Commissary Coupons

Scenario One

An auditor was working on a review of a commissary's cash controls and noted an excessive number of coupon transactions occurring within the past six months. Review of cash register transaction records showed 50% of the coupon transactions were processed by the store director. The auditor found this pattern unusual, but noted that the commissary was often so busy that Front End managers were sometimes required to perform cashier duties. The auditor continued their analysis of the commissary's coupon transactions and observed the following trends:

- When reviewing credit card sales, the auditor noted that the store director signed someone else's name and used their credit card when purchasing items with coupons. The auditor was never able to determine who the credit card actually belonged to, or the owner's relationship with the store director. However, the auditor suspected that the credit card was stolen.

- The store director made large reoccurring purchases of items using vendor coupons. Example purchases included 3,000 cases of soda in one week and 700 packages of diapers in two weeks. The auditor remembered that students often purchased large quantities of soda from the commissary during training classes, however, a training class was not ongoing or planned when the sales were made.

- Analysis disclosed that vendor coupons covered 70% of the soda cost, and 80% of the diaper cost.

- When performing cashier duties, the store director often used the cash register code for a coupon discount instead of scanning an actual coupon. This pattern was noted for purchases of sandwich meats and condiments.

During an interview with the auditor, the store director admitted that representatives of the soda and diaper vendors gave him coupons to display in the store to help promote their products. Instead of displaying the coupons, he kept the coupons for his personal use. He also admitted to using the cash register code for a coupon discount when he did not have a vendor coupon to discount items his family requested on their weekly grocery list.

Scenario Two

During audit planning, the auditor selected five commissaries with the highest number of coupon sales for review. The auditor conducted numerous data queries and noted that Commissary 1 had an unusually large coupon to sales ratio when compared to the four other stores. As a result, the auditor decided to conduct additional audit field work at Commissary 1. The auditor interviewed store cashiers and managers, reviewed employee timecards and all transaction records related to coupon discounts processed within the past three months. The auditor's work disclosed the following trends:

- The auditor queried sales records to identify all transactions with coupons totaling $10.00 or more. Items with large dollar coupons included cigarettes, roman candle kits, and baby products. Cashier A processed 75% of all large value coupon discounts. Commissary timekeeping records showed that only 10% of the commissary's large coupon transactions were processed when Cashier A was not at work.

- Inquiry disclosed that the store manager gave Cashier A a turnkey to use to process coupon discounts during a week her coupon scanner was not working. The supervisor stated that they forgot to ask her to return the key.

- One of the store managers, Mr. B, often performed cashier duties during the evening shopping rush. Eighteen percent of Mr. B's coupon sales were processed without scanning a vendor coupon. Instead, Mr. B used the register override key and typed in a coupon value. The auditor suspected that Mr. B was taking money from the register to account for the bogus coupon sales.

- The auditor also noted several transactions where the number of customer items purchased were less than the number of coupons credited for the sale. For example, one customer purchased twenty one items and was given credit for forty coupon discounts. Cash register records indicated that Cashier A and Store Manager B were the only cashiers that processed these types of transactions.

Scenario Three

The auditor was reviewing cash register transaction records at one of the smaller commissary locations. During the review, the auditor noted that one of the store managers, while acting as a cashier, processed an excessive number of coupon refunds for cigarette sales. The store manager told the auditor that several customers returned to the store and requested a refund for the value of the coupon. The store manager stated that he processed each customer's refund requests because he had rang in the initial sale of the merchandise. When asked if he could provide the names of customers that had received the coupon refunds, the store manager stated that he could not remember the customers' names. During a follow up interview with the auditor, the store manager admitted to keying in the coupon refund code and taking the money for his personal use.

General Comments / Lessons Learned. Retail coupon fraud is an ongoing problem in both the public and private sectors. Detecting this type of fraud can be challenging because, unlike cash transactions, coupon sales are generally not reconciled at the close of each business day, unlike cash transactions. Therefore, management may not be aware of daily variances in coupon discounts and cash register transactions. Coupon fraud can also go undetected in environments where supervisors perform cashier duties or when supervisors provide employees with cash register turnkeys or their personal cash register passwords. It is important to remember that vendor coupons have a monetary value; therefore, their vulnerability to fraud is increased.

FRAUD INDICATORS

- **Commissary has an excessive number of coupon transactions and/or large coupon to sales ratio.**

- **Store managers frequently perform cashier duties or cashiers are able to perform management functions.**

- **Large reoccurring purchases of items using vendor coupons.**

- **Coupon(s) value accounts for most of the cost of the sales transaction.**

- **Large number of high dollar coupon sales processed at the store location.[1]**

- **A single employee processes a large number of coupon discounts during their shift and/or similar transactions are not conducted at the same location when the employee is not working.**

- **Employee(s) processes a large number of coupon discounts and does not scan the vendor coupon. Instead, the coupon discount code is manually processed by the employee.**

- **Cash register sales records show the number of customer items purchased is less than the number of coupons credited to the sales transaction.**

- **Excessive number of high dollar coupon refunds are given to customers.**

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[1]In general, high dollar coupons have a value greater than ten dollars. Example products with high dollar coupons include cigarettes and baby products.