

WHY HIGH'S SWITCHED FROM AN INTERNAL AUDIT TEAM



Quantum Services
BETTER PEOPLE **STRONGER SYSTEMS**



The Client

Family-owned and operated **Carroll Independent Fuel** has been serving Maryland families and businesses for generations. Rooted in residential, commercial, and industrial fuel sales, the organization made its first foray into the c-store realm with the 2012 acquisition of **High's of Baltimore**.

“Quantum goes out of their way to make sure they understand our strategy. They don't just count, they help us manage shrink and inventory, which is the ultimate responsibility of an audit function.”



The Challenge

With a two-person internal audit staff assigned to handle the audit process at 51 stores doing a combined \$48 million in annual merchandise sales, High's had a problem. Audits weren't getting done frequently enough, the focus was more on “truing up” the inventory more than on managing it, and, because the counts were always suspect, no one took ownership of the results. There was no reliable way to manage shrink—or inventory.

“If I really saw what I would consider significant shrink there was always some excuse to be able to discount that number,” said Carroll's CFO, Dave Shade. “The sad part is we did see stores that had swings... We knew we had issues, but you couldn't hold anyone accountable because the numbers were suspect.”



The Decision

High's management team knew they had to make a choice. They either had to expand their current audit staff and improve their systems or look to an outside expert for help.

“If we added to our team we knew we'd need another lead guy, a support guy, a car, gasoline, etc.,” said Dave. “When we looked at what was going to happen on our cost side, it started to make sense to entertain the thought to outsource.”

In addition, outsourcing would reduce the overhead costs associated with the current auditors by eliminating the need to pay insurance, benefits, equipment costs and more.

Outsourcing to just anyone would not work, however. What they wanted was a relationship that made their external auditor an extension of their own organization.

“If I outsource, I want the same type of service I would get if I owned it internally. I want analysis. I want someone who understands our business and our strategy,” Dave said.

In addition to making sure the outside vendors they interviewed could provide the basics, the High's team was extremely careful in reviewing potential partners for the additional value they could provide.

“We saw it all... Everything from one that was bare bones, all the way up to a Quantum Services that looks at the audits as a service function that goes way beyond counting merchandise,” said Dave.



The Solution

With over 40 years of specialized c-store audit expertise, quality people, specialized reporting, and a demonstrated commitment to the success of the partnership Quantum Services had the whole package. The High's team decided to move forward with a partnership.



The Transition

Start to finish Dave said the transition process took less than 60 days to complete.

In order to help smooth things over with the internal auditors they were about to replace, Quantum offered to interview them with the expectation that they would be hired if they met the right criteria.



The Results

Less than a year into the relationship with Quantum, Dave says that he sees an enormous improvement in the way audits are handled and that he can now trust the numbers he is given.

“The real initial benefit has been taking the noise out of the audit. Before we couldn't hold people accountable because it was just the number. Now I not only have the number, I have the forensics behind it... We see more relevance to the numbers.”

The human side of the partnership has lived up to expectations as well.

“We see Quantum as an extension of us. They take total responsibility of the retail audit function. They actually get involved. To me that is a partner. A vendor is ‘I give you a list of stores you do it and we start the process over.’”



The Value Add

While the most tangible benefit of working with Quantum Services has been taking the noise out of the audit and providing accurate, reliable counts, Dave sees a number of intangible benefits as well.

- **Outside Perspective and Expertise**—“Quantum invests more in training, in staying current than I ever will because auditing is not my business. My business is selling merchandise and gasoline. There is a lot more experience Quantum brings to the table than I could pay for.”
- **Insight into Best Practices**—“Quantum Services has a lot of experience with some of the bigger chains that are considered the best in the industry. Their experience level in the c-store industry allows them to give us ideas on best practices—that is the icing on the cake.”
- **More Time to Focus**—“Our ultimate goal in the next three to five years is to expand to 75 locations. Working with Quantum will help us by allowing us to focus on the big picture, not on the peripheral stuff.”

