



DABC FINANCIAL AUDIT PROGRESS REPORT

September 24, 2013



Office of the
Utah State Auditor

Mission Statement

We provide Utah taxpayers and government officials with an independent assessment of financial operations, statutory compliance, and performance management for state and local government.



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Utah State Auditor

Objective

- Improve oversight of financial operations, retail business, and inventory control
- Not a traditional financial statement audit
- Worked with Commission to identify key audit procedures



Overview of Procedures

- Inventory procedures
- Cash receipting procedures
- Secret shopper procedures



Retail Stores Tested

- Salt Lake City (#1)
- Sugarhouse (#2)
- Bountiful (#8)
- Murray (#9)
- Cottonwood Heights (#15)
- Sandy (#16)
- Taylorsville (#26)
- Holladay (#29)
- Draper (#31)
- Park City (#37)
- Park City (#38)



Inventory Procedures

- Observe year-end physical inventory count at warehouse
- Review cycle count documentation at retail stores
- Observe receiving procedures at retail stores
- Inspect security at property of common carrier



Cash Receipting Procedures

- Perform surprise cash counts
- Review log of cashier's overages/shortages
- Test deposits



Secret Shopper Procedures

- Observe:
 - Cash handling
 - Requests for identification
 - Underage loitering
 - Security measures
 - Restroom accessibility



Secret Shopper

- Selected:
 - Top 10 retail stores based on sales revenue
 - High-volume July 4th holiday
- Shopping:
 - 15 secret shoppers
 - 38 purchases during 2 days prior to holiday
 - Made returns after the holiday

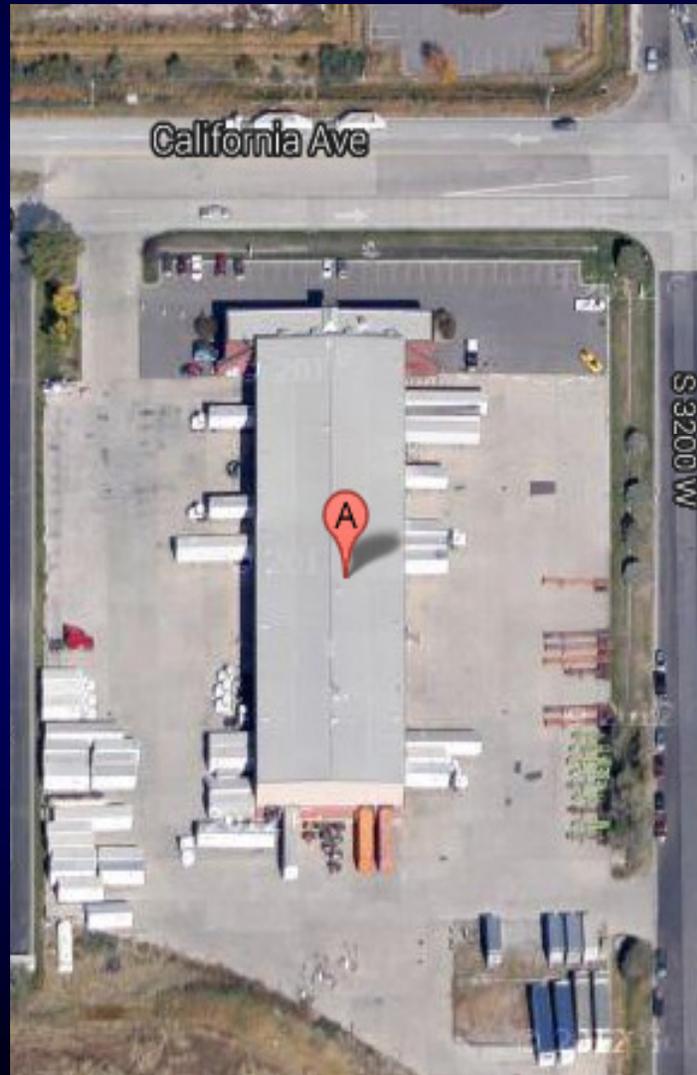


Lack of Receipts

- Receipts only provided upon request for cash sales under \$50
- Common practice in retail to offer a receipt on all transactions to reduce the risk of skimming
- We recommended offering receipts for all transactions



Inventory Transport Review



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Unsecured Inventory Identified



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Unsecured Inventory Identified

- We recommended securing inventory when in transit



Status of Audit Procedures

Warehouse & Retail Stores	Inventory: <ul style="list-style-type: none"> • Inventory counts • Inventory valuation tests • Evaluation of shortages • Evaluation of security 	Completed Not yet completed Completed Completed
Retail Stores	Secret Shopper activities	Completed
Retail Stores	Cash receipting at retail stores	Completed
	Legally required revenue distributions	To be completed by Oct. 18th



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