

LIMITED-SCOPE AUDIT PROPOSAL

Department of Agriculture: Evaluating the Division of Weights and Measures' Price Verification Program

SOURCE

This audit proposal was requested by Senator Carolyn McGinn.

BACKGROUND

Many retail and grocery stores use electronic scanners to compute sale prices at the check-out counter. These scanners are linked to a computer database where product prices are stored. Some electronic scanners are hand-held and others are installed on a counter so that items can be passed over or weighed by an electronic reading device. The scanner reads a code on the product and returns the price from the store's database.

The Division of Weights and Measures within the Department of Agriculture operates a program to regulate electronic price scanners. Under the division's Price Verification program, these devices are inspected to ensure customers are charged the advertised, posted, or displayed price. During a typical inspection, 100 randomly selected items are tested. If three or more scanned items produce an incorrect price, the retailer fails the inspection and a follow-up inspection is scheduled. Continued failed inspections can lead to enforcement actions that could require the retailer to pay a penalty.

Legislators have expressed concern that coverage provided by the Price Verification program might not be sufficient to ensure the accuracy of these electronic devices and to ensure that consumers pay the correct prices.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below represent the questions that we would answer through our audit work. The proposed steps for each objective are intended to convey the type of work we would do but are subject to change as we learn more about the audit issues and are able to refine our methodology.

Objective 1: Does the Price Verification program's inspection process appear to provide sufficient coverage to ensure accurate devices across the state? Our tentative methodology would include the following:

- Review state statutes and regulations to identify any inspection requirements including how frequently inspections should be conducted and what types of sanctions are available to program staff for inadequate inspection results.
- Review program data to determine:
 - The total number of stores and devices checked by program staff in the past few years.
 - The number of times individual stores are inspected each year.
 - The percent of retail stores inspected statewide on an annual basis.
 - The percent of inspections that were passed and failed.

ESTIMATED RESOURCES

We estimate this audit would require **100 staff hours** to complete.