

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

Financial Account Review
Related to Certain Aspects of Internal Control
For the Period May 2013 through November 2013

Report No. 13-31



**OFFICE OF THE
UTAH STATE AUDITOR**

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

Financial Account Review
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AUDIT TEAM:

Hollie Andrus, CPA, Audit Director
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OFFICE OF THE
UTAH STATE AUDITOR

November 25, 2013

Members of the Utah Alcoholic Beverage Control Commission
and
Salvador D. Petilos, Executive Director
Department of Alcoholic Beverage Control

We have performed the procedures described below to certain aspects of the Department of Alcoholic Beverage Control's (DABC) internal control for the period May 2013 through November 2013. These procedures were performed in accordance with *Utah Code*, Section 32B-2-302 and were agreed to by DABC management. We will perform additional procedures over the next several months and will issue a report on these procedures upon completion.

The procedures we performed were as follows:

- 1. Cash Receipting Procedures** – We reviewed cash receipting procedures at 11 of the Department's 44 retail stores. We evaluated the adequacy of internal controls. We reviewed individual daily receipts for accuracy and completeness. We evaluated overages/shortages and related patterns and, if possible, determined causes. We traced cash receipts to bank deposits. (See Finding 1.) We will perform these procedures for an additional 9 to 11 stores in Spring 2014.
- 2. Retail Inventory** – While we did not observe inventory cycle count procedures for the stores selected in "1." above, we did inquire of store management regarding these procedures and reviewed supporting documentation to ensure stores are performing cycle counts in accordance with DABC policy. We evaluated inventory count procedures and performed sample test counts to determine the accuracy of the records. We reviewed adjustments made to the perpetual system resulting from the physical counts. Additionally, we observed and evaluated the inventory receiving procedures for the stores selected in "1." above.
- 3. Warehouse Inventory** – We observed the warehouse year-end inventory count. We evaluated inventory count procedures and performed sample test counts to determine the accuracy of DABC's count. We reviewed adjustments made to the perpetual system resulting from the count.
- 4. Inventory Valuation** – We performed valuation tests of inventory by sample testing selected items. We agreed inventory on hand to purchase documents to validate cost. (See Finding 2.)
- 5. Inventory Shortage** – We reviewed inventory shortage records. We evaluated policies and procedures for monitoring shortages, evaluating security procedures, and resolving

differences identified. We reviewed both store-level and warehouse-level practices. (See Findings 3 through 5.)

- 6. Revenue Distributions** – We evaluated revenue distributions for compliance with state law. This included evaluating the appropriate school lunch tax allocations. We did not evaluate whether liquor control funds were used as permitted in *Utah Code 32B-2-305(4)* in this portion of the engagement, but will include this in our performance-related procedures and will report our results in a subsequent report.
- 7. Audit Follow-up** – We performed follow-up procedures to determine implementation of recommendations from the following reports issued by the Legislative Auditor General: (a) Report No. 2011-04, *A Review of DABC Actions Regarding a \$300,000 Loss from a Package Agency* and (b) Report No. 2012-04, *A Performance Audit of DABC Oversight of Package Agencies*.
- 8. Drop-in Reviews/Secret Shoppers** – We performed random, anonymous reviews of high level compliance with DABC policies at the 11 stores selected in “1.” above.

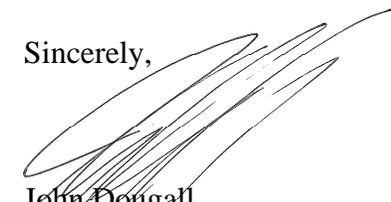
In addition to the findings referenced above, we identified multiple areas in which DABC could strengthen its policies. (See Finding 5.)

The above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, the objectives of which would be the expression of an opinion on DABC’s internal control. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached findings and recommendations section of this report. We feel that Findings 3 and 5 are key internal control weaknesses or important compliance issues to DABC.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of DABC during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact Hollie Andrus, Audit Director, at handrus@utah.gov or 801-808-0467.

Sincerely,



John Dougall
Utah State Auditor

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1. CONTROL WEAKNESS OVER CASH RECEIPTING

Per Department of Alcoholic Beverage Control (DABC) policy 09-07 Management Cash Control Procedures, “upon request, each customer will be given a receipt.” In our judgment, customers should *always* be offered a receipt as a control to help prevent skimming sales and as proof of purchase.

Recommendation:

We recommend that DABC change its policy to require that receipts be provided for all transactions.

DABC’s Response:

Once made aware of the State Auditor’s concern regarding DABC policy to provide customers with receipts for cash purchases under \$50.00 only “upon request,” the department changed the programming of its point of sale system to provide a receipt with each transaction. DABC also amended policy 09-07 Management Cash Control Procedures to require provision of receipt with each transaction.

2. WAREHOUSE INVENTORY VALUATION ERRORS

Each month, DABC generates a “Warehouse Activity Report by Cases” which shows the FIFO (first in, first out) value of each product in inventory. This report indicates whether inventory is considered general distribution (items purchased regularly), limited (such as limited wines), or special order. We selected 20 different products in inventory from the September 2013 “Warehouse Activity Report by Cases” (September Report) (10 general distribution items, 5 limited items, and 5 special order items) and compared the product’s FIFO value as shown in the September Report to supporting documentation (e.g., vendor invoices and pricing sheets). We noted errors with 4 of the 20 products reviewed as follows:

- a. For two limited wine products, the vendors shipped the wrong vintage. DABC kept the products and negotiated new lower prices for them; however, the products were valued in the September Report at the original prices. As a result, DABC’s inventory costs are overstated by a total of \$1,625.54 for these products.

This error appears to affect only limited wine products shipped with the wrong vintage when new prices are negotiated (generally amounting to about \$1 to \$2 per bottle). DABC does not update FIFO cost records in these instances. We cannot quantify how much inventory this error affects.

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- b. For one special order product, DABC ordered 1-liter bottles but instead received 750-mL bottles. This shipment error was not discovered when it was received at the warehouse, resulting in incorrect inventory records. DABC discovered this error later, and after a lengthy process working with the vendor was able to negotiate a lower price for the inventory in September 2013.
- c. For one special order product, the September Report shows a cost of \$50/case for three cases; however, DABC paid \$100/case for these cases. Thus, DABC's inventory costs are understated by \$150. The cause of this error is unclear but appears to originate from an error when the product was originally set up in DABC's Merchandising system. DABC originally set up the product as a 24-pack case when it should have been set up as a 12-pack case. Since purchase orders are created using information from the Merchandising system, the purchase order for these three cases was for three 24-pack cases, and the warehouse did not detect the size discrepancy when it received three 12-pack cases. DABC later found this error and corrected the product size in the Merchandising system, but the cost is not correctly reflected in the September Report.

Recommendations:

We recommend that DABC implement or strengthen controls to ensure:

- a. Inventory records reflect correct FIFO costs.**
- b. Shipment errors are discovered and resolved in a timely manner.**
- c. Product is valued at the appropriate cost in the inventory system.**

DABC's Response:

The DABC has reached out to the Warehouse Management System vendor to identify ways in which correct costs may be recorded for inventory that does not match the purchase order. DABC will determine the best way to receive products into their system so that inventory valuation is correct in these instances. DABC will continue to work to ensure that shipments are verified before receipt to ensure that all receiving of inventory is for the correct product and therefore reflects correct pricing.

3. INTERNAL CONTROL WEAKNESSES AND COMMON CARRIER NONCOMPLIANCE OVER PROTECTION OF INVENTORY SHIPMENTS

DABC contracts with one private common carrier to transport shipments of product from DABC's main warehouse to its retail stores and package agencies. Shipments are prepared and loaded on the carrier's trailers at the warehouse and are then either immediately shipped to

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retail stores and package agencies or temporarily held at the carrier's facilities overnight or over the weekend. DABC's contract with the carrier stipulates that trailers must be locked during transport and that product must be transported in temperature-controlled trailers.

Common Carrier Internal Control Weaknesses and Noncompliance

In July 2013, we visited 11 retail stores in the Salt Lake City and Park City areas and observed the receiving process at each store for a shipment received from the main warehouse. In addition, we made an unannounced inspection at the common carrier's facility. During our procedures we noted internal control weaknesses and noncompliance with contract requirements, as follows:

Shipment Security

- a. Each shipment we observed at the 11 retail stores arrived at the store with the trailer door unlocked, in violation of contract requirements. In addition, each of the three trailers accessible to us during our inspection at the carrier's facilities contained DABC shipments bound for retail stores and were unlocked; we were able to open each trailer and photograph its contents. Three other trailers at the carrier's facilities were being loaded at the dock and approximately half a dozen trailers were backed up against a barrier (preventing our access and further observation). Standard industry security practice is to use a secure lock with a corresponding procedure to monitor who opens the lock.
- b. The carrier's facility is not secured by fencing, allowing us to enter the yard unimpeded; thus, it appears the general public would have the ability to enter the yard at any time without hindrance. Also, the property on which the carrier's facility is located is occupied by several other companies, who may have access to dock space used by the carrier.
- c. We conducted our inspection in plain sight of the carrier's staff, opening trailers and walking around the property. While several staff noticed us, no one at any time spoke to us or questioned what we were doing.

These observations indicate serious security weaknesses at the carrier that could result in significant loss of DABC inventory.

Temperature Control

- d. Each shipment we observed at the 11 retail stores arrived at the store with the trailer's refrigeration unit turned off. The three trailers containing DABC product which we observed during our inspection at the carrier's facility all had their refrigeration units turned on and set to 60 degrees Fahrenheit in compliance with contract requirements;

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therefore, it appears that refrigeration units are turned on while stored at the carrier's facility but are turned off when trailers are en route to the stores. Turning refrigeration off while in transit can result in product spoilage during high temperatures.

- e. The trailers' refrigeration units are powered by diesel fuel. Refrigeration units may run for extended periods of time, even over entire weekends, when shipments of DABC product are held at the carrier's facilities. This raises concerns about both the cost of fuel used and pollution emitted while idling.

DABC Management Internal Control Weakness

While our observations above relate to weaknesses on the common carrier's part, it should also be acknowledged that DABC management has had no controls in place to monitor these aspects of contract performance. DABC is ultimately responsible for the security and quality of the products sold.

Recommendations:

We recommend that DABC implement policies and procedures to adequately monitor contract performance of the common carrier. Specifically, we recommend DABC work with the common carrier to:

- a. **Apply secure locks to trailer doors when shipments leave the warehouse and use a corresponding procedure to track access to the trailer contents.**
- b. **Evaluate how best to monitor and secure DABC inventory from others who share common space with the carrier.**
- c. **Ensure the carrier has policies and procedures in place to require the carrier's employees to establish the identity and purpose of all those who enter the facility, reporting all suspicious activity.**
- d. **Ensure shipments are temperature-controlled in transit, as required by contract.**
- e. **Evaluate the feasibility of requiring the carrier's trailers containing DABC shipments to remain at the DABC warehouse until delivery, utilizing the warehouse's security features and climate-controlled docks.**

DABC's Response:

The DABC created policy requiring locks on trailers leaving the warehouse and outlining procedures to follow if trailers arrive at stores without locks. The DABC has also instituted a program whereby monthly visits are made to the common carrier's facilities to check on trailer

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security and temperature controls. The common carrier also implemented policy and procedures on trailer security to be followed by their employees.

In the period since the State Auditor's field work, the DABC has changed the store replenishment process to the extent that the vast majority of trucks leaving the warehouse go directly to the retail stores, thereby minimizing the need for trailers to "overnight" at the common carrier's facility. This has also reduced the need to have the trucks refrigerated which has resulted in substantial savings to the department. The common carrier has also improved security by using pin locks on trailers and installed fencing.

4. REPACKAGING ERRORS

During our observation of the 11 stores' receiving procedures for product shipped from the warehouse, we noted that 1 of the stores received one "repackaged" case (a case with bottles missing due to breakage that was found or occurred at the warehouse) and four "reboxed" cases (the original cartons were damaged but not the bottles they held) that had not been marked as such by the warehouse.

- a. Repackaged case: One 12-pack repackaged case contained only 9 bottles. The case did not contain a Bottle Credit Slip, was not taped with yellow "Repackaged" tape, and was not shipped to the store as a separate order with separate paperwork, as required by DABC Warehouse Breakage policies 10-10.6, 10-10.7, and 10-10.9.
- b. Reboxed cases: If the original carton for a product is damaged but the product it contains is intact, the warehouse is to rebox the product and write the product number on the outside of the box before shipping to stores. Four 12-pack cases were reboxed into cartons that had originally held tape, but the cartons were not marked with a product number. When the store received its shipment, they initially believed that the warehouse had not shipped the four cases of product listed on the manifest and that they had received four boxes of tape (the warehouse also ships supplies with shipments of inventory).

Not properly marking repackaged and reboxed cases violates policies intended to account for breakage of items in the warehouse and creates inefficiencies during the receiving process at the stores. It can also result in inaccurate inventory records.

Recommendation:

We recommend that DABC strengthen controls to ensure that the warehouse follows policy regarding repackaged and reboxed cases.

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DABC's Response:

The DABC will provide training on existing policies that govern the repackaging of breakage and the re-boxing of product as a result of damage to original packaging. For the immediate future, DABC managers will review these policies and their requirements with their respective teams. Long term, these policies will be revisited as part of a compulsory annual review of policies that affect the entire department and function/division-specific policies.

5. GENERAL POLICY RECOMMENDATIONS

During July 2013, we conducted various procedures at 11 retail stores, primarily testing cash receipting and inventory procedures. Summarized below are general observations and proposed recommendations.

a. Cash Receipting

- 1) Ten of the 11 stores reported that managers sometimes operate cash registers. This appears to happen regularly for smaller volume stores and less frequently for larger volume stores. To maintain proper separation of duties, managers should rarely operate cash registers; cashiering should be performed by employees specifically hired for this duty. Improper separation of duties increases the risk of misappropriation of funds. In addition, while managers are cashiering, they are not free to perform their managerial duties.

Recommendation:

We recommend that DABC implement or strengthen policies and procedures to ensure that store managers minimize time spent operating cash registers and that stores are adequately staffed to ensure enough registers are open to meet demand.

DABC's Response:

The DABC agrees with the concerns raised by the State Auditors regarding time spent by store managers at cash registers due to the broad scope of responsibilities that attach to managing a store.

While the DABC discourages managers from manning cash registers, circumstances at the stores sometimes require store managers to man cash registers in order to serve customers in a timely manner.

The DABC will monitor time spent by managers as cashiers to evaluate whether time spent as cashiers falls within an acceptable range.

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- 2) We reviewed daily Loss Prevention Reports for the month of June 2013 at each store. These reports document voids, cancelled transactions, returns, and “no scans.” “No scans” indicate the use of the Quantity register key; employees are instructed to avoid using this key since use of it often leads to errors. We noted that the reports for seven stores indicated frequent “no scans.”

Recommendation:

We recommend that DABC implement or strengthen policies and procedures to minimize the use of the Quantity register key.

The DABC will revert to its previous policy of prohibiting the use of the quantity key except in instances of sealed cases. The policy will be revisited as part of a compulsory annual review of policies.

The department initially modified policy requiring all bottles be scanned at the register due to complaints by customers about time spent at check out, by allowing use of the quantity key only after the cashier verified that products in boxes were the same.

This recommendation supports our review of internal data indicating that the quantity key was not being used in accordance with policy in some stores.

b. Receiving Warehouse Shipments

The main warehouse ships inventory to stores, generally making one shipment per week for smaller volume stores and two or more shipments per week for higher volume stores. Store managers use a shipment manifest to ensure inventory received matches warehouse records. Any variances from warehouse records are documented and reported to the warehouse. We observed one shipment from the warehouse received at each of the 11 retail stores we tested and noted the following:

- 1) Ten of the 11 stores lacked the space to unload all pallets from the trailer at once. Most stores unloaded two to four pallets at a time and counted product before unloading more pallets. This lengthens the time the carrier’s trailer must remain at the store and can expose product to unfavorable temperatures. Product is also less secure waiting outside the store in a trailer versus sitting in a locked store. Moving product to retail floor space or the back stock area, essentially mixing it with already existing product, may also make it difficult to verify that product was received correctly. Further, receiving product in close quarters introduces work hazards for employees receiving shipments.

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Recommendation:

We recommend that DABC evaluate the feasibility of making smaller, more frequent shipments to stores or expanding receiving areas.

DABC's Response:

The DABC will continue to evaluate the feasibility of expanding store receiving areas and more frequent shipments in light of operational needs and funding availability.

The department has engaged the services of the Division of Risk Management's Ergonomics Consultant to observe load at one of the retail stores and make recommendations on ways to improve safety.

- 2) Only one store uses a shipment manifest printed by pallet when verifying shipments from the warehouse; all other stores use a list printed by product number. Using a shipment manifest printed by pallet allowed the store to verify a single pallet against the manifest before moving product into inventory from the receiving area. Verifying by pallet seemed to make the receiving process run more smoothly and quickly and contributed to the store having no shipment variances, ultimately resulting in more accurate inventory records. If any variances were to occur, using this method would allow the variances to be identified upfront without waiting until the entire shipment has been counted.

Recommendation:

We recommend that stores use the shipment manifest printed by pallet to verify shipments from the warehouse.

DABC's Response:

The DABC will adopt the practice recommended by the auditors as it standardizes receiving procedures in all stores.

- 3) Unique Pallet ID tags listing store number, carton count, picked by, pallet number, and date picked are included on each pallet in the shipments; however, variances do not appear to be reported by Pallet IDs. Reporting variances with Pallet ID information would allow the warehouse to track picking errors and provide training where needed.

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Recommendation:

We recommend that variances be reported with Pallet ID information to allow the DABC warehouse to track picking errors.

DABC's Response:

The DABC warehouse management system automatically tracks the picker and picker error information and the DABC will continue to track this information by the individual pickers.

- 4) Some vendors do not print product codes on cartons. Also, packaging tape applied to pallets frequently tears the product code off cartons. The receiving process slows down when product codes are not visibly marked on the carton, since receivers have to stop to write the numbers on the cartons. Not having the product code marked on the carton can also increase picking errors at the warehouse, which may lead to incorrect shipments to stores and ultimately inaccurate inventory. We note that during the process of building pallets, warehouse employees are often working at heights in harnesses. The safety of these employees overrides the placement of packing tape.

Recommendation:

We recommend 1) that DABC require all cases to be marked with the product code either by the vendor or by the warehouse and 2) where feasible and safe, that warehouse employees apply packaging tape to pallets in such a way that critical carton information (e.g., product code, name, and description) is not damaged when the tape is removed.

DABC's Response:

Earlier this year, the warehouse began a program of placing product (CSC) code on boxes as requested by the retail stores. Product code stickers are initially placed on the outside boxes of pallets, and code stickers accompany the pallets so they may be placed on internal boxes during picking.

Packaging tape is used at the warehouse for safety reasons, often to stabilize stacks of products while on the picker. The DABC will evaluate ways conforming to the recommendation without sacrificing safety.

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c. **Secret Shopper Reviews**

On July 2–3, 2013, we sent secret shoppers to 11 retail stores to make 38 different purchases, with at least three different shoppers visiting each store. None of our secret shoppers were underage. We finished our secret shopper procedures by making 29 visits to return items to the stores after the July 4th holiday.

- 1) During 32 of our purchase visits, secret shoppers were not greeted or offered assistance to help find an item. In addition to being good customer service practices, greeting customers and offering assistance can help deter shoplifting.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure store employees greet and offer assistance to each shopper in order to deter shoplifting and promote customer service.

DABC's Response:

Customer service is an area covered in the recently instituted New Employee Orientation Training. It is also an area covered by the Regional Managers during their visits to the retail stores. The department will ensure that the auditors' particular concerns are included in the training provided.

- 2) During six of our purchase visits, secret shoppers were able to freely access the restrooms without escort or an entry code. Access to restrooms could depend on whether shoppers asked for directions to the restroom; however, for stores that do not use key code access to the restrooms, most did not have security preventing shoppers from walking to the restroom without escort. Monitoring access to restrooms helps deter shoplifting.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure store employees monitor restroom access to deter shoplifting.

DABC's Response:

The DABC will develop and implement policy governing public access to retail store restrooms and ensure that all stores are provided with key pad locks for the restrooms.

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- 3) During two of our purchase visits, the cashier was distracted during the transactions. At one store, the cashier was preoccupied with the card reader machine that was not working properly. He had the cash drawer open while he was bent over the card reader trying to see what was on the screen. At the other store, the secret shopper requested a purchase receipt, but the cashier had already started ringing up the next person in line. When the secret shopper insisted on receiving a receipt, the cashier left to get a manager, leaving the second shopper's transaction open. With no other employees at the front of the store and a line of several people, someone could have walked out without paying. Since the transaction was open, someone could have pressed a payment button to open the register and steal cash.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure cashiers are not distracted during transactions and do not leave their registers unattended.

DABC's Response:

The DABC has policies that govern cashiering procedures and monitors compliance via store visits by Regional Managers and Inventory Auditors. Results are reported to the Operations sub-committee and Regional Managers provide warnings for failure to comply. The department will continue monitoring compliance by cashiers.

The policies will be revisited as part of a compulsory annual review of policies.

- 4) During two of our purchase visits, secret shoppers were able to access for long periods of time the employee-only area behind the shelves where product is stored. One shopper walked around this area for over five minutes before an employee stopped her; other employees had noticed her but none had stopped her. The other shopper was never escorted out of the employee-only area; he left after awhile on his own.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure shoppers do not access the employee-only area behind the shelves where product is stored.

DABC's Response:

DABC will develop and implement policy regarding access by non-employees to store warehouse areas. The DABC will make employees aware of this issue, and include it

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to the Regional Managers Checklist to ensure that the issue is revisited on a regular basis and awareness among store employees is enhanced.

- 5) During one of our purchase visits, the cashier rang up six bottles of beer as the same item although two of the bottles were different.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure cashiers ring up individual bottles of beer correctly.

DABC's Response:

The DABC will revert to its previous policy of prohibiting the use of the quantity key except in instances of sealed cases.

- 6) For eight returns, the secret shoppers were not required to show ID. At one store, a secret shopper was asked for her driver's license, but the cashier then said, "unless you know the number." The cashier allowed the shopper to read the number from her card without the cashier looking at the license. At another store, the cashier didn't know how to process the return and another employee showed the cashier how to bypass the screen that requires an ID. At another store, the manager bypassed the screen that requires an ID and never asked the shopper for ID.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure customers are required to provide ID when making returns.

DABC's Response:

The DABC will develop and implement a return policy that includes a requirement that ID be provided, and return forms are completed by the customer. These policies will be revisited as part of a compulsory annual review of policies.

- 7) For three returns, the secret shoppers were not required to complete a return form with address, phone number, and signature. For two other returns, one shopper was only required to sign the form, and another shopper was allowed to put a phone number and not an address.

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Recommendation:

We recommend that DABC strengthen policies and procedures to ensure customers are required to complete a return form when making returns.

DABC's Response:

The DABC will develop and implement a return policy that includes a requirement that ID be provided, and return forms are completed by the customer. These policies will be revisited as part of a compulsory annual review of policies.

- 8) For one return, a secret shopper was allowed to return items totaling \$59.83 without a purchase receipt, in violation of DABC's policy that all returns over \$50 require a purchase receipt.

Recommendation:

We recommend that DABC strengthen policies and procedures to ensure customers provide purchase receipts when making returns over \$50.

DABC's Response:

The DABC has a policy governing the return of merchandise over \$50. The department will monitor compliance with policy and will revisit the policy as part of a compulsory annual review of policies.

d. General and Other Notes

- 1) We inspected the area of the stores where breakage is kept for verification and disposal by DABC auditors. Most stores document the causes of breakage on breakage cards; however, one store does not use breakage cards to document the causes of breakage. In our judgment, all stores should document the causes of breakage in some way.

Recommendation:

We recommend that DABC implement or strengthen policies and procedures to ensure that the causes of breakage are properly documented at each retail store.

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DABC's Response:

The DABC has policies governing breakage. The department will monitor compliance with policy requirements and revisit the policy as part of a compulsory annual review.

- 2) Two stores reported having related employees, though these related parties do not appear to violate nepotism policy. One of these stores was not sure if DABC administration was aware of their related employees. DABC administration should be aware of related employees working in retail stores.

Recommendation:

We recommend that DABC implement or strengthen policies and procedures to ensure that management is aware of related employees working at retail stores.

DABC's Response:

The DABC will modify job application forms to require disclosure of whether or not an applicant has family members working at particular stores. The DABC will develop and implement a policy requiring related employees to work on different shifts if they are employed at the same store.