

EXAMINATION REPORT

Pennsylvania Liquor Control Board Fine Wine and Good Spirits Store 5163

3007 Grays Ferry Avenue
Philadelphia, Pennsylvania 19146

For the Period
June 25, 2024 to June 24, 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 5163, Philadelphia County, District 1-03, operated by the Pennsylvania Liquor Control Board (PLCB). We examined store operations for the period June 25, 2024 to June 24, 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 5163 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 – Repeat Finding

Finding No. 3 – Instant Redeemable Coupon Used Along with Licensee Discount – Repeat Finding

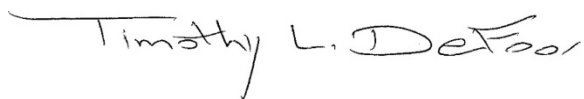
Finding No. 4 – Prevention of Sales to Minors

Finding No. 5 – Excessive Cash in Register Drawers

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
Auditor General
August 22, 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 5163
FINDINGS AND RECOMMENDATIONS**

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

Condition

A random sample count of 59 liquor codes, comprised of 2,271 units valued at \$77,945.39, was performed on June 25, 2025. We compared PLCB perpetual inventory records for the 59 liquor codes to actual inventory on hand. The perpetual inventory records and the actual inventory count matched 48 codes; however, for the remaining 11 codes, as illustrated below, the actual inventory count did not agree with the perpetual inventory records.

<u>Discrepant Code Item Number</u>	<u>Physical Count</u>	<u>Perpetual Inventory</u>	<u>Difference</u>	<u>Retail Cost Per Unit</u>	<u>Total Value</u>
1	8	13	(5)	\$189.99	(\$949.95)
*2	46	48	(2)	\$35.99	(\$71.98)
3	36	38	(2)	\$41.99	(\$83.98)
4	48	50	(2)	\$28.99	(\$57.98)
5	23	25	(2)	\$9.99	(\$19.98)
*6	89	90	(1)	\$21.99	(\$21.99)
7	80	81	(1)	\$19.99	(\$19.99)
8	107	108	(1)	\$14.99	(\$14.99)
9	45	46	(1)	\$7.99	(\$7.99)
10	115	114	1	\$22.99	\$22.99
11	37	26	11	\$54.99	\$604.89

** These codes were also noted as discrepancies in the prior examination report.*

On June 25, 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 two 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 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 1 – (Continued)

Cause

Contributing factors include, but are not limited to, theft, malfunctions in the inventory management system, failure to properly adjust inventory records, similar-looking items were rung up incorrectly at the register, and failure by store employees to properly accept or dispatch inventory transfers and shipments.

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 in the finding.

Examiner's Conclusion

As indicated in the above Condition, it was disclosed that two of the discrepant inventory codes were also noted as discrepancies in the prior examination count and reported to PLCB. Although corrective action was received from management addressing similar areas for improvement, since procedures were not implemented or operating effectively to prevent their recurrence, we again recommend that management strengthen overall controls relative to monitoring the store inventory.

During examination of breakage and adjustments reports, it was noted that three of the discrepant codes noted above, found during this random inventory count were the same codes adjusted between February 1, 2025, and April 30, 2025, months, as illustrated below:

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 1 – (Continued)

<u>Discrepant Code Item Number</u>	<u>Reason Code</u>	<u>Description</u>	<u>Units</u>	<u>Date</u>
4	88	Stock Out	-1	04/25/2025
10	88	Stock Out	-1	03/25/2025
11	87	Stock In	1	04/25/2025
11	88	Stock Out	-1	03/14/2025

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

Based on an examination of the 20 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 two 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 5163
FINDINGS AND RECOMMENDATIONS**

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

Condition

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

<u>Date</u>	<u>Invoice Number</u>	<u>Total Price</u>	<u>Discrepancy</u>
06/23/25	05163003605820250623	\$181.97	REV-1220 not attached.
12/14/24	05163001917620241214	\$73.96	REV-1220 not dated at the time of sale.
12/10/24	05163003556320241210	\$61.95	REV-1220 not attached.
07/10/24	05163001303820240710	\$442.93	REV-1220 not attached; REV-1715 not attached.
07/05/24	05163001266720240705	\$413.76	REV-1220 not dated at the time of sale; REV-1715 not attached.

Criteria

Tax Exempt Sales Policy, BRO-0052 and BRO-0052.1, effective January 18, 2021, states 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.

Also, for purchases exceeding \$200 or more, purchasers claiming exemption from sales tax shall complete REV-1715 Declaration of Sales Tax Exemption. A copy of the signed, original REV-1220 and REV-1715 is to be retained for a period of three (3) years from the date of the purchase.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 2 – (Continued)

Cause

Store management again failed to establish adequate internal control procedures to ensure that the store clerks followed the PLCB Tax-Exempt sales procedures. Management indicated the tax-exempt customers are asked multiple times about bringing in the correct documentation, but the customers remain negligent. However, all tax-exempt transactions are still completed with improper documentation.

Effect

As a result of the store not complying with PLCB tax-exempt sales procedures, there is a lack of adequate internal controls over the store's monetary receipts and supporting documentation involving tax-exempt sales.

Recommendation

We again recommend that the PLCB monitor the store to ensure compliance with tax-exempt sales procedures as referenced in BRO-0052 and BRO-0052.1. Additionally, if tax-exempt customers do not provide the proper documentation, exemptions should not be granted.

Management Response

Management agrees with the finding. Management indicated they will again take corrective action and stay adamant by reminding the customer to bring the correct documentation.

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 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 3 – Instant Redeemable Coupons Used Along with Licensee Discount – Repeat Finding

Condition

Our examinations of 39 licensee sales records disclosed the store was not in compliance with the PLCB Instant Redeemable Coupons (IRC) policy. We found two licensee sales in which the licensees used an IRC, totaling \$5.00, in combination with their licensee discount for a purchase.

Criteria

PLCB Memo from Chief Counsel, 6/15/2015, states that based on the State and Federal laws governing inducements, it would not be permissible for retail licensees to redeem instant rebate or mail-in rebate coupons, offered by manufacturers or suppliers on purchases of wine or spirits from the Boards's Fine Wine & Good Spirits stores under any circumstances, regardless of whether they are attempting to make the purchase at wholesale using their ten percent licensee discount.

In addition, the Liquor Code and the Board's Regulations also contain interlocking business prohibitions that would preclude retail licensees from redeeming instant rebate or mail-in rebate coupons offered by manufacturers or suppliers on purchases of wine or spirits from the PLCB's Fine Wine & Good Spirits store per Section 411 (c) of the Liquor Code.

Further, POS Message 5638 instructs store personnel that licensees are not permitted to use IRCs in conjunction with either walk-in or portal orders. These regulations fall under both Federal and State Code.

Finally, PLCB PROCEDURE BULLETIN #32, states IRCs are for retail sale transactions. No IRCs will be honored on Special Liquor Orders, Licensee Orders, Tax-Exempt Sales or Retail Invoices.

Cause

Store management again failed to establish adequate internal control procedures to ensure the IRC policy was properly followed.

Effect

As a result of the store not complying with this PLCB procedure, the PLCB lost revenue.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 3 – (Continued)

Recommendation

We again recommend that store management establish adequate internal control policies to ensure compliance with PLCB IRC policy and procedures, to ensure that licensees use an IRC or the licensee discount, but not both.

Management Response

The General Manager agrees with the finding and has addressed the issue with the clerk involved and will bring it up during the next store meeting that coupons are not to be used along with a licensee discount.

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 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 4 - Prevention of Sales to Minors

Condition

Our examination of Minor Challenges disclosed that the store failed to perform an appropriate number of age verifications based on the volume of transactions completed between 06/17/25 and 06/24/25. The store performed age verifications at a rate of less than 1% of transactions during that time frame.

Criteria

The PLCB Bureau of Retail Operations, BRO-0010, states that the cornerstone of the PLCB and the basic purpose of the agency's existence is to control the sale of alcohol. Preventing illegal sales cannot be overemphasized.

The PLCB Bureau of Retail Operations, BRO-0010, also states that an employee may be subject to disciplinary, as well as, legal action, including criminal prosecution for violations.

Prudent business practice dictates that for the effective control over the prevention of alcohol sales to minors, a certain percentage of age verifications should be performed based on the volume of transactions at a given Fine Wine & Good Spirits location to avoid sales to potential underage drinkers. All age verification should be documented.

Cause

Store management failed to establish adequate internal control procedures to ensure that an appropriate number of age verifications are performed and documented to prevent sales to minors based on the volume of transactions at the store location. Management mentioned that approximately 75% to 80% of customers who shop at this location are regulars whom staff know well, and as a result, identification is not routinely requested.

Effect

Sales to individuals found to be under 21 years of age could result in disciplinary and legal action. Additionally, failure to follow applicable procedures and prudent practices weakens the PLCB's efforts toward responsible alcohol management and the prevention of sales to minors.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 4 – (Continued)

Recommendation

We recommend that store management implement adequate procedures to ensure that anyone who appears to be under the age of 35 be considered a potential underage drinker and be asked to provide proper identification in accordance with PLCB's Prevention of Sales to Minors Procedures.

Management Response

Management agreed with the finding and has committed to implementing corrective action. They plan to address the issue during the next scheduled 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 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 5 – Excessive Cash in Register Drawers

Condition

During our examination of 41 cash deposits made, as detailed on register slips, we discovered five instances of excessive cash in the registers that exceeded the allowable amount by \$200 or more. We examined the store's electronic journal and noted that the excessive cash amounts were not the result of large cash sales.

Criteria

The PLCB Manual of Instructions, Chapter 710-04-02-B, states that money kept in the registers must be maintained at the lowest level possible, consistent with sound operation. The Person-in-Charge must ensure that employees do not accumulate large sums. The employees are required to periodically deposit excess monies from their registers with the Person-in-Charge.

Cause

Store management failed to establish adequate internal control procedures to ensure that the store clerks followed the PLCB Manual of Instructions pertaining to the removal of excessive cash from the store register drawers. Management mentioned that the store pickup limit was supposed to be raised to \$400.00 but the change was never implemented. This store deals heavily with cash payments and the clerks tend to hit the drawer limit very quickly.

Effect

The failure to remove excess cash from the register drawers increases the risk of loss, theft, or misuse of these funds.

Recommendation

We recommend that PLCB management consider installing Drop Safes under the counters of busy stores. This would allow the clerk to secure excessive cash until the store manager is available to transfer the cash to the store's main safe. In addition, the PLCB should reevaluate the amount of cash permitted to be retained in cash register drawers.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5163
FINDINGS AND RECOMMENDATIONS**

Finding No. 5 – (Continued)

Management Response

Management has reviewed and agreed with the finding. They will ensure employees make their best efforts to remain within the approved pickup threshold moving forward.

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 5163
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).

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. 2).

IRC Policy

Our prior examination reported noncompliance with PLCB Instant Redeemable Coupons (IRC) policy. Store management failed to comply with our recommendation (see Finding No. 3).

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
FINE WINE AND GOOD SPIRITS STORE 5163
REPORT DISTRIBUTION LIST**

This report was initially distributed to the following:

The Honorable Darrell Clarke
Chairman
Pennsylvania Liquor Control Board

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

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Pennsylvania Liquor Control Board

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Angela Schaul
Director of Store Operations
Pennsylvania Liquor Control Board

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