

Booth Audit Program Summary for 2007

Purpose: To confirm that vendors are reporting accurate sales figures at the end of each market day.

Scope: In 2007, NFMA will audit 40-50 vendors.

Basic process:

- Randomly select vendors to audit. – Each market should have at least several audits during the season. Ideally, audited vendors represent different categories of vendors like eastern WA, western WA, row crops, fruit, processed foods, meat/shellfish/dairy, etc.
- Hire and schedule auditors.
- Notify vendor 48 hrs in advance of audit.
- Audit for complete market day.
- Total audited sales and compare to reported sales. Research to determine whether there are any problems.
- Review with Operations Manager.
- Follow up with vendor and auditor.

Problem Situations:

- **Discrepancies between audited results and vendor reported sales:**
 - **If discrepancy is less than 7.5% over or under**, it is considered OK and within the margin of error. NFMA Board of Directors decision in 2006.
 - **If discrepancy is greater than 7.5%** NFMA Board decision:
 - Research possible explanations for discrepancy: Talk to vendor and auditor about any possible extenuating circumstances. Do explanations make sense?
 - Follow up on any reasons.
 - Send vendor letter outlining what happened, explain research and results, and state NFMA will conduct 4 more audits at the market, at vendor's expense.
 - The purpose is to develop a baseline of the vendor's sales so we know what to expect in the future.
- **Spike in reported sales:** Where vendor reported sales significantly higher than what was reported the previous week.
 - "Significantly higher" has not been formally defined but could mean an increase 40+% higher than the previous week which can't be explained by a change in the vendor's product mix, change in the weather, vendor competition, shopper counts, etc
 - Research possible explanations for spike – Tell vendor what was observed and ask for possible explanations. Critically review explanations to see if they make sense given the circumstances.
 - Monitor vendor's sales at all markets – Do any others spike? Does the spike continue at a new level? Do sales revert to the pre-audited level the next week?
 - If sales revert and there is no logical explanation, send vendor a letter stating that there will be a second audit and if a spike occurs, their permit to sell may be revoked.
- **Continuing problems:** In both situations above, problems continued with the follow-up audits in 2006.
 - NFMA board handled this by sending a letter from the Board president stating that NFMA would audit 4 times at each of the other markets the vendor sells at, at the vendor's expense.