

# Durham County ABC Board

## Performance Audit Report



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



**ABC**  
COMMISSION  
NORTH CAROLINA

## TABLE OF CONTENTS

---

ABC Commission Statement.....	3
Objective, Scope, and Methodology.....	4
Findings and Recommendations.....	10
Durham County ABC Board Response.....	14
Appendices.....	20



# ABC

COMMISSION  
NORTH CAROLINA

## Alcoholic Beverage Control

CHAIRMAN:  
JAMES C. GARDNER

KEVIN M. GREEN  
Greensboro

MICHAEL C. HERRING  
West Jefferson

ADMINISTRATOR:  
ROBERT A. HAMILTON

LOCATION:  
400 East Tryon Road  
Raleigh NC 27610

MAILING:  
4307 Mail Service Center  
Raleigh NC 27699-4307

PHONE: (919) 779-0700  
Fax: (919) 661-5927  
<http://abc.nc.gov/>

**Moniqua S. McLean**  
**ABC Board Auditor**  
**919-779-8365**

August 2, 2016

Durham County ABC Board  
Mr. Wayland Burton, Chairman  
3620 Durham Chapel Hill Boulevard  
Durham, NC 27707

Dear Chairman Burton,

We are pleased to submit this performance audit report on the Durham County 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 your Board has made to comply with the new performance standards along with your efforts to increase profitability and reduce expenses.

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

Respectfully,

Robert A. Hamilton  
Administrator

CC: North Carolina Association of ABC Boards

## OBJECTIVE, SCOPE, AND METHODOLOGY

---

G.S. 18B-705 (a) authorizes the ABC Commission to ensure that all local ABC Boards comply with established performance standards by conducting regular or special audits, performance evaluations or taking other measures, which may include inspections by Commission auditors or alcohol law enforcement agents.

The audit scope includes performance 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.

To achieve the objectives of the audit, auditors

- 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 board annual audit for the fiscal year 2015;
- Visited the store(s);
- Interviewed key ABC board personnel.

The ABC Commission conducted the Durham County ABC Board's initial performance audit in 2012.

Audit fieldwork was concluded on February 24, 2016.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. Internal control consists of five interrelated components: (1) control environment; (2) risk assessment; (3) control activities; (4) information and communication; and (5) monitoring.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

## **BACKGROUND**

---

S.L. 1937-49 authorized Durham County to hold an election for an ABC store. The referendum was held on April 28, 1937 and passed, 7,784 to 3,308. A subsequent county-wide election was held for the sale of mixed beverages on January 12, 1979 and passed 12,324 to 6,083.

Upon election, Durham County Board of Commissioners was authorized to create an ABC board consisting of a chairman and two members to serve for three year staggered terms. HB 906 authorized the Durham County Board of Commissioners to increase the number of members from three to five to serve for three year staggered terms.

## FINANCIAL ANALYSIS

---

### PROFIT PERCENTAGE TO SALES

---

The profit percentage to sales is calculated by dividing the total income (loss) from operations by the total liquor sales (Total Income (Loss) from Operations/Total Liquor Sales). The Commission has set goals based on the following breakdown:

- Gross sales greater than \$10M – target rate at 9%
- Gross sales between \$2M to \$10M – target rate at 6.5%
- Gross sales less than \$2M – target rate at 5%

In fiscal year 2015, the Durham County ABC Board had gross sales of \$31,488,457; income from operations was \$3,557,534, an 11.30% profit percentage to sales. The Durham County ABC Board has increased its profit percentage by 5.17% since fiscal year 2011. Sales revenue increased by 9.58% over FY2014.

The Durham County ABC Board increased revenues by conversion of a traditional counter store to a self-service store and a product placement project in an existing store. Below is a table of two stores showing the significant increase in sales.

Store Location	FY2014 – Before the store category management project	FY2015 – After project
<b>Hillsborough Road</b>	\$5,005,148	\$5,400,389

Store Location	FY2012 – Before conversion of counter to self-service store	Current FY2015 – After conversion
<b>Holloway Street</b>	\$2,244,413	\$3,142,909

## DISTRIBUTIONS

---

G.S. 18B-805 (b) requires the board to pay from gross receipts, all expenses, mixed beverage and bottle taxes. G.S. 18B-805 (c) requires the board to make a minimum quarterly distribution of the 3 ½% markup and .01/.05 cent bottle tax to the county. In FY2015, the Durham County ABC Board made the required minimum distribution of \$880,183 proportionately to the City of Durham General Fund and the Durham County General Fund. Since the performance audit of FY2012, the Durham County ABC Board has distributed a thirty percent (30%) increase as a result of a thirty-one percent (31%) increase in sales.

A total of \$7,428,896 in excise and other taxes were paid to the NC Department of Revenue, the Department of Health and Human Services, the City of Durham and Durham County.

G.S. 18B-805 (c) (2) and (3) requires the board to distribute at least five percent (5%) of profits to law enforcement and at least seven percent (7%) for alcohol education/rehabilitation purposes. The Durham County ABC Board employs law enforcement officers (3) for alcohol law enforcement within the county. The law enforcement division is required to submit monthly activity reports to the Board and the Commission. The law enforcement distribution is an expenditure item used to fund the operations. Law enforcement expenditures for FY2015 total \$294,272.

The Durham County ABC Board awards recipients through a grant program that focuses on “the treatment of alcoholism or substance abuse, or for education on alcohol or substance abuse projects that target youth, and promote intervention among youth.”<sup>1</sup> In FY2015, the Durham County ABC Board awarded multiple agencies \$175,075 in grant funds. As a requirement of G.S. 18B-805 (h), each recipient submits a detailed annual report identifying how the funds were spent. Copies of the reports are available at the Durham County ABC Board. A detailed list of recipients is found in the Appendix.

S.L. 1973-999 requires the Durham County ABC Board to distribute quarterly the remaining profits to the following:

- Ten percent (10%) to the City of Durham General Fund;
- Ninety percent (90%) to the Durham County General Fund.

In FY2015, the Durham County ABC Board additionally distributed \$\$1,119,817 to the City of Durham and the Durham County General Fund.

---

<sup>1</sup>The Durham County ABC Grant Program – Building Awareness about Alcohol & Substance Abuse  
[www.durhamabc.com](http://www.durhamabc.com)

## **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. Working capital is total cash, investments, and inventory less all unsecured liabilities. Gross sales means gross receipts from the sale of alcoholic beverages less distributions as defined in G.S. 18B-805 (b), (2), (3), and (4). The Commission has set efficiency goals based on the following breakdown:

- Four months for boards with gross sales less than \$1.5M
- Three months for boards with gross sales less than \$50M and greater than or equal to \$1.5M
- Two months for boards with gross sales equal to or greater than \$50M

In FY2015, the Durham ABC Board had working capital of \$3,885,620, which is more than the minimum allowed to retain of two weeks of gross sales (\$923,959) and less than the maximum allowed to retain of three months gross sales (\$6,005,732).

## **OPERATING COST RATIO**

---

Operating costs are calculated by dividing total operating expenses less depreciation by the gross profit on sales (Total Operating Expenses less Depreciation/Gross Profit). Below are the average cost ratios for boards with and without mixed beverage sales (MXB):

- Boards with 3 or more stores – cost ratio 0.63 or less
- Board with 1 or 2 stores with MXB – cost ratio .73 or less
- Boards with 1 or 2 stores without MXB – cost ratio .85 or less

The Durham County ABC Board operates eight retail stores with mixed beverage sales: the operating cost ratio is 0.51. Mixed beverage sales make up 20.6% of total gross sales. As sales have increased 9.58% since FY2014, expenses have decreased 0.88% over the same time period.

The Durham County ABC Board has decreased the cost ratio from 0.71 since FY2012. Key factors in reducing the cost ratio are:

- A reduction in personnel costs by more efficient staff utilization
- Adjusted store hours to reflect customer shopping patterns.

The Durham County ABC Board leases one retail store (\$64,048) and has also acquired debt to fund store expansion projects.

## FINDINGS AND RECOMMENDATIONS

---

### DURHAM COUNTY ABC STORES

---

As a routine procedure, the ABC Auditor tours ABC store locations for interior and exterior appearance, determining accurate product pricing, and interviewing store personnel. Four out of eight ABC stores were toured. Below are the results of the findings and recommendations.

1. All stores appeared clean and free of trash in the interior and exterior areas. Landscaping around the stores' property is well-maintained with no evidence of trash. Each store displayed neat and well-visible signage. However, one store did not display the required Fetal Alcohol Syndrome poster. Counter areas are neat and well-organized making necessary bagging supplies available for store clerks.

**Recommendation:** Display the required Fetal Alcohol Syndrome poster in all locations as required by G.S. 18B-808.

Shelf management and product placement is an on-going process throughout the stores. Two stores are either in the process of developing a shelf management project or have completed the project. Overall, the shelf management and/or product placement follows marketing industry norms. Products are placed within their designated category. Bottles are neat, fronted, and dusted throughout all stores.

The state price book is available at all retail locations and distributed to all mixed beverage customers. Sales clerks often refer to the price book for verification of products and pricing. Monthly sale information is shared with mixed beverage and retail customers on the ABC Board's website, within the store, and by each clerk.

2. The Durham County ABC Board carries approximately 1,900 products in each store. In verifying product pricing at four of the eight locations, 233 items were sampled and three were incorrect.

**Recommendation:** To ensure correct pricing on the store shelves and in the computer system, audit shelf tags on a regular basis by incorporating this practice during or in between the regularly scheduled inventory counts.

## ADMINISTRATIVE OPERATIONS

---

The Durham County ABC Board staffs forty full-time and thirty part-time employees. The administrative staff consists of the general manager, a fiscal services director, an accountant, an operations manager, a support services director, a human resources coordinator, and two support staff. Law enforcement staffing includes a chief and three investigators. Each store, including the warehouse, has a store manager or warehouse manager and an assistant store manager or warehouse assistant store manager and multiple clerks. Refer to Appendix for Organization chart.

Internal control is the process by which the board and management provides reasonable assurance that operations are effective and efficient, reliable, and in compliance with applicable rules, laws and regulations. As a basis for evaluating internal control, we applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

Policies and manuals have been updated to include, but not limited to, the following:

- Code of Ethics
  - Mixed Beverage Policy
  - Price Discrepancy Policy
  - Durham County Travel Policy (Approval submitted from Durham County FY2016)
  - Vehicle Usage Policy
  - Shelf Management Policy/Plan
1. The previous performance audit conducted in 2012 found the board maintained thirteen credit cards for board use. The board has since reduced the number of credit cards available. A board credit card usage policy has been adopted. Credit card expenses were viewed and followed the procedures outlined in the credit card policy.
  2. Vendor contracts and lease agreements do not include a pre-audit certificate to ensure compliance with G.S. 18B-702 (m).

**Recommendation:** Any contract or obligation must include a pre-audit certificate.

**G.S. 18B-702 states, “No obligation may be incurred for a capital project unless the budget authorizes the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated by the transaction. If an obligation is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited... The certificate, which shall be signed by the finance officer or any deputy finance officer approved for this purpose by the local board, shall take substantially the following form:**

*“This instrument has been preaudited in the manger required by G.S. 18B-702.*

---

*(Signature of finance officer).”*

## BOARD COMPLIANCE

---

The Durham County Board of Commissioners is authorized under S.L. 1937-49 to appoint a chairman and two board members. HB 806 increased the membership from three to five. Current members are Wayland Burton, board chairman, Jackie Wagstaff, Pilar Rotar Goldberg, Robert Nauseef, Norwood "Andy" Miller, board members. The Durham County ABC Board retains legal counsel to attend all board meetings.

G.S. 18B-701 (b) requires a local board to comply with all rules adopted by the Commission and meet all standards for performance and training established by the Commission.

1. In reviewing board meeting minutes, written and audio, the board does not follow procedures to enter into closed session and returning to open session.
  - a. The written minutes do not indicate a specific reason for going into closed session but rather use the same general statement: "(1) consult with attorney, (2) facility leases or purchases and (3) personnel matters".
  - b. Minutes from closed sessions also indicate that topics discussed do not follow under the reasons given for going into closed session. For example, on one occasion, the board discussions were to adopt board policies and other matters not pursuant to the purposes as outlined in G.S. 143-318.

**Recommendation:** As specified in G.S. 143-318, the board must follow and enter into closed session proceedings through motion and vote. The purpose must be specifically stated within the motion and only that topic may be discussed in the closed session. All actions discussed in closed session must be stated and/or voted on in open session and included in open session minutes.

**Only those topics permitted under G.S. 143-318 may be discussed in closed session. An ABC Board may hold a closed session and exclude the public under the following conditions:**

- 1) **To prevent disclosure of privileged or confidential information**
- 2) **To prevent the premature disclosure of an honorary degree, scholarship, prize, or similar award**
- 3) **To consult with an attorney retained by the board in order to preserve attorney-client privilege**
  - a) **General policy cannot be discussed**
  - b) **Presence of attorney not dispositive**
  - c) **Board can instruct attorney concerning a claim**
  - d) **If board decides to settle a claim, must say so in open session and enter into the official minutes**
- 4) **To instruct staff or discuss the board position relating to:**
  - a) **Price, terms of a contract or proposed contract to buy, or lease real property**
  - b) **Discuss terms of an employment contract**
- 5) **Personnel matters**
  - a) **To consider qualifications for a prospective employee**
  - b) **To hear or investigate a complaint or grievance**

- c) *Final action regarding an appointment or discharge or removal by a public body having final authority for the appointment or discharge or removal shall be taken in an open meeting*
- d) *To plan, conduct, or hear reports concerning investigations of alleged criminal misconduct.*<sup>2</sup>

2. Closed session minutes were not approved by board members at the next scheduled meeting. It is a common practice for the board's legal counsel to create and retain the ABC Board's general discussion of the closed session meetings.

**Recommendation:** The board must approve closed session meeting minutes. The procedure to do so is to hold a new closed session meeting specifically to approve the minutes of an earlier session.<sup>1</sup>

3. The board has adopted new policies and amended existing ones relating to current operations. However, copies of policies have not been submitted to the Commission for approval within 15 days.

**Recommendation:** Submit all policies adopted by the ABC Board to the Commission for approval or rejection. As required in NCAC 15A .1102, all local boards are required to submit to the Commission for approval all new or amended policies at least 15 days prior to their effective date.

4. Board members are requesting reimbursement for travel to and from board meetings. The Durham ABC Board Travel policy does not authorize board members to receive reimbursement to and from board meetings, only non-exempt employees. Board members are not considered employees.

**Recommendation:** Adopt a board policy that allows board members to receive travel reimbursement for attending board meetings.

5. All board members have completed the required two hours of ethics training which included such topics as conflicts of interest, nepotism, open meeting and public records laws.

---

<sup>1</sup>Lawrence, David M. Open Meetings and Local Governments in North Carolina, Seventh Edition, 2008

<sup>2</sup>Operations Manual Section 4.0 Board Member Duties and Responsibilities

**Official Response to the Performance Audit Report of Durham County ABC Board  
From Alcoholic Beverage Control Commission  
[Date submitted to Auditor's Office]**

The Durham County ABC Board has provided a coordinated response for each finding/issue resulting from the audit performed on February 17-19, 2016. We prepared this document in response to the final audit report delivered on February 22, 2016.

**Finding/Issue 1:**

**All visited stores appeared clean and free of trash in the interior and exterior areas. Landscaping around the stores' property was well-maintained with no evidence of trash. Each store displayed neat and visible signage. However, one store did not display the required Fetal Alcohol Syndrome poster. Counter areas were neat and well-organized making necessary bagging supplies available for store clerks.**

AGENCY RESPONSE: *Fetal Alcohol Syndrome posters have been replaced.*

**Action Steps and Timeframe:**

- All stores were polled to ensure signs were displayed system wide. One additional sign was found to be missing, and was immediately replaced. ***Corrected Immediately.***

**Finding/Issue 2:**

**The Durham County ABC Board carries approximately 1,900 products in each store. In verifying product pricing at four of the eight locations, 233 of the 1,900 items were sampled. Three were incorrect.**

AGENCY RESPONSE: *Price tag auditing system devised.*

**Action Steps and Timeframe:**

- Durham ABC has devised a system wide shelf auditing practice that will take place periodically to ensure correct pricing. ***Implemented Immediately.***

**Finding/Issue 3:**

**Vendor contracts and lease agreements do not include a pre-audit certificate to ensure compliance with G.S. 18B-702 (m).**

AGENCY RESPONSE:

*Durham County ABC Board practices adherence to General Statute 18B-702 "No obligation may be incurred for a capital project unless the budget authorizes the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated by the transaction. If an obligation is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been pre-audited... The certificate, which shall be signed by the finance officer or any deputy finance officer approved for this purpose by the local board, shall take substantially the following form:*

*"This instrument has been pre-audited in the manner required by G.S. 18B-702.*

---

*(Signature of finance officer)."*

**Action Steps and Timeframe:**

- Both the Fiscal Services Director and Accountant possess an audit stamp, which is utilized ongoing as necessary, when any and all new contracts or leases are entered into. **Completed Immediately.**
- Capital expenditures are kept within approved budget amounts. **Completed Immediately.**

***Finding 1: In reviewing board meeting minutes, written and audio, the auditor found the board does not follow appropriate procedures related to entering into closed session and returning to open session.***

DURHAM COUNTY ABC RESPONSE: *The Board is made up of individuals that have volunteered to serve on a board for the County Commissioners and other than a one hour overview provided by the Clerk to the County Commissioners office on Open Meeting Rules (which is recommended not mandatory) and discussions with our Board Attorney (which again is highly recommended but not mandatory), no Board Member has ever attended a formal course. The Board has not received an approved ABC Commission course as 14B NCAC 15A.2001 stipulates. The Durham County ABC Board Chair however has initiated internal training for its Board Members, General Manager, Financial Director, Administrative Staff and employees. The Chair has provided several power point presentations from UNC School of Government and the NC ABC Association concerning the NC ABC System and Board Member Responsibilities. Last year we obtained a course on the North Carolina ABC System and the Responsibilities of the Board, General Manager, Board Chair and the Local Boards responsibilities to the community from Professor Michael Cromwell from the UNC School of Government. The upcoming FY year we are budgeting to have a course from the UNC School of Government concerning Open Meetings that will explain the intricacies of entering into Closed Session and returning to Open Session pursuant to G.S. 143-318. The fact that various courses are not mandatory and that the Commission has stopped providing courses on these various subjects places all local boards with new staff in a dilemma. There is no communication concerning where an approved Commission course can be obtained or where to find an approved Commission course.*

**Action Steps and Timeframe:**

- *Obtain a training course from the UNC School of Government that will be available to all Board Members and Administrative Staff on Open Meeting rules and Closed Session rules by an instructor from UNC School of Government. **By 1 August 2016.***
- *State the entire statement concerning the reason for entering into Closed Session rather than referencing the paragraph and section number/paragraph in accordance with G.S. 143-318. **By May 2016.***

- *Place the entire reason in accordance with G.S. 143-318 on the agenda so there will not be any confusion or neglect of stating the entire reason during each regular meeting. **By May 2016.***
- *Refrain Board Members from discussing other topics or having spurious/irrelevant conversations during closed session board meetings. **By May 2016***

**Finding 2: Closed session minutes were not approved by board members at the next scheduled meeting. It has been a common practice for the board’s legal counsel to create and retain the notes of the ABC Board’s general discussion of the closed session meetings but not to have the board review and approve closed session minutes.**

DURHAM COUNTY ABC RESPONSE: *The Board has changed significantly over time and is made up of new individuals that have volunteered to serve on the board. The board has not received an approved ABC Commission course as 14B NCAC 15A.2001 stipulates. The Durham County ABC Board Chair however has initiated internal training for its Board Members, General Manager, Financial Director, Administrative Staff and employees. This upcoming FY, we will obtain a course from the UNC School of Government concerning Open Meetings that will explain the intricacies of entering into Closed Session and returning to Open Session pursuant to G.S. 143-318. This course will also emphasize the intricacies of entering into Closed Session and sealing meeting minutes.*

**Action Steps and Timeframe:**

- *Sealing closed session minutes will occur at the end of each closed session. The Board Attorney will be charged with the responsibility to periodically review sealed minutes and determine when they can be opened. The Board shall have a closed session only upon a motion duly made and adopted at an open meeting. The motion shall cite one or more of the purposes permitted by the Open Meetings Law and shall otherwise conform to the requirements of the Open Meetings Law. **By 16 May 2016***
- *Obtain a training course from the UNC School of Government that will be available to all Board Members and Administrative Staff on Open Meeting rules and Closed Session rules by an instructor from UNC School of Government. **By 1 August 2016.***

**Finding 3: Since the last audit, the board has adopted new policies and amended existing ones relating to current operations. However, copies of policies have not been submitted to the Commission for approval within 15 days.**

DURHAM COUNTY ABC RESPONSE: *An investigation of Durham County ABC Board occurred in 2012 concerning various allocations. Since that time the Board Members has*

*changed a great deal and various additional amendments to policies and procedures have been issued. The Local Board Members and employees have not received a Commission approved training course tailored for Board Members, finance officers, and general managers in accordance with 14B NCAC 15A.2001 which would have provided information concerning submission of copies of new or amended policies to the Commission. Among these have been clarifications concerning:*

- 1. Board Member Absences and Attendance*
- 2. Production of Agenda and Distribution Dates*
- 3. Debate limitation time periods and lifting of debate limitation time periods*
- 4. General Manager maximum salary limitation per GS 18B-101*
- 5. Political Activity Restrictions*
- 6. Employee Assistant Program*
- 7. Additional Training/Education Expense for General Manager*
- 8. Work place Search Policy*
- 9. Work place purchase policy*
- 10. Summons, Complaints, Subpoenas, and Other legal documents*
- 11. Introductory, and Temporary Employee hiring process*
- 12. Law Enforcement use of Tasers*
- 13. Updates of Grant Process and reports*
- 14. Internal recommendation process form to track cost details*
- 15. Reconciliation of each budgeted process*
- 16. Procedure to track when procedure was changed, approved, and initiated*
- 17. Employee Workplace Search Policy*

#### **Action Steps and Timeframe:**

- Submission of all amendments and new policies approved by the Durham County ABC Board shall be provided to the Commission for approval electronically in a pdf format. **By 10 June 2016***
- Require the General Manager to review all North Carolina Administrative Code and in particular 14B NCAC 15A.1102 which requires all copies of all amendments, changes, and new policies and procedures to be forwarded to the NC ABC Commission. In the absence of notice from the Commission to the contrary, those rules or amendments thereto shall stand approved. **By 10 June 2016.***
- Document within Durham County ABC policy and procedures a new procedure instructing the General Manager to review every year all policies and procedures and bring forward to the Board any needing update, revision, or deletion. Also for the General Manager to review with all employees any updates, revisions, or deletions with the staff and employees of Durham County ABC. **By 10 June 2016.***

**Finding 4: Board members have requested reimbursement for travel to and from board meetings. The Durham ABC Board Travel policy does not authorize board members to**

**receive reimbursement to and from board meetings, only non-exempt employees. Board members are not considered employees.**

DURHAM COUNTY ABC RESPONSE: *The current Travel Policy reflects that reimbursement by Board Members for travel to meeting as well as any travel related to Durham ABC business is authorized for reimbursement. We believe this finding is in error.*

*In accordance with 14B NCAC 15A.0909, the Durham County ABC Board has adopted and adheres to rules established for travel policy to govern the following activities:*

- 1. Responsibility of board members and employees in incurring expenses while traveling on board business;*
- 2. Modes of transportation authorized for travel on official business;*
- 3. Reimbursement allowances for travel, including mileage reimbursements;*
- 4. Reimbursement allowances for lodging and meals;*
- 5. Reimbursement allowances for conference or convention registration fees;*
- 6. Travel advances;*
- 7. Authorization for travel;*
- 8. Incidental travel expenses including tips, tolls, parking fees, taxi fares, and rental vehicles;*
- 9. Telephone calls made while traveling; and*
- 10. Reimbursement procedures and documentation of expenses.*

*The travel policy rules and subsequent amendments shall be made available to each employee and board member.*

*(b) The Rules to conform to Local or State Policies. The travel policy rules adopted by the Durham County ABC Board are exactly the same travel policy that is adhered by the local appointing authority.*

*The Appointing Authority has a local travel budget maintained by the Clerk to the County Commissioners for local travel incurred while traveling on local board business as well other Boards under the Appointing Authority reimburse for local travel including Board meetings.*

*Since our last independent financial auditor recommended that we (Durham County ABC Board) not to establish a separate budget to provide a local travel budget, Durham County ABC has included reimbursement procedures for board members as well as all employees of Durham County ABC Board for travel expenses incurred while performing travel for board business.*

**Action Steps and Timeframe:**

- *Applicability section (3) of current Travel Policy states that the current Travel Policy is applicable to; “All full-time, part-time, regular, probationary, provisional, temporary and trainee Durham County ABC Board employees and Board Members.” **By - We believe this is a non-finding.***

- *Section 12.2 “Other Related Travel Matters,” of the current Travel Policy states; “Reimbursement of Durham County ABC Board travel costs by appointed members of Durham County ABC Board are allowable.” This also includes travel to Board meetings. **By - We believe this is a non- finding.***

## APPENDIX

---

### Grant Recipients for FY2015

**The Carolina Theatre of Durham-Teen Talk**  
**Community Health Coalition Inc.**  
**D. L. Forbes Youth Foundation**  
**Dove Institute**  
**Durham Public Schools District**  
**Durham Crisis Response Center**  
**Durham Together for Resilient**  
**El Centro Hispano, Inc.**  
**El Futuro, Inc.**  
**John Avery Board & Girls Clubs**  
**Mount Level Community Haven**  
**North Carolina Central University**  
**The Center for Child and Family Health, Inc.**

## Durham County Alcoholic Beverage Control (ABC)

