

EXAMINATION REPORT

Pennsylvania Liquor Control Board
Fine Wine and Good Spirits
Store 5112

2550 Grant Avenue
Philadelphia, Pennsylvania 19114
For the Period
July 2, 2024 to July 21, 2025

September 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 5112, Philadelphia County, District 1-02, operated by the Pennsylvania Liquor Control Board (PLCB). We examined store operations for the period July 2, 2024 to July 21, 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 5112 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.

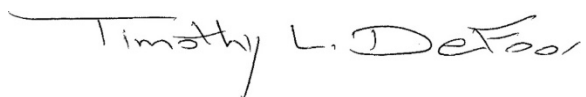
Finding No. 1 – Inventory Discrepancy Exceeding \$200 in Value – Repeat Finding

Finding No. 2 – Tax-Exempt Sales - Improper Documentation

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,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, flowing style.

Timothy L. DeFoor
Auditor General
September 4, 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 5112
FINDINGS AND RECOMMENDATIONS**

Finding No. 1 – Inventory Discrepancy Exceeding \$200 in Value – Repeat Finding

Condition

A random sample count of 56 liquor codes, comprised of 2,630 units valued at \$89,619.70, was performed on July 22, 2025. We compared PLCB perpetual inventory records for the 56 liquor codes to actual inventory on hand. The perpetual inventory records and the actual inventory count matched for 47 codes. However, for the remaining 9 codes, the actual inventory count did not agree with the perpetual inventory records. The discrepancies are noted below.

Discrepant Code Item Number	Physical Count	Perpetual Inventory	Difference	Retail Cost Per Unit	Total Value
1	123	129	(6)	\$21.99	(\$131.94)
2*	59	61	(2)	\$32.99	(\$65.98)
3	81	82	(1)	\$26.99	(\$26.99)
4	51	52	(1)	\$63.99	(\$63.99)
5	34	35	(1)	\$64.99	(\$64.99)
6	11	12	(1)	\$169.99	(\$169.99)
7	50	49	1	\$49.99	\$49.99
8	78	77	1	\$29.99	\$29.99
9	32	29	3	\$65.99	\$197.97

**** This code was also noted as a discrepancy in the prior examination report.***

On July 23, 2025, PLCB management was notified of the differences between actual inventory and the PLCB's perpetual inventory records so that the PLCB could investigate the differences and make appropriate adjustments to its inventory records.

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

Criteria

The PLCB Manual of Instructions, Chapter 710-14, Random/Complete Physical Inventory Comparison establishes procedures that require store management to maintain accurate perpetual inventory records.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5112
FINDINGS AND RECOMMENDATIONS**

Finding No. 1 – (Continued)

Cause

Management indicated these factors may have contributed, but are not limited to, Ad Hoc/daily counts, and customer theft.

Effect

Unacceptable inventory discrepancies demonstrate an inability to properly manage PLCB merchandise, reduce the ability of the Board to accurately maintain records of profit and loss, and may result in a reduction in PLCB revenue.

Recommendation

We again recommend that the Board investigate this situation and take whatever action it deems necessary to bring inventory discrepancies within the parameters established by the Board. Furthermore, the Board should monitor inventory levels and work with store employees to detect and correct inventory discrepancies in a timely manner.

Management Response

Management agreed with the discrepancies.

Examiner's Conclusion

As indicated in the above Condition, it was disclosed that one of the discrepant inventory codes was also noted as discrepancies in the prior examination count and reported to PLCB. Since procedures were not implemented or operated effectively to prevent their recurrence, we again recommend that management strengthen overall controls relative to monitoring store inventory and remain proactive in the area of asset protection to avoid continued variances/losses in store inventory.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5112
FINDINGS AND RECOMMENDATIONS**

Finding No. 1 – (Continued)

During examination of breakage and adjustments reports, it was noted that 7 of the discrepant codes noted above, found during this random inventory count were the same codes adjusted between the months March 1, 2025, to May 31, 2025, as illustrated below:

Discrepant Code Item Number	Reason Code	Description	Units	Date
1	88	Stock Out	(1)	05/22/2025
3	88	Stock Out	(2)	05/13/2025
3	123	Pushed cork, loose or leaky cap, broken enclosure or spout	(1)	05/16/2025
3	1801	(+) Physical Inventory Adjustment	1	05/28/2025
4	88	Stock Out	(1)	04/18/2025
4	88	Stock Out	(1)	04/25/2025
4	88	Stock Out	(2)	04/30/2025
4	8180	(-) Physical Inventory Adjustment	(2)	05/14/2025
4	88	Stock Out	(1)	05/19/2025
5	88	Stock Out	(1)	03/31/2025
6	87	Stock In	1	04/30/2025
7	87	Stock In	1	04/21/2025
8	87	Stock In	1	05/13/2025

Errors or inaccuracies with these adjustments could have contributed to the discrepancies noted above.

Based on an examination of the 30 most recent shipment invoices, the codes listed above did not disclose any issues during deliveries.

We are concerned by the failure to comply with the prior findings and encourage compliance at the earliest opportunity to do so.

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

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5112
FINDINGS AND RECOMMENDATIONS**

Finding No. 2 – Tax-Exempt Sales - Improper Documentation

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 2 invoices for tax-exempt sales and found the following documentation discrepancies:

<u>Date</u>	<u>Invoice Number</u>	<u>Total Price</u>	<u>Discrepancy</u>
12/17/2024	05112003261220241217	\$203.84	REV-1220 not attached to invoice REV-1715 not attached to invoice
07/16/2025	05112001200120250716	\$110.11	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.

Cause

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

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5112
FINDINGS AND RECOMMENDATIONS**

Finding No. 2 – (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 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

Management acknowledged this finding and will address the issue at the post-audit meeting.

Examiner's Conclusion

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

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5112
PRIOR FINDINGS AND RECOMMENDATIONS**

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 failed to comply with our recommendation (see Finding No. 1).

Wholesale Discount Sales

Our prior examination reported noncompliance with PLCB Tax-Exempt Sales procedures – Improper Documentation. Store management complied with our recommendation.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5112
REPORT DISTRIBUTION LIST**

This report was initially distributed to the following:

The Honorable Darrell Clarke
Chairman
Pennsylvania Liquor Control Board

Faith Deitrich
Assistant Director
PLCB Audit Services Division/Bureau of Audits
Pennsylvania Office of the Budget

Rodrigo Diaz
Executive Director
Pennsylvania Liquor Control Board

Angela Blecher
Chief Financial Officer
Pennsylvania Liquor Control Board

Angela Schaul
Director of Store Operations
Pennsylvania Liquor Control Board

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.