
450.30

Compliance Investigations

Overview

Introduction Federal rules require that compliance investigations be conducted in a minimum percent of authorized vendors annually. Compliance investigations will also be conducted in vendors that are suspected of substantial non-compliance with WIC program regulations.

Method of investigation A compliance investigation includes compliance buys and/or inventory audits. The items selected for an inventory audit would depend on the specific irregularity suspected or specific criteria the WIC program chooses to research. See Policy 450.30a for a copy of the compliance buy form.

Selection and prioritization of vendors for compliance investigations Vendors are selected and prioritized for a compliance investigation include:

- All vendors that meet the high risk criteria,
- Vendors that exhibit a pattern of WIC program violations, and
- An additional random sample of all vendors if necessary to meet the minimum percentage designated by federal regulations. This includes vendors:
 - Within the geographic area of high-risk stores (This provides efficient use of time and money.)
 - With high SNAP and WIC sales within the geographic area
 - That have not received compliance monitoring in the past three to four years.

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Overview , Continued

High risk criteria

A vendor is considered high-risk if one or more of the following conditions applies:

- Previous suspension from the WIC Program or the Supplemental Nutrition Assistance Program,
 - Four or more complaints from participants within the previous 12 months,
 - Two or more failures on educational buys within the previous 12 months,
 - Extremely high average food instrument (FI) prices,
 - Extremely small amount of variation in food instrument prices,
 - Extreme large increase in the dollar value of food instruments redeemed over time,
 - Ten or more violation points within the previous 12 months for having inadequate variety or quantity of stock, or
 - Complaint from a participant that a vendor has expressed intent to conduct fraudulent activities
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Determining high-risk vendors

High risk vendors are determined by the following steps:

1. Reviewing information provided from the State's Management Information System (MIS). This includes information such as:
 - Large sales change
 - Excessive UPC Purchase Errors
 - Purchases outside of hours
 - Excessive trip through lane errors
 - Large # of families redeeming outside of area
 - Extremely small variation in food instrument prices,
 - Extremely large percent of food instruments redeemed at the same price,
 - Extremely high average food instrument prices,
 - Extremely large volume of high-priced food instruments, and
 - Extremely large increase in the dollar value of the food instruments redeemed over time.
2. Comparing information from the State's MIS system to information generated in the State's eWIC host system.
3. Other factors reviewed include the following:
 - Participant complaints
 - Failure of a compliance buy
 - New vendor

These factors are reviewed at least semi-annually.

Determining Patterns for Investigation

Introduction

Several violations described in the federal and state WIC regulations involve identifying a pattern of vendor actions that are in violation of WIC rules.

Triggers for investigation

The following table describes how a pattern of violations will be identified for further investigation.

Violation defined in regulations	Trigger for Investigation
A pattern of charging WIC participants more than non-WIC customers or charging WIC participants more than the current shelf price.	Any vendor appearing on the Not to Exceed Report six or more times during a 60-day period
A pattern of charging for items not received by the WIC participant, or for foods provided in excess of those listed on the WIC food instruments.	Two written complaints that the vendor is charging for foods not received
A pattern of providing credit or nonfood items other than alcohol or tobacco products in exchange for WIC food instruments	Any written complaints that the vendor is providing credit or nonfood items in exchange for WIC food instruments
A pattern of receiving, transacting, or redeeming WIC food instruments outside authorized channels	Any vendor, authorized, or unauthorized, that appears on the High Risk Vendor Analysis Report.
A pattern of claiming reimbursement for the sale of a quantity of a specific food items which exceeds the store's documented inventory of that food item for a specified period of time	Written reports from the public or routine monitoring activities of insufficient or outdated food.

Conducting an Investigation

Introduction

The state WIC office provides several types of support for investigators, including:

- Training regarding the investigation procedures,
 - Written protocol for investigations, and
 - Forms for documenting investigations.
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Investigation process

The table below describes the process of conducting an investigation.

Stage	Description
1	The state WIC office identifies the vendors to be investigated and the type of investigation to use.
2	The state WIC office conducts the investigation according to the current protocol for compliance buys or inventory audits. <u>Note:</u> The state WIC office may contract with another state agency or private company to perform these investigations.
3	The investigator submits a report to the Vendor Representative for review.
4	The Vendor Representative: <ul style="list-style-type: none"> • Applies sanctions for any violations discovered, and • Issues any necessary correspondence to the vendor.

Closing a compliance investigation

A compliance investigation may be closed by the following:

- An inventory audit is completed,
 - Two compliance buys are conducted in which no violations are found, or
 - A sufficient number of compliance buys have been conducted to provide evidence of vendor non-compliance. A minimum of two positive (allowing unauthorized items) buys is required for suspension to be applied. If the investigator believes that more buys are warranted for a particular vendor before issuing a sanction, prior approval must be received from the state WIC office.
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Vendor Audit Process

Overview	This is a brief explanation of the inventory audit structure that is based on information from the Food and Nutrition Services (FNS) Handbook 318.
Vendor audit system	The vendor audit system was designed by FNS. The Iowa WIC Program is using their technique as a means to detect retailers (Vendors) that are possibly overcharging and/or substituting items for payment by the Iowa WIC Program. Counting the quantity of a specific food, which a vendor had in shelf inventory, reserve stock and using warehouse invoices as purchased product. Comparing these three reports against the vendor's redemption of WIC Food Instruments (FI's) for a particular period of time. If this comparison demonstrates that a vendor's redemption exceeds the amount of foods available for sale, it is very possible that the vendor overcharged the WIC Program, is accepting FI's for services rendered, or is substituting items for the items on the FI.
In-store inventory	An accurate in-store inventory is conducted of the foods that are in question, including the foods that were sold from the store on the date and time that the audit was started and at the time the audit was completed.
Audit period	An audit period may consist of one or more months. The length of the audit period is at the discretion of the Iowa WIC Program. The longer the audit period the more reliable the data may be. This audit provision is in the Vendor Agreement and Handbook and will be enforced at anytime determined by the Iowa WIC Program personnel.

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Vendor Audit Process, Continued

Selection criteria

The selection criteria for determining stores that should be audited are:

- Vendors with suspicious high volume of sales for store size and geographic location, and
 - Vendors with recent significant increase in specific food item sales, especially infant formula sales.
 - Allegations received from:
 - Supplemental Nutrition Assistance Program,
 - Local Law Enforcement Agencies,
 - Competitors,
 - Participants,
 - WIC Clinic Staff, and
 - Concerned Citizens
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Audit outcomes

The inventory audit should disclose one of the following situations:

- No apparent fraudulent practice, or
 - Fraudulent practice due to excessive redemptions during the audit period when compared with product on hand, in reserve stock and invoice records.
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