

### 3.9 Vendor Management

The Vendor Management functional area is intended to support the management of the retail vendor aspect of the WIC Program. It tracks the vendor authorization process; captures information about authorized vendors; captures vendor pricing information and supports cost containment, monitors vendor training and communications, helps identify potentially abusive vendor practices for which additional monitoring or investigation is needed; supports record audits; maintains a comprehensive vendor profile, including information about compliance activities, and supports coordination of sanctions with the Food Stamp Program (FSP). In addition, the data collected under this function supports the annual electronic transmission to FNS of The Integrity Profile (TIP) Report.

In some State agency systems, vendor management data is maintained as part of the WIC IS. In other State agencies, it is maintained elsewhere but depends on the WIC IS for providing the data necessary to support vendor management tasks. Therefore, the functionality described below for vendor management activities may occur in the WIC IS or an alternative system.

Vendor Management consists of the following functions:

- Manage Vendor Peer Groups
  - Establish Vendor Peer Groups
  - Update Vendor Peer Group/Criteria
- Create and Locate Data Records
  - Create New Applicant Record
  - Search for Applicant/Vendor Record
- Maintain Vendor Authorizations
  - Maintain Vendor Application Data
  - Track Vendor Authorization Process
  - Maintain Vendor Price Survey Data
  - Authorize Vendors
  - Maintain Authorized Vendor Data
- Monitor Vendor Training
  - Track Scheduled Vendor Training

- Track Attendance at Vendor Training and Technical Assistance Conducted
- Support Vendor Communications
  - Produce Correspondence to Vendors
- Perform Confidential High Risk Vendor Analysis
- Track Compliance Investigations
  - Maintain Special Investigator Record for Compliance Buys
  - Maintain Food Benefit Redemption Data from Compliance Buys
  - Maintain Compliance Buy Data
  - Support Inventory Audits
- Track Routine Monitoring
  - Maintain Routine Monitoring Data
- Monitor Sanctions and Appeals
  - Manage Vendor Sanctions
  - Monitor and Track CMP Payments
  - Maintain Vendor Appeal Data
- Coordinate with Food Stamp Program
  - Maintain Food Stamp Program Violation Data
  - Report WIC Sanctions to the Food Stamp Program

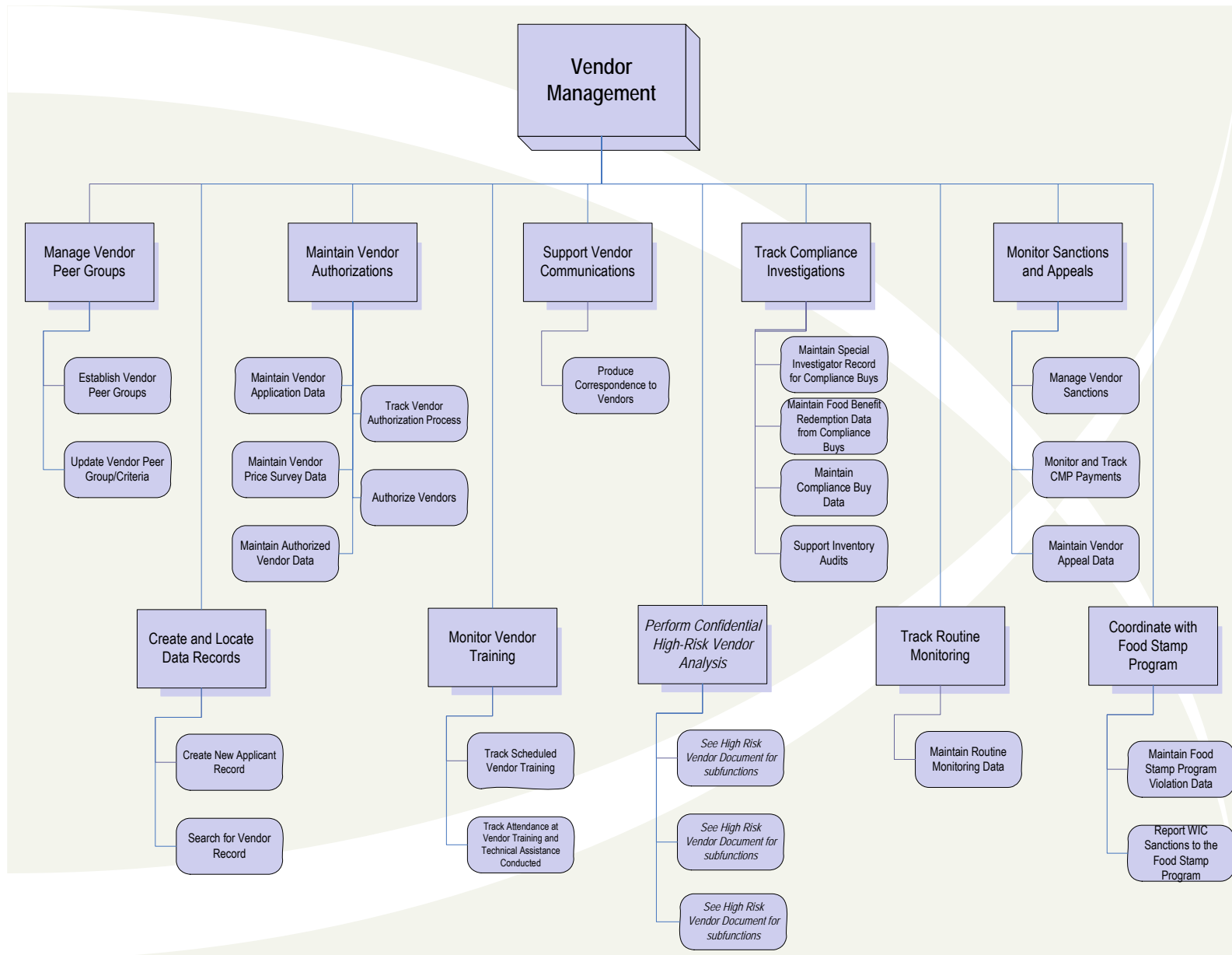


Exhibit 3-9: Functional Decomposition Diagram – Vendor Management

### 3.9.1 Manage Vendor Peer Groups

In support of cost containment, State agencies must be able to classify vendors into peer groups – groups of vendors with similar characteristics as defined by the State agency – unless FNS has granted an exemption to the State agency from the peer group requirement. The goal is to group vendors who should be charging comparable prices for WIC foods. State agencies should use two or more criteria, with one being geographic location (e.g., urban or rural), to establish peer groups. (FNS may also grant an exemption from the geographic peer group criterion.) Other examples of characteristics used to group vendors include WIC sales volume, store type, or number of cash registers. Peer groups are the basis for calculating food instrument or food item maximum allowed amounts.

Another area of consideration in peer grouping is cost neutrality for those vendors whose WIC sales are more than 50 percent of their total food sales (A50 vendors). Please refer to the guidance that has been developed by FNS providing options for assigning A50 vendors to peer groups.

#### 3.9.1.1 Establish Vendor Peer Groups

The system shall support the establishment of vendor peer groups to be used in categorizing vendors based on specific criteria.

##### Inputs:

Vendor Peer Group Description

Vendor Peer Group Code

Examples of vendor characteristics<sup>56</sup> that could be considered in establishing peer groups are:

- Geographic Location
- Monthly WIC Redemptions
- Number of Cash Registers
- Vendor Type Code (e.g., neighborhood store, chain, pharmacy)
- A50 Indicator

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<sup>56</sup> The data elements used to identify peer group characteristics will vary based on design and State agency peer grouping analysis results. States will need to define data elements based on the characteristics they choose to consider.

- Type of Ownership (e.g., sole proprietorship, corporate)

**Process:**

- Establish multiple peer groups in the system and store results in the Vendor Peer Group data store

**Outputs:**

List of vendor peer groups

**Implementation Approach**

- ▶ An approach to peer grouping is to assign specific criteria to each peer group such as a list of zip codes, sale volume range, or number of cash registers to be used in auto-assigning vendors to peer groups based on applicant data. These criteria can also be used to automatically adjust a vendor's peer group based on data collected about the vendor after authorization such as actual WIC sales or if there are any changes to the vendor demographics such as the addition of cash registers.

**3.9.1.2 Update Vendor Peer Group/Criteria**

Once established, peer groups may remain stable, however there may be changes occur in the State agency that require updates to be made to peer groups. Refer to FNS policy regarding the required frequency for reassessing established peer groups.

The system shall support the addition or deletion of peer group as well as changes to peer group assigned criteria (if used).

**Inputs:**

Vendor Peer Group Description

Vendor Peer Group Code

Examples of vendor characteristics<sup>57</sup> that could be considered in updating peer groups are:

- Geographic Location
- Monthly WIC Redemptions
- Number of Cash Registers
- Vendor Type Code (e.g., neighborhood store, chain, pharmacy)

<sup>57</sup> The data elements used to identify peer group characteristics will vary based on design and State agency peer grouping analysis results.

- A50 Indicator
- Type of Ownership (e.g., sole proprietorship, corporate)

**Process:**

- Add or delete peer groups and store results in the Vendor Peer Group store
- Update peer group characteristics and store results in the Vendor Peer Group store

**Outputs:**

List of vendor peer groups

### 3.9.2 Create and Locate Data Records

When a vendor applies for authorization that is not already in the system, a user must create a new data record to capture and maintain information. Each record should have a unique identification number. This identification number is used to identify the vendor when its records are needed. After a record is created or to determine if a data record exists in the system, staff members should have to have the ability to locate the record for viewing or data entry.

#### 3.9.2.1 Create New Applicant Record

The system should support the creation of new records into which data will be entered. When creating new records, the system should assign a unique identifier (identification number) to each record.

**Inputs<sup>58</sup>:**

Vendor Address- City  
Vendor Address- State  
Vendor Address- Street  
Vendor Address- Zip Code  
Vendor Contact Name- First  
Vendor Contact Name- Last  
Vendor Contact Name- MI  
Vendor Contact Telephone Number

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<sup>58</sup> The required data elements to create a record will vary based on design.

Vendor Contact Title

Vendor FSP Identification Number

Vendor Name

**Process:**

- Accept user entry of minimum data record data elements
- Assign vendor identification number
- Maintain record for search, view, and update

**Outputs:**

Vendor Identification Number

New database record

**Implementation Approaches**

- ▶ The system should assign one unique identification number to each record (vendor) in the system. For reporting and tracking purposes there must be a way to identify vendor status (i.e. applicant, authorized, de-authorized). This identification number does not need to be changed based on status; different statuses can be handled through a separate data element (for example, a status code indicator) associated with the record.
- ▶ The identification number should be either a sequential number (the next sequential number available) or a coded (codes could be based on location or store type).
- ▶ The system may require a complete or partial application to be completed before a new record could be created. Additional data elements would be required in this approach.
- ▶ Prior to creating a record, the system could perform search the database to see if the vendor already exists in the system. This would likely take place after entering basic information, such as vendor name, address, or Vendor FSP Identification Number, but before the system assigns a unique identification number.

**3.9.2.2 Search for Vendor Record<sup>59</sup>**

The system should have the capability to search for records using predefined criteria.

<sup>59</sup> This function serves the same purpose as *3.1.1.2 Search for Applicant/Vendor Record*. It is included here to ensure that the system's search function allows for location of vendor records, which may require different search criteria than applicant/participant record searches.

### Inputs:

Data elements included in a search function will vary based on design and State agency preferences. See Implementation Approaches for examples.

### Process:

- Compare data search criteria with existing database records
- Display records that match search criteria
- Allow user to access the data record(s) matching search criteria

### Outputs:

Screen display of matching records

Screen display of selected record

#### Implementation Approaches

- ▶ Various data elements should be included in the search, such as identification number, vendor name, address, phone number, zip code, county, local agency, clinic, statewide, authorization status, FSP Identification Number, or peer group. Combinations of data elements should be allowed.
- ▶ The system should have a method for searching for names that allows for variations in spellings, such as a search for similar sounding names (Smith, Smyth, Smythe) or the use of a wildcard character.

### 3.9.3 Maintain Vendor Authorizations

The State agency selects and uses authorized vendors to provide WIC-approved foods to participants in retail-based food delivery systems. Authorized vendors provide supplemental foods to WIC participants and are reimbursed with WIC funds. Vendors must apply to become authorized WIC vendors and periodically must reapply to maintain WIC authorization. State agencies may authorize individual vendors on a continuing basis or may authorize all vendors at the same time according to a designated schedule. Each outlet of a chain is a separate vendor.

State WIC agencies may limit their authorized vendors to a number that ensures adequate participant access and that they can effectively manage. They determine which vendors to authorize based on whether vendors meet or exceed the State agency's selection criteria. State agencies must use the mandatory selection criteria stated in the Federal regulations. State agencies consider several factors in determining whether to authorize a vendor such as the varieties and quantities of WIC-approved foods an



applicant vendor stocks, prices of WIC authorized foods, prior WIC and Food Stamp Program compliance history, FSP identification number, and the vendor's business integrity. State agencies may deny a vendor authorization, and the vendor may appeal such denials.

The system should capture information on vendors applying for WIC authorization, including: information submitted on the WIC vendor application, historical data regarding the vendor's prior WIC authorization, and information collected during preauthorization or other monitoring visits, as applicable. This information includes basic reference data about the vendor, as well as food price data that are used by this and other functional areas within the system. Additionally, the system should support assignment of the vendor to a peer group based on established criteria. The WIC IS may also track the progress of the vendor authorization process for individual vendors.

### **3.9.3.1 Maintain Vendor Application Data**

The system should capture and maintain data about the vendors that apply for WIC authorization. These data include reference data such as the vendor's name, location, ownership, business volume and, if applicable, FSP identification number.

To assist in vendor authorization determinations, the system should provide a history of vendor compliance, including any warnings or sanctions imposed against a particular vendor and its outlets and a history of a vendor's participation in required training. The data regarding vendors' prior WIC compliance and onsite monitoring visits are captured and maintained by other functions within the Vendor Management functional area.

The system should provide information that will help the State agency determine the appropriate number of WIC vendors to authorize in specific locations, and provide vendor characteristics to help determine the best vendors to authorize.

#### **Inputs:**

- Vendor Address- City
- Vendor Address- State
- Vendor Address- Street
- Vendor Address- Zip Code
- Vendor Authorization Expiration Date
- Vendor Authorization Start Date

Vendor Authorization Status Code  
Vendor Business Year End Month/Year  
Vendor Business Year Start Month/Year  
Vendor Chain Code  
Vendor Contact Email Address  
Vendor Contact Name- First  
Vendor Contact Name- Last  
Vendor Contact Name- MI  
Vendor Contact Telephone Number  
Vendor Contact Title  
Vendor Days of Operation  
Vendor Federal Tax Identification Number  
Vendor Food Inventory Shelf Space  
Vendor FSP Identification Number  
Vendor FSP Sanctions  
Vendor Hours of Operation  
Vendor Identification Number  
Vendor Infant Formula Sources  
Vendor Mailing Address- City  
Vendor Mailing Address- State  
Vendor Mailing Address- Street  
Vendor Mailing Address- Zip Code  
Vendor Name  
Vendor Number of Cash Registers  
Vendor Owner Name- Last  
Vendor Owner Name- First  
Vendor Owner Name- MI  
Vendor Owner Telephone Number  
Vendor Peer Group Code  
Vendor Sales Food  
Vendor Sales Food Stamps  
Vendor Sales Non-Foods  
Vendor Sales WIC

Vendor Scanner Availability

Vendor Scanner Screens WIC Purchases

Vendor Type Code

Vendor A50 Indicator

**Process:**

- Input vendor characteristics data from vendor applications for new and currently authorized vendors and store results in Vendor data store
- Assign vendor peer group based on specified peer group criteria

**Outputs:**

Screen display or report of vendor applications

**Implementation Approach**

- ▶ The collection of vendor data can be automated using a web-based vendor application. The vendor can access a web site to apply to be a WIC authorized vendor. A web application can support applicant screening based on State agency established vendor limiting criteria. For example, if the location from which the vendor is applying already provides sufficient access to participants (based on specified criteria), then the applicant would be denied authorization and, therefore, would not have to complete the entire application. In another example, the web application can screen vendor price information based on the vendor's peer group to determine if the applicant's prices are consistent with its peers. Once the screening process is completed, the web application provides the applicant data for those vendors passing the initial screening.

**3.9.3.2 Track Vendor Authorization Process**

Some State agencies may use the system to provide a simple tracking capability of the vendor authorization process. This capability is especially useful for State agencies that process vendor authorizations throughout the year rather than all at one time. This process can last several weeks, with a number of processing steps required to consider and decide on each vendor application. This could include issuing requests for applications, assessing all applications for completeness and obtaining any missing information, and conducting on-site visits to assess whether the vendor meets WIC requirements.

**Inputs:**

Vendor Authorization Activity Code

Vendor Authorization Activity Complete Date  
Vendor Authorization Activity Scheduled Date  
Vendor Authorization Expiration Date  
Vendor Authorization Ineligibility Reason Code  
Vendor Authorization Start Date  
Vendor Authorization Status Code  
Vendor Identification Number

**Process:**

- Input activities scheduled and completed for each vendor and store results in Vendor Authorization Progress data store

**Outputs:**

Screen display or report on vendor authorizations actions scheduled and completed

**Implementation Approach**

- ▶ To support vendor authorization tracking, the system should record the steps in the authorization process for each vendor, including scheduled and actual completion dates. The system should produce a screen display or report showing the status of all vendor authorizations, as well as an exception report showing only actions overdue.
- ▶ The system could produce a contract renewal list for State agencies that authorize vendors throughout the year and also produce customized notifications and other correspondence.

**3.9.3.3 Maintain Vendor Price Survey Data**

The system should support the entry and maintenance of data on vendor reported prices for WIC-authorized foods. These data are captured during the vendor application process to compare the vendor's prices to other vendors seeking authorization. Once authorized, a vendor must update its prices by submitting revised price lists in accordance with its State agency requirements. These updates vary from monthly submissions to a single submission covering the entire authorization period. In an EBT environment, it is possible to have automatic, continuous food price updates based on ongoing transaction data that contains the shelf price for each UPC purchased.

As part of the vendor authorization, vendor price survey information is collected. The system should support the entry, maintenance, and ongoing updates of vendor shelf prices.

**Inputs:**

Vendor Identification Number  
Vendor Price Survey Date  
Vendor Price Survey Food Item Name  
Vendor Price Survey Food Item Shelf Price

**Process:**

- Input vendor prices for each vendor and store results in Vendor Price Survey data store

**Outputs:**

Screen display or report on vendor prices  
Output to setting food instrument and/or food item maximum allowed amounts

**Implementation Approach**

- ▶ Applications, such as web sites that feed data to the WIC IS, could be used by the vendors to report prices.
- ▶ Vendors could submit electronic files, such as spreadsheets, containing vendor price data in a format specified by the State agency.

**3.9.3.4 Authorize Vendors**

Once the State agency has assembled all vendor application data, it must evaluate the information to determine which vendors best meet the State agency's needs. The system shall support the selection process and authorization or denial of vendor applicants.

**Inputs:**

Food UPC/PLU Code  
Food UPC/PLU Peer Group UPC Average Price  
Vendor Authorization Status Code  
Vendor Compliance Activity Violation Indicator Code  
Vendor Food Inventory Shelf Space  
Vendor FSP Sanctions  
Vendor Monthly Redemptions  
Vendor Peer Group Code  
Vendor Price Survey Date

Vendor Price Survey Food Item Name  
Vendor Price Survey Food Item Shelf Price  
Vendor Sales Food  
Vendor Sales FSP  
Vendor Sales Non-Foods  
Vendor WIC Sanctions to Date

**Process:**

- Retrieve history of violations on vendors who are seeking authorization/reauthorization from the Vendor Compliance Activity Store
- Retrieve a compliance history on vendors who are seeking authorization/reauthorization from the Sanction data store
- Retrieve vendor application data from the Vendor data store
- Calculate the food package price for each vendor applicant using the food price survey data collected in the Vendor data store perform price for comparison with peer group maximum allowed amounts
- Array vendors by price for each location
- Select the required number of vendors for authorization
- For competitive bid systems, store the vendors contract price for food as the maximum allowed amount value in the Food/UPC data store
- Update vendor authorization status

**Outputs:**

Screen display or report of all violations and compliance activities for the vendor within a user specified timeframe

Screen display or report of vendor's food prices by location

Screen display or report of participant to applicant vendor ratio by location

List of authorized vendors (based on authorization status)

Data for TIP Report

### Implementation Approaches

- ▶ Prior to selecting authorized vendors, the State agency may choose to use limitation criteria for vendors in a certain area. For example, this may be done by calculating a participant to vendor ratio for a certain area (e.g., zip code or county) to determine an optimum number of vendors to ensure participant access to food benefits. The first component of this is to evaluate whether the applicant vendors meet the basic qualifying criteria for WIC authorization. This evaluation could include noting any vendors with a history of insufficient varieties or quantities of WIC-approved foods in stock or WIC and/or FSP noncompliance or sanctions. For the second component, the system can compare vendor prices by area and/or peer groups. The system could array the vendors that met the basic qualifications by location and list the vendor applicants in order of prices. Based on the desired number of vendors, the system would highlight the vendors needed for each area or peer group from among the vendors with the lowest prices. Once the list of selected vendors is established, the system should generate notices to these vendors for mailing vendor agreements and other material, as well as denial notices for applicant vendors not selected for WIC authorization.
- ▶ Some State agencies use a competitive bid system for selecting vendors. In these systems, the same steps as previously discussed occur, but vendors commit to charging WIC a specific contract price for all WIC-authorized food items sold during the contract period. For such systems, the system should store the contract price as a maximum allowed amount price for each vendor. When food benefits are redeemed, the vendor would charge the shelf price. However, when the vendor requests payment, the contract price is compared to the redemption price. If the contract price is less than the redemption amount, the vendor is billed for the difference.

#### **3.9.3.5 Maintain Authorized Vendor Data**

Throughout the authorization period, the system should maintain vendor status and update demographic information.

##### **Inputs:**

Vendor Authorization Status Code

Vendor Identification Number

##### **Process:**

- Update Vendor Authorization Status to authorized
- Update Vendor Authorization Start Date and Vendor Authorization Expiration Date

##### **Outputs:**

List of authorized vendors by identification number

Data for TIP Report

### 3.9.4 Monitor Vendor Training

The State agency must provide training annually to at least one representative of each vendor. Prior to or at the time of a vendor's initial authorization, and at least once every three years thereafter, the training must be in an interactive format that includes a contemporaneous opportunity for questions and answers, such as a meeting or video teleconferencing. For the annual training requirement, the State agency must document that it provided training materials (e.g., a newsletter) to each vendor (i.e., each chain store location). For the interactive training requirement, the State agency may provide interactive training to a chain store's trainer, provided the State agency receives documented assurances that at least one representative of each vendor will receive interactive training covering the required content (§ 246.12(i)(2)) during the current year.

The annual training must include instruction on the purpose of the Program, the supplemental foods authorized by the State agency, the minimum varieties and quantities of authorized supplemental foods that must be stocked by vendors, the procedures for transacting and redeeming food instruments, the vendor sanction system, the vendor complaint process, the claims procedures, and any changes to program requirements since the last training.

Vendor training is vital because it helps ensure that vendors understand their WIC responsibilities, including maintaining sufficient varieties and quantities of WIC-authorized foods, providing supplemental foods to certified participants (or proxies), ensuring that participants use their food instruments properly, and redeeming food instruments in accordance with WIC policy. Vendor training also ensures that vendors are aware of vendor rules and procedures, so that if program noncompliance or violations occur, vendors cannot claim they were unaware of program rules and procedures.

The system should support vendor training by recording and reporting on scheduled training sessions, and the vendor's attendance at or receipt of required training. The system should enable WIC staff to identify which vendors have not fulfilled their training requirements. The system should also document the training conducted by sending training materials to vendors; see *Section 3.9.5: Support Vendor Communications*.

#### 3.9.4.1 Track Scheduled Vendor Training

The system should capture and maintain data necessary for tracking vendor training and attendance to avoid duplication of data entry.



**Inputs:**

Education/Training Offer Date  
Education/Training Offer Topics Covered Code  
Event Slot Identification Number  
Master Calendar Identification Number  
Resource Identification Number  
User Identification Number  
Vendor Identification Number

**Process:**

- Input scheduled vendor training dates, locations and vendor, which should attend and record in Education/Training Offer and Event Slot data store

**Outputs:**

Vendor training schedule  
Vendor training notice  
Data for TIP Report

**Implementation Approach**

- ▶ For each training session, the data should reflect the scheduled date, location (e.g., whether on site or at WIC offices or some other central location conducive to group training), the subjects covered, and the expected number of attendees for each vendor.

**3.9.4.2 Track Attendance at Vendor Training and Technical Assistance Conducted**

The system should capture, maintain, and report data about each vendor's attendance at the scheduled vendor training.

**Inputs:**

Education/Training Offer Status Code  
Education/Training Offer Topics Covered Code  
Event Slot Identification Number  
Scheduled Appointment Date  
Scheduled Appointment Identification Number  
Scheduled Appointment Missed Reason

Scheduled Appointment Number of Actual Attendees

Scheduled Appointment Outcome Code

Scheduled Appointment Time

Vendor Identification Number

**Process:**

- Input vendors' attendance at training sessions or appointments and record in Education/Training Offer and Scheduled Appointment data store

**Outputs:**

Screen display or report of vendor attendance at training and subjects covered

### **3.9.5 Support Vendor Communications**

State agencies periodically send notices and other correspondence to vendors. These communications include sending training materials to vendors, requests for food prices, notifications of rejected food instruments, and other periodic and ad hoc communications. The system can automate the production of communications.

#### **3.9.5.1 Produce Correspondence to Vendors**

The system should support staff correspondence to vendors including mail and/or email.

**Inputs:**

Vendor Identification Number

Vendor Address- City

Vendor Address- State

Vendor Address- Street

Vendor Address- Zip Code

Vendor Contact Email Address

Vendor Contact Name- First

Vendor Contact Name- Last

Vendor Contact Name- MI

Vendor Contact Telephone Number

Vendor Contact Title

Vendor Name

**Process:**

- Input selection of authorized vendors to receive information or correspondence
- Retrieve name and address information from Vendor data store

**Outputs:**

Mailing labels

Individual emails/mass emails

Customized correspondence

**Implementation Approach**

- ▶ The system should enable users to produce mailing labels for individual vendors, and to produce labels in bulk for mass mailing of notifications. The system should enable the user to enter specific vendor identification numbers to produce short batch runs of labels.
- ▶ The system should merge vendor data with text entered using a word processor to produce vendor correspondence.
- ▶ The system should support electronic correspondence by email to include mass emailing to all vendors and emailing to individual vendors, chains, or peer groups.

### **3.9.6 Perform Confidential High Risk Vendor Analysis**

An important function of vendor management is to identify vendors that have a high probability of violating program requirements. A description of the automated functions pertaining to this area of vendor management are available in the following, confidential addendum to the FReD. When requesting a copy of these functional descriptions, please refer to FReD *Section 3.9.6: Perform Confidential High Risk Vendor Analysis*.

### 3.9.7 Track Compliance Investigations

FNS requires the State agency to conduct compliance investigations of a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year. The State agency must conduct compliance investigations on all high-risk vendors up to the five percent minimum. A compliance investigation of a high-risk vendor may be considered complete when the State agency determines that a sufficient number of compliance buys have been conducted to provide evidence of program noncompliance, when two compliance buys have been conducted in which no program violations are found, or when an inventory audit has been completed.

If fewer than five percent of the State agency's authorized vendors are identified as high-risk, the State agency must randomly select additional vendors on which to conduct compliance investigations sufficient to meet the five-percent requirement. A compliance investigation of a randomly selected vendor may be considered complete when the State agency determines that a sufficient number of compliance buys have been conducted to provide evidence of program noncompliance, when two compliance buys are conducted in which no program violations are found, or when an inventory audit has been completed.

Compliance investigations are conducted as undercover compliance buys in which an investigator poses as a WIC participant or proxy and performs a WIC transaction to determine whether the vendor is committing program violations, such as overcharging for supplemental foods, accepting WIC benefits as payment for unauthorized foods, or exchanging food instruments for cash.

Compliance buys visits are a vital part of vendor management in the WIC Program. They serve to identify vendor non-compliance and provide evidence needed to sanction vendors. The extent to which compliance buys result in the detection of violations also helps the State agency to refine high risk criteria.

The system should record data about investigations as part of a comprehensive profile of vendors' WIC practices. This is necessary for imposing sanctions, responding to appeals of sanctions, and targeting future compliance activities.

### **3.9.7.1 Maintain Special Investigator Record for Compliance Buys**

When a State agency conducts compliance buys, it needs a way to identify and track food benefits issued to compliance investigators. Because the WIC IS issues food benefits only to individuals recorded in the database, the system should enable the addition, modification, and deletion of investigator data as a special category of participant.

The system should capture compliance investigator data and produce an official WIC participant identification card for investigators who visit vendors to perform compliance buys (if that State issues participant identification cards). To protect the investigator's identity, all of the information on the card should be fictitious. The system should not use the real name and address of the investigator, or any other real personal identifiers of the investigator, in any caseload reports or in summary statistics regarding food benefit issued and redeemed. Likewise, the fictitious name should be used on the food instruments issued to the investigator.

#### **Inputs:**

Local Agency Identification Number

Participant Address- Apartment

Participant Address- City

Participant Address- State

Participant Address- Street

Participant Address- Zip Code

Participant Category Code

Participant Certification Date

Participant Certification End Date

Participant Health Nutrition Risk Code

Participant Identification Number

Participant Name- First

Participant Name- Last

Participant Name- MI

#### **Process:**

- Add or update a participant record for the investigation the Participant data store to enable the issuance of food benefits

**Outputs:**

Participant identification card

Listing of investigator participant records

**Implementation Approach**

- ▶ The State Agency may choose to add investigator accounts via a separate clinic accessible by State Agency office staff.

**3.9.7.2 Maintain Food Benefit Redemption Data from Compliance Buys**

Once the investigator has completed a compliance buy, the system must retrieve the data for the food benefits redeemed as a result of the compliance buy.

**Inputs:**

*Paper Environment*

Food Instrument Amount Billed to Vendor (postpayment)

Food Instrument Amount Collected From Vendor (postpayment)

Food Instrument Amount Not Paid (prepayment)

Food Instrument Estimated Value

Food Instrument Identification Number

Food Instrument Issuance Date

Food Instrument Maximum Allowed Amount

Food Instrument Redemption Batch

Food Instrument Redemption Value

Food Instrument Reject Count

Food Instrument Reject Reason Code

Food Instrument Use/Disposition Date

Food Instrument Valid End Date

Food Instrument Valid Start Date

Food Instrument Vendor Redemption Date

Food Instrument Void Date

Participant Family/Household Identification Number

Participant Identification Number

Vendor Identification Number

*EBT Environment*

Category/Subcategory Category Code

Category/Subcategory Subcategory Code

Food Item Prescribed Unit Quantity

Food Benefit Prescription Date

Food Item Prescribed First Date to Spend

Food Item Prescribed Last Date to Spend

Food UPC/PLU Code

Food UPC/PLU Description

Food UPC/PLU Exchange Value

Food UPC/PLU Price Paid

Food UPC/PLU Shelf Price

Participant Family/Household Identification Number

Participant Identification Number

Transaction History Data

Vendor Credit Amount

Vendor Identification Number

**Process:**

- Retrieve the food benefit redemption data for the vendor under investigation using the investigator's Participant Identification Number

**Outputs:**

Food benefit redemption prices for supplemental foods purchased during a compliance buy

**Implementation Approach**

- ▶ The vendor redemption data are compared to data collected by the investigator during the compliance buy to determine whether the vendor transacted and redeemed the food investigator's instruments in accordance with program rules. This analysis would include whether the vendor redeemed the food benefits for more than the shelf price recorded by the investigator or any other irregularities. The food instruments or records of the transaction may be used as evidence in the event that a vendor is sanctioned for program non-compliance.



► It is recommended that investigator data (or accounts) be segregated or secured from other participant data. Investigator redemptions should be tracked and reported separately from participant redemptions.

### **3.9.7.3 Maintain Compliance Buy Data**

The system should capture, maintain, and report data about investigation activities based on State-defined user access roles. The data should include the dates the compliance buys or investigations were conducted and the tasks performed as part of each activity, a summary of any noted violations, and cross references to food instruments if used by investigators.

#### **Inputs:**

Complaint Date

Complaint Identification Number

Complaint Resolution

Complaint Source Type

Complaint Status Code

Complaint Subject

Complaint Summary

Complaint Type Code

Local Agency Identification Number

Participant Identification Number

Vendor Compliance Activity Date

Vendor Compliance Activity Investigator

Vendor Compliance Activity Food Instrument Identification Numbers

Vendor Compliance Activity Food Item Disposition

Vendor Compliance Activity Food Purchase Value

Vendor Compliance Activity Reason Code

Vendor Compliance Activity Task Code

Vendor Compliance Activity Type Code

Vendor Compliance Activity Violation Indicator Code

Vendor Identification Number

Vendor Monthly Redemptions

Vendor Risk Factor Type Code

**Process:**

- Input data about the compliance activity and record in Vendor Compliance Activity data store
- Provide correspondence to vendors regarding investigations as required by federal guidance

**Outputs:**

Compliance summary report  
Vendor compliance history  
Correspondence to vendors regarding investigations  
Data for TIP Report

**3.9.7.4 Support Inventory Audits**

*An inventory audit is a form of compliance investigation. An inventory audit is the examination of food invoices or other proofs of purchase to determine whether a vendor has purchased sufficient quantities of supplemental foods to provide participants the quantities specified on food instruments redeemed by the vendor during a given period of time. This kind of violation is subject to mandatory sanctions.*

The system should assist State agencies in preparing for inventory audits. These audits include comparing a vendor's redemptions of food instruments with the vendor's internal inventory and sales records.

**Inputs:**

Vendor Identification Number  
Vendor Monitoring Activity Date  
Vendor Monitoring Activity Food Inventory Value  
Vendor Monitoring Activity Food Redemption Value  
Vendor Monitoring Activity Investigator  
Vendor Monitoring Activity Reason Code  
Vendor Monitoring Activity Type Code  
Vendor Risk Factor Type Code

**Process:**

- For each supplemental food item (e.g., gallon of milk), compare the total amount of that item the vendor purchased for sale in its store to the total amount of redemptions for that item

- Flag any food items for which the vendor had redemptions that exceeded the store's documented inventory and store in Monitoring Activity data store

**Outputs:**

Vendor sales analysis report

Data for TIP Report

**Implementation Approach**

- ▶ The system should support inventory audits by calculating for a selected vendor the quantities of supplemental foods sold based on the vendor's redemption of food instruments to compare with inventory records that show the quantities of foods purchased for a corresponding period of time.

### 3.9.8 Track Routine Monitoring

Routine monitoring means overt, onsite monitoring during which program representatives identify themselves to vendor personnel. The State agency must conduct routine monitoring visits on a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year in order to survey the types and levels of abuse and errors among authorized vendors and to take corrective actions, as appropriate. The State agency must develop criteria to determine which vendors will receive routine monitoring visits and must include such criteria in its State Plan.

Routine monitoring usually includes an examination of vendor facilities to ensure all WIC-approved foods are available in sufficient variety and quantity, confirming price survey data, and observing whether cashiers are following required procedures for accepting and processing food instruments. The system should record data about monitoring visits as part of a comprehensive profile of vendors' WIC practices.

#### 3.9.8.1 Maintain Routine Monitoring Data

The system should capture, maintain, and report data about monitoring activities.

**Inputs:**

Local Agency Identification Number

Vendor Monitoring Activity Date

Vendor Monitoring Activity Investigator

Vendor Monitoring Activity Reason Code  
Vendor Monitoring Activity Task Code  
Vendor Monitoring Activity Type Code  
Vendor Monitoring Activity Violation Indicator Code  
Vendor Identification Number  
Vendor Monthly Redemptions  
Vendor Risk Factor Type Code

**Process:**

- Input data about the compliance activity and record in Vendor Monitoring Activity data store

**Outputs:**

Monitoring summary report  
Vendor monitoring history  
Data for TIP Report

### **3.9.9 Monitor Sanctions and Appeals**

Sanctions include disqualification, Civil Money Penalties (CMP) in lieu of disqualification, and administrative fines. Actions in addition to sanctions include remedial training, warning letters, and sanction points. For the most serious violations, Federal regulations prescribe the sanctions which the State agency must impose (mandatory sanctions). The State agency may establish sanctions for other violations, within certain limitations set forth in Federal regulations. All sanctions must be imposed in accordance with the State agency's sanction schedule.

After a sanction is imposed, the vendor may appeal the sanction through an administrative hearing and/or judicial proceedings except for a disqualification resulting from an FSP disqualification. For mandatory sanctions, the State agency must document in the vendor file whether a disqualification would result in inadequate participant access to supplemental foods, and the State agency must impose a CMP instead of a disqualification if the disqualification would result in inadequate participant access, with a few rare exceptions. Also, the State agency must notify a vendor in writing when an investigation reveals an initial violation for which a pattern of violations must be established in order to impose a sanction, before another such violation is documented, unless the State agency determines that notifying the vendor would compromise an investigation and documents this in the vendor file.

Retaining records of compliance investigations and vendor sanctions is important to support other WIC functions, in particular identifying and scheduling vendors for future compliance investigations, and selecting vendors for WIC authorization. The system should also support the reporting requirements related to compliance buys and sanctions.

Occasionally, vendors disqualified by one State agency will relocate to another State, open a store, and apply for authorization as a WIC vendor. The sharing of compliance and sanction information among WIC State agencies is useful to help identify vendors that have a history of WIC abuse and should not be selected for WIC authorization because of this history.

The system should support this function by retaining a complete history of compliance investigations and vendor sanctions, including those investigations that resulted in sanctions and those for which sanctions were not imposed or not upheld on administrative or judicial review.

### **3.9.9.1 Manage Vendor Sanctions**

Vendors who violate the WIC Program are sanctioned in accordance with State and Federal policy and regulations. (Refer to the current federal guidance for the information on sanctions for vendor violations and CMPs.) Vendors who are disqualified cannot accept WIC food instruments for the duration of their disqualification period. When a vendor is disqualified, the system should store the disqualification information in the Sanction data store and update the Vendor Authorization data store to reflect a change in vendor status.

#### **Inputs:**

Sanction Case Identification Number

Sanction Case Start Date

Sanction Case Status

Sanction Case Type Code

Sanction Date of Notice of Initial Violation

Sanction Determination that Notice Will Compromise an Investigation Indicator

Sanction Effective Date

Sanction Points Number

Sanction Type Code

Sanction Length of Disqualification

Sanction Vendor CMP Amount Assessed  
Sanction Vendor CMP Amount Assessed Date  
Sanction Vendor CMP Due Date  
Sanction Violation Code  
Vendor Identification Number  
Vendor Participant Access Determination Indicator

**Process:**

- Input the violation code for each vendor that commits a violation
- Assign a corresponding sanction for the particular violation
- Calculate the number of points for each vendor violation
- Determine sanction type and dollar amount of CMP, if CMP is assessed
- Prepare notice to vendor of sanction imposed, including the name of the vendor, address, identification number, the type of violation(s), and the length of disqualification or the length of the disqualification corresponding to the violation for which the civil money penalty was assessed, the procedures to follow to obtain a full administrative review, and the effective date of the action.
- When a vendor is disqualified due in whole or in part to violations subject to mandatory sanctions, such notification must include the following statement: “This disqualification from WIC may result in disqualification from the Food Stamp Program. Such disqualification is not subject to administrative or judicial review under the Food Stamp Program.”
- Update Sanction data store

**Outputs:**

Vendor sanction summary report  
Notice to vendor of sanction imposed  
Summary of CMPs due and paid to date  
Data for TIP Report

### Implementation Approaches

- ▶ The system should support the use of a point system for State agency-established sanctions. The system should automatically determine the number of points to be assigned for specific types of violations and maintain a tally of points accumulated by each vendor. When the point threshold is reached, the system would alert the State agency to sanction the vendor.
- ▶ The system should support the imposition of sanctions by automatically assigning the correct sanction for each type of violation. If a CMP is imposed in lieu of disqualification, the system should set up an account receivable.

#### **3.9.9.2 Monitor and Track CMP Payments**

Once a vendor is assessed a CMP, the system should support the capability to monitor the CMP status and track CMP payments. The system should also support the creation of an installment plan to allow the vendor to pay the CMP incrementally if needed.

##### **Inputs:**

Sanction Case Identification Number  
Sanction Vendor CMP Amount Assessed  
Sanction Vendor CMP Amount Assessed Date  
Sanction Vendor CMP Amount Collected  
Sanction Vendor CMP Due Date  
Sanction Vendor CMP Installment Amount  
Sanction Vendor CMP Installment Term  
Vendor Identification Number

##### **Process:**

- Maintain CMP account receivable data and store in Grants data store
- Create installment plans for vendor payment
- Track vendor payments
- Update Sanction data store

##### **Outputs:**

Notices to vendor regarding CMP status  
Receipts to vendors for payments made

## Report of outstanding/unpaid CMPs

### **3.9.9.3 Maintain Vendor Appeal Data**

Vendors have the right to appeal adverse actions, including sanctions. When vendors appeal sanctions, the system should capture and maintain data about vendor appeals, including tracking appeals from initial request through the final decision. For completed appeals, the system should maintain data regarding the decision and outcome of the appeal.

#### **Inputs:**

Sanction Case Appeal Indicator  
Sanction Case Appeal Outcome Code  
Sanction Case Identification Number  
Sanction Case Start Date  
Sanction Case Status  
Sanction Case Type Code  
Vendor Identification Number

#### **Process:**

- Input data on vendor sanctions initiated in the Sanctions data store
- Update data on vendor sanctions that are resolved in the Sanctions data store

#### **Outputs:**

Vendor appeal summary report  
Vendor appeal history  
Notice to vendor indicating outcome of appeal

### **3.9.10 Coordinate with Food Stamp Program**

The WIC State agency and the Food Stamp Program (FSP) must exchange information about mandatory sanctions imposed on vendors/retailers. If a vendor is disqualified by FSP, the WIC Program must disqualify the vendor, unless participant access would be jeopardized by the disqualification. Conversely, FSP must disqualify the vendor based on most mandatory WIC disqualifications, except in cases of participant hardship. Timely exchange of information between WIC and FSP accelerates the disqualification of abusive vendors, reducing the risk of



fraud and abuse in both programs, as well as increasing the effectiveness of investigative resources.

The system should support this data exchange by accepting as input information about FSP sanctions, and by producing reports of WIC sanctions for use by FSP. If the State agency needs a hard copy of the FSP disqualification notice for legal reasons, or if electronic data exchange is not available, at a minimum the WIC IS should support manual entry of FSP sanction data into vendor records. A PDF file may be acceptable as a hard copy.

### **3.9.10.1 Maintain Food Stamp Program Violation Data**

The system should capture data from FSP regarding sanctions imposed against vendors that are also authorized by the WIC Program. When the WIC State agency receives notification that vendors have been disqualified from FSP, the WIC State agency should use the FSP ID number to determine if this vendor is WIC-authorized. If so, the State agency can initiate disqualification action.

#### **Inputs:**

Sanction Referred from Food Stamps  
Vendor Food Stamp Identification Number  
Vendor Food Stamp Sanctions  
Vendor Identification Number

#### **Process:**

- Search the list of authorized WIC vendors by FSP identification number
- List vendors with matches

#### **Outputs:**

Listing of WIC vendors that have been disqualified from FSP  
Notice to WIC vendors of disqualification due to FSP disqualification

#### **Implementation Approach**

- ▶ An electronic file of sanctioned FSP vendors could be used by the WIC IS to automatically identify any WIC vendors that are a match to the sanctioned FSP vendors, although many State agencies require a hard copy of the FSP disqualification notice for legal reasons in order to follow up with a WIC disqualification. A PDF file may be acceptable as a hard copy.

► The WIC IS could also automatically disqualify matching vendors and produce a disqualification notice.

### **3.9.10.2 Report WIC Sanctions to the Food Stamp Program**

The system shall provide a method for notifying the Food Stamp Program of any WIC vendor sanctions and disqualifications. (Refer to the current federal guidance for the specific information on when to notify FSP and what information is required to be included in the FSP notice.) At a high level, the system should:

- Produce a notice of disqualification or CMP to vendors who abuse WIC and the length of the disqualification periods corresponding to the vendor's violations, with a copy sent to FSP for reciprocal action.
- Produce a notice to FSP of WIC vendors that have been assessed CMPs in lieu of disqualification.
- Produce a notice to FSP with the vendor's name, identification number, type of violation(s), and length of disqualification when WIC imposes a mandatory sanction on a vendor.

#### **Inputs:**

Sanction Effective Date  
Sanction Referred to Food Stamps  
Sanction Type Code  
Sanction Violation Code  
Vendor Food Stamp Identification Number  
Vendor Identification Number  
Vendor Referred to Food Stamps

#### **Process:**

- Produce a notice of the mandatory WIC sanction including the required vendor information

#### **Outputs:**

Notice to vendors and FSP of WIC vendors receiving mandatory sanctions  
Data for TIP Report

### Implementation Approach

- ▶ Information and notices to FSP regarding vendor sanctions could be created and transmitted to FSP electronically.