

AUDIT PROPOSAL

Department of Agriculture: Evaluating the Department's Price Verification Inspection Process

SOURCE

This audit proposal was requested by Senator Carolyn McGinn.

BACKGROUND

The Department of Agriculture's Weights and Measures Program (the program) is responsible for ensuring the accuracy of the state's commercial pricing and measuring systems. The program has two divisions. One division oversees petroleum distribution in Kansas. The other division oversees the accuracy of all other scales and price systems in Kansas.

Program staff inspect point-of-sale systems to ensure actual prices match advertised prices. Grocery and other retail stores use point-of-sale systems to determine how much consumers pay for goods. These systems typically use a scanner or other device to retrieve price information from a central database. It is critical these systems reflect the advertised prices for goods. If not, consumers may end up paying too much or too little for the items they purchase. Program inspectors can fine businesses that fail inspections.

Our 2019 limited-scope audit found the program did not do enough of these inspections to ensure adequate coverage across the state. We found the program only inspected 365 businesses in fiscal year 2018. This was likely a small fraction of all the state's point-of-sale systems (we estimate about 4%). However, it was difficult to know for sure because the program did not track the total number of point-of-sale systems in the state. We also found that more than half (59%) of the businesses inspected in fiscal year 2018 failed an inspection. Program officials reported they increased inspections since the audit. However, legislators have expressed concerns the program is not inspecting enough of these systems to ensure accurate prices.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below are the questions we would answer through our audit work. The steps listed for each objective convey the type of work we would do. These may change as we learn more about the audit issues.

Objective 1: What were the results of recent price verification inspections? Our tentative methodology would include the following:

- Work with Department of Agriculture officials and review program data for the last few years to understand how many businesses the program inspected, where those businesses were located, and the results of those inspections.
- Work with Department of Agriculture officials or perform direct test work to understand the cause for incorrect pricing (e.g., inaccurate data, outdated signage,

etc.) and its effect on consumers and businesses.

- Work with Department of Agriculture officials and review program documents to understand the program's policy on fining businesses that failed price verification inspections.
- Review program data for the last few years to understand whether the program fined businesses according to their policy and the reason for any discrepancies.

Objective 2: How do other states ensure adequate inspection coverage for point-of-sale systems? Our tentative methodology would include the following:

- Work with Department of Agriculture officials and other states to understand the feasibility and challenges associated with building and maintaining an inventory of the state's point-of-sale systems.
- Work with other states and review available national benchmarks to identify best practices for determining adequate coverage for price verification inspections (e.g., percent of businesses to inspect, risk-based inspection approach, partnering with business, etc.).
- Work with Department of Agriculture officials to understand the effect increasing price verification inspections would have on program staffing, resources, and its other responsibilities.

ESTIMATED RESOURCES

We estimate this audit would require a team of **3 auditors** for a total of **4 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).