

LIQUOR STORE ACCOUNTABILITY

Cash Counts – Should be performed unannounced several times a year by someone from outside of the liquor store (usually the finance officer). Cash counts are meant to detect IOU's, excessive bouncing checks and should ensure that the liquor store manager is making prompt and accurate deposits. Counts should be made of the till, lottery money and ANY other cash located in the liquor store.

NSF Checks – Policies should be passed by the governing board setting out how to handle NSF (non-sufficient fund) checks. For example, should the check be held for a week and then run through the bank again OR should they be turned over to a collection agency OR should they be turned over to the city attorney. The policy should also give direction to the liquor store manager concerning the occurrence of repetitive NSF checks from certain customers. Another factor to consider is at what point should a customer become a “cash” customer.

Lottery Cash – Lottery cash boxes should be established in an amount fixed by the governing board and maintained on an “imprest” basis. The imprest basis ensures that at all times the lottery cash plus pay out slips will equal the required balance. Pay out slips that have been redeemed should be cancelled to preclude reuse.

A special checking account may be established to handle large payouts. The lottery checking account should ONLY be used for lottery payouts. It should not be used for liquor store supplies or for other purposes. The bank statements for this account should be filed with the finance officer. The finance officer should reconcile this account on a monthly basis.

Lottery Machine Cashout Slips – These slips should be filed with the finance officer. A copy or duplicate may be retained at the liquor store. The finance officer should reconcile the cashout slips to the deposits. Also, the finance officer should annually confirm from the vending company the municipality's proceeds from the lottery machines. This confirmation should then be reconciled to amounts deposited.

Tags – We do not recommend that municipal liquor stores get into the process of maintaining tags for its customers. If the governing board permits the liquor store to allow tags, then a report of unpaid tags (accounts receivable) should be made to the governing board by the liquor store manager on a monthly basis. This report should be “aged” showing how old these unpaid tags are and who owes them.

Check Cashing – We recommend that municipal liquor store employees should not be allowed to cash checks at the liquor store where they are employed.

Inventories – Perpetual inventory records are recommended for all liquor stores. Complete physical inventories of the liquor store should be taken monthly, at least initially. After clean results have occurred from several months of taking inventory, a municipality may switch to quarterly inventories.

Someone other than the liquor store manager should be involved in taking the liquor inventory. One approach is for the finance officer or councilperson to take the liquor inventory WITH the liquor store manager. Another approach is to have the liquor store manager take the complete inventory having the finance officer/councilperson perform recounts of select items.

On-sale and off-sale inventories must be separately maintained. This can be accomplished in several ways. One way is to literally have two separate inventories. This may not be feasible for some municipalities due to space limitations. Another approach is to consider all of the inventory as off-sale. The on-sale has no inventory. When another item is needed to replenish the on-sale stock, it is taken from the off-sale inventory and noted on a tablet or other record. At the end of the month an adjustment is made to the records for all items moved from off-sale inventory to on-sale usage.

The Till – Each till must have the capability of recording sales by type of sale. At a minimum, sales must be tracked for on-sale liquor, off-sale liquor, on-sale beer, off-sale beer and other (chips, cigarettes, pizza, etc.)

Tills must be balanced out at least daily. Balancing reconciles the cash in the till to the sales on the till tape. Till tapes **MUST** be retained and filed with the finance officer. The employee responsible for balancing the till tape should initial the tape. The finance officer should reconcile the till tapes to deposits at the bank. Deposits should be made at least daily keeping cash on hand to a minimum.

Verifying Gross Profit Percent – One of the best tools for monitoring liquor store activity is the verification of gross profit percent. In its simplest form, gross profit works like this. If a beer is purchased for \$1.00 and sold for \$1.50, the result is a gross profit of 50%. The gross profit is \$.50 and the cost of sales is \$1.00. (\$.50 divided by \$1.00 = 50%). Gross profit will vary from city to city depending on what their markup is **BUT** the gross profit for a given city, month after month, should be consistent.

The following key elements have to be in place in order to compute gross profit:

1. Inventories have to be taken.
2. Sales have to be recorded by type of sale.
3. Purchases by product category must be maintained.

Gross profit should be computed monthly by the finance officer until a certain comfort level has been reached. After that, a liquor store may switch to quarterly calculations of gross profit. Gross profit percents should be calculated for each of the sales categories, such as on-sale beer, off-sale beer, etc.....

The gross profit percentage test will detect sales that have not been rung up, stolen items, breakage, spoilage, and other costing factors. This percentage should be calculated by the finance officer.

The percent markup and other pricing strategies should be set by the municipality's governing board.