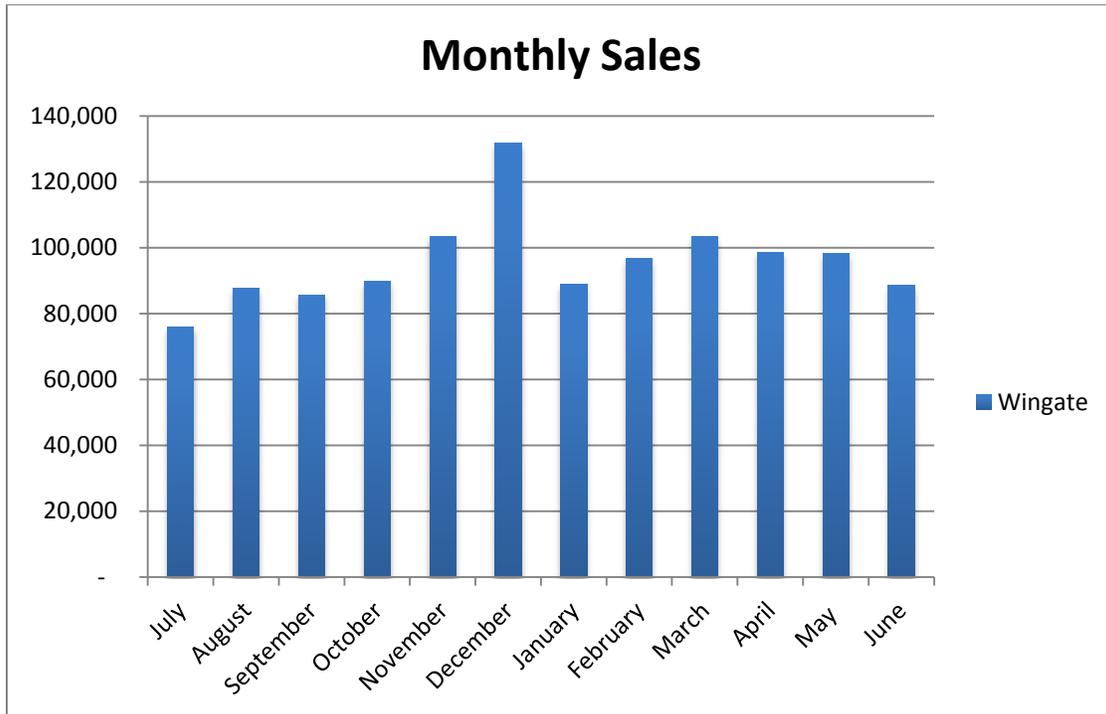
Upon election of an ABC store, the Town of Wingate was authorized to create an ABC Board consisting of a chairman and two members to serve for three year terms. Current board members are Elizabeth Hyatt, board chairperson, Erika Scocco and Robert Stedje, board members.

The Wingate ABC Board operates one retail store. The board staffs one full-time manager and seven part-time clerks. The general manager is responsible for the daily operations of the store including supervising personnel, general store upkeep, inventory management, and customer service. Clerks are primarily responsible for customer service, stock maintenance, and store upkeep.

FINANCIAL ANALYSIS

A financial analysis could not be conducted. Due to the recent opening of the store and no historical is available. A budget analysis revealed that the board is operating within budget.

Below is an analysis of the sales growth of the past year.



OPERATIONAL FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS

On February 27, 2013, ABC Board Auditor, Moniqua S. McLean visited the Wingate ABC Board and interviewed Ted Hamilton, general manager, Amber Rozina, finance officer, and Elizabeth Hyatt, board chairperson. The following are the operational findings, observations and recommendations related to the performance audit.

Store Appearance and Customer Service

The Wingate ABC Board operates one retail store with approximately 1,000 feet of shelf space and carries approximately 750 product codes. The board opened the store in June 2012.

- The store was clean, well-lit, and well-dusted. Counter areas were free of clutter having supplies easily accessible. No televisions were evident.
- The Fetal Alcohol Syndrome poster was displayed.
- Security systems are in place and fully functional.
- A consistent and easily understood shelf management system was in place conforming to the latest industry and marketing strategies while catering to customer interests. The shelf management plan shows highest priced products on the higher shelves with the lowest priced products on the bottom shelves.
- The state price book and the monthly sales lists are available.
- Sales clerks' interaction with customers was attentive, courteous, and eager to meet the needs of the customers.
- The board furnishes uniforms to employees for neat appearance.

No Recommendations.

Personnel and Training

- One out of the three board members and the general manager have attended the initial mandatory ethics class. The two remaining board members and the finance officer are scheduled to attend the ethics training in the fall.
- Training is often provided as new information becomes available to current staff.
- Cross training opportunities have been extended to key employees in the event the general manager was suddenly unavailable.
- Personnel files contained applicable tax information, I-9 forms, and other information pertaining to employment.

Recommendations:

- Consider additional training opportunities that will include alcohol education, customer service, and product knowledge.

ABC Board Policies

- Policies adopted and submitted to the Commission include:
 - Code of Ethics
 - Law Enforcement Contract
 - Travel Policy (State Policy)
 - FY2013 Budget (Proposed and Adopted)
 - Price Discrepancy Policy
- Policies not adopted include:
 - Employee Handbook

Recommendations:

- Complete the employee handbook and submit a copy to the Commission. Once updated, forward a copy to each employee. Have all employees sign an acknowledgement of receipt to be filed in their personnel file. *Refer Appendix C (2) for rule.*

Internal Control Procedures and Observations

- All employees use time sheets for time entry. All time sheets are verified by the employee and signed by the general manager. The board uses a payroll company to determine tax and other withholdings for all employees. Because of sensitivity of data, only the board chairperson submits employees' information to the payroll company.
- Physical inventory counts are performed monthly by all scheduled staff. Frequent spot checks are performed weekly by category and upon suspicion of missing inventory. If discrepancies occur, the general manager will investigate and recount. Once completed, only the general manager will adjust the system to match with the actual store count. Unsalable items are adjusted quarterly.
- Cash drawers are counted by employees at the end of the shift. All clerks are responsible for their own cash drawer. Although current practices pertaining to cash drawer overages and shortages are understood, there are no written procedures/policies.
- Bank deposits are made daily by only the general manager and supervisor. The general manager will receive notification of the bank deposits. The finance officer reconciles the deposits and credit card transactions with the bank statements at the end of the month.
- A debit card has been issued to the board. Only the general manager is allowed to use the card. The finance officer reconciles all transactions purchased with the card.

Recommendations:

- Consider swapping the debit card for a credit card which has a higher level of security and fraud protection.
- Implement written procedures for handling cash drawer overages and shortages. Incorporate these procedures into the updated employee manual for current and future employees.

- To ensure stronger internal controls of credit/debit card purchases, adopt a written credit card usage policy. Document procedures for the usage including:
 - Who has authority to use the card,
 - What types of items the card may be used for,
 - Personal usage is prohibited;
 - An itemized receipt for every transaction is required,
 - Maximum limit allowed on purchases before approval is needed from the finance officer,
 - Receipts are to be submitted within 15 days of the purchase.

Administrative Compliance Findings and Observations

- Board meeting minutes were viewed and followed the order of proceedings for conducting a business meeting. However, the conflict of interest statement was not referenced in the board minutes.
- Board member and general manager compensation is in compliance with G.S. 18B-700 (g) and (g1).
- Law enforcement activity reports have been submitted to the Commission as required by G.S. 18B-501 (f1).
- Nepotism – The board is in compliance with G.S. 18B-700 (k).
- All board members, general manager, and finance officer are bonded in the amount of \$50,000 as required by G.S.18B-700 (i).
- Orders for liquor and other common orders do not bear the pre-audit certificate as required by G.S.18B-702 (m).
- All checks bear the approved certificate with the finance officer/deputy finance officer signature. A board member is the second signature on all checks, usually the board chairperson.
- Out of approximately 750 product codes approximately 70 product codes were sampled for correct pricing and all were correct.

Recommendations:

- Place the pre-audit certificate with the finance officer’s signature on the order to LB&B. When ordering supplies, have a purchase order or order confirmation that will have authorization from the finance officer before the transaction takes place. *Refer to Appendix C (1) for statute.*

APPENDIX A



Exterior view.



Counter view.



Interior view.

APPENDIX B

- (1) 18B-702 (m) states *“...the contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been pre-audited to assure compliance. The certificate, which shall be signed by the finance officer or any deputy finance officer approved, shall take substantially the following form:*

“This instrument has been pre-audited in the manner required by GS 18B-702.”

(Signature of finance officer)

- (2) NCAC 02R.1009 (a) states, *“Each local board shall establish policies and rules governing each of the following:*
- (1) Initial employment of employees, including qualifications and requirements for new employees;*
 - (2) Compensation and benefits;*
 - (3) Hours and days of work, holidays, vacation, sick leave and other matters pertaining to the conditions of employment;*
 - (4) Promotion, transfer, demotion and suspension of employees;*
 - (5) Separation or termination of employees;*
 - (6) Granting of salary increases;*
 - (7) Employee grievance procedures; and*
 - (8) Any other programs or procedures as may be necessary to promote efficiency and to provide for a fair and reasonable system of personnel administration.*

McClean, Moniqua S

From: Hyatt, Elizabeth <ehyatt@tycoint.com>
Sent: Wednesday, June 05, 2013 4:46 PM
To: McClean, Moniqua S
Subject: Wingate ABC Audit Response
Attachments: ABC Store Policy Procedure Manual March 2013.docx

Hi Moniqua,

Thank you for taking the time to come to our ABC store to conduct an audit. We appreciate the feedback and suggestions for improvement that you have provided us with. Here are the responses that we have based on the recommendations in your audit:

Personnel and Training

Recommendations:

Consider additional training opportunities that will include alcohol education, customer service, and product knowledge.

Response:

Our store manager has begun taking advantage of various training opportunities provided through webinars hosted by the ABC commission including the ABC 101 class. We will continue to seek out training opportunities for our employees.

ABC Board Policies

Recommendations:

Complete the employee handbook and submit a copy to the Commission. Once updated, forward a copy to each employee. Have all employees sign an acknowledgement of receipt to be filed in their personnel file.

Response:

The Wingate ABC store adopted a policy manual in June 2012. It was updated in September 2012 after being reviewed by our attorney and again in March 2013. Each employee is required to read the manual and sign off acknowledging that they have read the manual. A copy of their signed forms are kept in each employees file. I have attached a copy of the manual to this response.

Internal Control Procedures and Observations

Recommendations:

Consider swapping the debit card for a credit card which has a higher level of security and fraud protection.

Response:

We will look into this with our bank.

Recommendations:

Implement written procedures for handling cash drawer overages and shortages. Incorporate these procedures into the updated employee manual for current and future employees.

Response:

Procedure is in the handbook.

Recommendations:

To ensure stronger internal controls of credit/debit card purchases, adopt a written credit card usage policy.

Response:

Current policy requires board member approval for all debit card purchases over \$250.00. All receipts are turned in to the CFO to be reconciled with the bank statement.

Administrative Compliance Findings and Observations

Recommendations:

Place the pre-audit certificate with the finance officer's signature on the order to LB&B. When ordering supplies, have a purchase order or order confirmation that will have authorization from the finance officer before the transaction takes place.

Response:

This process was implemented immediately after it was discovered in the audit. All orders are now placed with the pre-audit statement and signature.

Please let me know if you need anything else!

Thanks,
Liz Hyatt

This e-mail contains privileged and confidential information intended for the use of the addressees named above. If you are not the intended recipient of this e-mail, you are hereby notified that you must not disseminate, copy or take any action in respect of any information contained in it. If you have received this e-mail in error, please notify the sender immediately by e-mail and immediately destroy this e-mail and its attachments.

WINGATE ALCOHOL BEVERAGE CONTROL BOARD

Recommendation Follow-Up

RECOMMENDATION	REQUIRED BY STATUTE	IMPLEMENTATION STATUS
<p>ABC Board Policies:</p> <p>Adopt the following policies:</p> <ul style="list-style-type: none"> • **Employee Handbook • Credit Card Policy 	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Note: Required by Rule.</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input checked="" type="checkbox"/> Fully Implemented</p> <p><input type="checkbox"/> Partially implemented ___% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>The Board has adopted an employee handbook and a credit card policy. A copy of both policies has been submitted to the Commission.</p>
<p>Administrative Compliance:</p> <p>Affix the pre-audit certificate on liquor and common orders.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>(Please provide documentation supporting implementation status.)</p> <p><input checked="" type="checkbox"/> Fully Implemented</p> <p><input type="checkbox"/> Partially implemented ___% complete. (Explain below.)</p> <p><input type="checkbox"/> Not implemented (Explain below.)</p> <p>The Board has implemented procedures to adhere to the statute.</p>