EXAMINATION REPORT

Pennsylvania Liquor Control Board

Fine Wine and Good Spirits Store 3508

70 Keystone Industrial Park Road
Dunmore, Pennsylvania 18512

For the Period
August 6, 2024 to September 15, 2025

October 2025

Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR
AUDITOR GENERAL

The Honorable Darrell Clarke, Chairman
Pennsylvania Liquor Control Board
518 Northwest Office Building
Harrisburg, PA 17124

Dear Chairman Clarke:

We have performed an examination of Fine Wine and Good Spirits Store 3508, Lackawanna County, District 2-04, operated by the Pennsylvania Liquor Control Board (PLCB). We examined store operations for the period August 6, 2024 to September 15, 2025.

This report presents the results of the Department of the Auditor General's examination of store operations under the jurisdiction of the Pennsylvania Liquor Control Board (PLCB). The examination was conducted under statutory authority provided under 47 P.S. § 3-306 of the Pennsylvania Liquor Code.

This examination was conducted only to the extent that we considered necessary to determine if the wine and spirits store operated in compliance with PLCB operating procedures. The examination was not conducted, nor was it required to be, in accordance with professional auditing or attestation standards.

Our examination included:

- Conducting a physical inventory count for a selection of liquor codes and comparing our results to the store's perpetual inventory records to determine whether inventory differences in excess of $200 in value exists for these codes;

- Reviewing deposits, consisting of cash and checks deposited manually and credit and debit card receipts deposited electronically, to determine whether deposits were appropriately accounted for and agreed with PLCB financial records;

- Reviewing Clerk Performance Reports, Ad Hoc Reports, Shipment Invoices, and Transfer Reports to determine the store's compliance with PLCB internal controls;

- Performing a count of all cash on hand to determine whether the store's cash on hand agrees with supporting store documents and bank records, and verifying whether the total store operating fund charged to the store agrees with the amount provided by the PLCB;

- Performing tests of Licensee Sales, Tax-Exempt Sales, Minor Challenges, System Prices, Register Voids, Register Deposits, and Breakage/Adjustment Controls to determine whether store operations were in compliance with PLCB operating procedures;

- Selecting liquor codes and verifying that the sales price in the store system agrees to the PLCB's approved price list; and,

- Locating and verifying that all PLCB capital assets are present at the store and comparing our results to the PLCB fiscal year asset equipment list for accuracy.

The results of our examination found that Fine Wine and Good Spirits Store 3508 operated in compliance with all PLCB operating procedures falling within the scope of our examination, except as noted in the following findings and discussed later in this report. These matters were discussed with appropriate personnel and are intended to assist you in improving internal controls.

Finding No. 1 – Tax-Exempt Sales – Improper Documentation – Repeat Finding

Finding No. 2 – Tax-Exempt Sales – Incorrect Classification – Repeat Finding

We would like to thank store management for their cooperation extended to us during the conduct of the examination.

If you have any questions concerning this report, please contact the Bureau of Liquor Control Audits at (717) 783-1236.

Sincerely,

Timothy L. DeFoor

Timothy L. DeFoor
Auditor General
October 9, 2025

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BACKGROUND

The Pennsylvania Liquor Control Board (PLCB) operates a diverse network of retail and wholesale distribution facilities across the Commonwealth, including Premium Collection Stores, One-Stop/Supermarket Stores, Taste & Learn Stores, Lottery Locations, Wholesale Stores/Licensee Service Centers (LSCs) and an online E-Commerce Store. Each of these store types serves a distinct function – ranging from public retail and licensee fulfillment to education, special product releases, and bulk distribution.

The Department of the Auditor General's authority to examine PLCB store operations is derived from Section 306 of the Pennsylvania Liquor Code (47 P.S. § 3-306).

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 3508
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Tax-Exempt Sales - Improper Documentation - Repeat Finding

Condition

Our examination of the store's tax-exempt sales disclosed that it was not in compliance with PLCB Tax-Exempt Sales procedures and the Revenue Code regarding required documentation. We examined five invoices for tax-exempt sales and found the following documentation discrepancies:

Date	Invoice Number	Total Price	Discrepancy
07/17/2025	03508001430220250717	$1,174.92	REV-1220 not dated at time of purchase
05/13/2025	03508001806920250513	$1,370.17	REV-1220 not dated at time of purchase

Criteria

The Revenue Code, 61 Pa. Code § 32.2(b) states, in part, a seller who accepts an exemption certificate in good faith is relieved of the sales tax liability. The seller is to retain physical possession of the certificate.

PLCB's Tax Exempt Sales Policies, BRO-0052 and BRO-0052.1, effective January 18, 2021, state that a purchaser must present a valid Tax-Exempt certificate, REV-1220, for ***each*** purchase, the certificate must be signed **and dated** by the purchaser at the time of purchase, and the completed certificate must be attached to the store copy of the invoice and filed accordingly. For purchases exceeding $200 or more, purchasers claiming exemption from sales tax shall also complete REV-1715 Declaration of Sales Tax Exemption and a signed, original REV-1220 and REV-1715 is to be retained by the store. [Emphasis added.]

Cause

Store management again failed to establish adequate internal control procedures to ensure that the store clerks followed the PLCB Tax-Exempt sales procedures.

Finding No. 1 – (Continued)

Effect

As a result of the store not complying with PLCB tax-exempt sales procedures, the store may be providing tax exemptions to customers that should not be receiving them, which results in a loss of revenue to the Commonwealth. Additionally, non-compliance with the Revenue Code could result in the PLCB being liable for the tax that was exempted.

Recommendation

We again recommend that store management take appropriate action to ensure that its employees follow the PLCB procedures for tax-exempt sales, correct the PLCB POS when necessary, and comply with the Revenue Code's documentation requirements.

Management Response

The general manager agreed with the finding and will again review the proper procedure for tax-exempt sales.

Examiner's Conclusion

A similar condition was noted in the two most recent examinations of this store. Although we received corrective action for the two prior examination reports addressing similar inventory concerns, procedures were either not implemented or not operatively effective to prevent their re-occurrence.

Compliance along with any subsequent corrective action taken will be subject to verification in the subsequent examination.

Finding No. 2 – Tax-Exempt Sales – Incorrect Classification – Repeat Finding

Condition

Our examination of the store's tax-exempt sales records disclosed it was still not in compliance with PLCB Tax-Exempt Sales procedures. During the current examined period we examined five tax-exempt sales invoices for a charitable organization that was classified incorrectly as Type D, rather than Type B, in the PLCB Point of Sale (POS) system. Since the customer is not a PLCB licensee and the PLCB POS still had the customer incorrectly classified as a Type D classification, the customer received an unallowable 10% licensee wholesale discount totaling $109.70 in addition to the allowable tax-exemption.

Criteria

PLCB's BRO-0052.1 Section III A, Store Process and Procedures, indicates that employees at the store are to receive and review the REV-1220 to determine if the customer is classified as a Type B or D exemption, defined as follows:

> Exemption Type B without a Liquor License, issued to religious organizations, volunteer fire fighter organizations, non-profit education institutions, and charitable organizations.
>
> Exemption Type D with a Purchase Permit issued to United States government areas subject to the jurisdiction of the Federal Government, Pennsylvania government, political subdivisions and foreign governments including ambassadors, ministers, and consular officers.

If the customer does not hold a PLCB license or permit, the customer is permitted to receive a sales tax exemption. If the classification in the PLCB POS is incorrectly listed as a Type D, the store employee should correct the improper classification, so the tax-exempt customer does not receive or continue to receive an improper discount.

Finding No. 2 – (Continued)

Cause

Store management again failed to establish adequate internal control procedures to ensure that store employees follow procedures and make corrections to the POS when needed so only allowable discounts are provided.

Effect

As a result of the store not complying with PLCB procedures and ensuring the tax-exempt organization is correctly classified in the POS, the store improperly provided a licensee's wholesale discount which resulted in loss of revenue to the PLCB.

Recommendation

We again recommend that store management take appropriate action to ensure that its employees follow the PLCB procedures for customers that are not licensees but are tax-exempt customers and correct the PLCB POS when necessary, so customers are not receiving a licensee's 10% wholesale discount.

Management Response

The general manager agreed with the finding and will again discuss the proper procedure for tax exempt classification.

Examiner's Conclusion

A similar condition was noted in the two most recent examinations of this store. Although we received corrective action for the two prior examination reports addressing similar inventory concerns, procedures were either not implemented or not operatively effective to prevent their re-occurrence.

Compliance along with any subsequent corrective action taken will be subject to verification in the subsequent examination. This customer's classification has been changed after this sale.

STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

Random Sample Shortages

Our prior examination of a random sample of the store's inventory reported an inventory discrepancy exceeding $200 between actual and perpetual inventory. Store management complied with our recommendation.

Tax-Exempt Sales

Our prior examination reported noncompliance with PLCB Tax-Exempt Sales procedures – Improper Documentation. Store management failed to comply with our recommendation (see Finding No. 1).

Our prior examination reported noncompliance with PLCB Tax-Exempt Sales procedures – Incorrect Classification. Store management failed to comply with our recommendation (see Finding No. 2).

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 3508
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Darrell Clarke
Chairman
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Assistant Director
PLCB Audit Services Division/Bureau of Audits
Pennsylvania Office of the Budget

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Angela Schaul
Director of Store Operations
Pennsylvania Liquor Control Board

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