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 that 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.