

Vendor Monitoring

- I. The purpose of vendor monitoring and follow-up is to ensure high quality service to participants and to ensure compliance with federal regulations and the Utah WIC Vendor Agreement. Monitoring or follow-up will be determined by the State Agency depending on the location of the vendor and the type of visit. Both the State Agency and Local Agency may conduct vendor monitoring or follow-up. Local Agency staff may not enter a store for any **official capacity** unless directed to do so by the State Agency.
- II. **High Risk Vendors** – A high risk vendor is identified as having a high probability of committing a vendor violation through application of the criteria established in 7 CFR 246.12(j)(3) and any additional criteria established by the State Agency.
 - a. High-risk vendors are determined to be potentially at risk for WIC Program violations. Possible high-risk vendors will be identified by the State Agency annually and will be designated as PRIORITIES 1 – 5, with PRIORITY 1 being the greatest potential for fraud and abuse through PRIORITY 5 having the least potential. Potential high-risk vendors are determined by redemption analysis, vendor monitoring/ follow up, alleged complaints, and/or any other objective means. A high risk vendor will be assigned to one or more PRIORITIES based upon the following criteria:
 - b. PRIORITY 1: A vendor will be identified as having the highest potential for fraud or abuse based on information obtained from redemption analysis, vendor monitoring, alleged complaints, and/or any other objective means which indicated the following alleged violations:
 - i. **Exchanging WIC food instruments** for cash, credit, firearms, ammunition, explosives, controlled substances, or consideration other than eligible food;
 - ii. **Exchanging WIC checks WIC food instruments** for alcoholic beverages or tobacco products;
 - iii. A pattern of:
 1. Claiming reimbursement for the sale of a specified food item in amount that exceeds the store's documented inventory for a specific period of time;
 2. Exchanging cash or credit for **WIC food instruments or WIC foods**;
 3. Receiving, transacting, or redeeming WIC **food instruments** outside of authorized channels;
 4. **Accepting WIC food instruments from unauthorized persons**
 5. Exchanging non-food items for a **WIC food instrument** or WIC foods
 6. Charging WIC customers more for food than non-WIC customers or charging WIC customers more than the current price shelf price;

7. Charging for food items not received by the WIC customer or for foods provided in excess of those listed on the food instrument or
8. Any other vendor problem that may indicate potential fraud of the WIC Program.

c. PRIORITY 2:

- i. **Extremely Small Amount of Variation in Food Instrument Prices** - Utilizing a minimum of 30 food instruments vendors are sorted by the highest percentage where the variation of prices within their FIs are below a threshold level. The high risk standard deviation threshold will be set at 0.1 The High Risk percentage threshold will be set at 50%. Cash-value vouchers and those food instruments with only infant formula will be excluded. (Vendor Management Reports; General Reports; Display FI Report Number Contents) **[A]**
- ii. **Extremely Large Percent of Food Instrument Redeemed at the Same Price (Cash-Value vouchers excluded)** Utilizing a minimum of 30 food instruments vendors are sorted by the highest percentage where the prices are the same within a group of Food Instruments that contain the same food. Vendors will be marked on the report as potentially high risk based on the value of the parameter labeled High Risk Percentage Same Price Threshold at 50%. Cash-value vouchers and those food instruments with only infant formula will be excluded. (Vendor Management Reports; General Reports; Display FI Report Number Contents) **[B]**
- iii. **Combination Report** - Utilizing a minimum of 30 food instruments this report will show the vendors sorted by the highest 'score'. The 'score' is a combination of the weighted values of factors [A], [B], and [C] high risks added together to the calculated values of each query based high risk. The calculated combination value exceeds 15,000.

d. PRIORITY 3:

- i. **Extremely Large Volume of High Priced Food Instruments (Extremely High Average FI Prices)** Utilizing a minimum of 30 food instruments vendors are sorted by the highest percentage of high priced FIs based on the FI's standard deviation being above a threshold level. The High Risk Percentage Threshold level is defined by 10. The interval is 1. Above the threshold is set at 5. Vendors will be marked on the report as potentially high risk based if they have any FIs above the value of this parameter. Cash-value vouchers and those food instruments with only infant formula will be excluded. (Vendor Management Reports; General Reports; Display FI Report Number Contents) **[C]**

- ii. **Extremely Large Volume of High Priced Food Instruments Report** Utilizing a minimum of 30 food instruments this report will show the vendors sorted by the highest percentage of high priced FIs based on three standard deviation being above a threshold level and weight 100%. Vendors will be marked on the report as potentially high risk based if they have any FIs above the value of this parameter. **[E]**
- e. PRIORITY 4:
 - i. **Extremely Large Increase in the Dollars Redeemed over Time Report** - Utilizing a minimum of 30 **food instruments** vendors are sorted by the highest percentage based on the variation of sales over the time period of the report. Vendors will be marked on the report as potentially high risk when the interval is monthly; number of periods 2, and the variance is greater than 150%. **[G]**
- f. PRIORITY 5:
 - i. Identify vendors who, in any month in the federal fiscal year, receive a pattern of any type of complaint not addressed in PRIORITY I (not involving fraud or Civil Rights) and those vendors with excessive Claim File errors that involve seven (7) or more State Agency violation points.

III. Compliance Investigation Selection

- a. The State Agency will conduct compliance investigations on a minimum of five percent (5%) of the WIC vendors authorized at the beginning of the Federal Fiscal Year.
- b. Vendors identified as high risk will take precedence and will be assigned to a compliance investigation. Vendors identified as Priority 1 will be assigned first, followed by Priorities 2, 3, 4, and 5.
- c. If the number of vendors identified through high risk analysis does not meet the five percent (5%) minimum, then additional vendors shall be selected at random.

IV. Routine Monitoring

- a. The State Agency shall select at least 5% of all authorized WIC Vendors per year for routine monitoring, based on a representative sample of vendors. The State Agency plans to select approximately 10% of all vendors in each county or a minimum of one store per county for routine monitoring each year, whichever is greater.

- b. Routine monitoring will generally be delegated to the local agency vendor coordinator.
- c. Any remaining vendors determined to be high risk who were not assigned for a compliance investigation will be selected for routine monitoring, up to the level of 10% of all active vendors.
- d. Any additional vendors needed for routine monitoring to reach the 10% requirement will be selected based on the length of time since their previous routine monitoring or based on whether there were violations found at their previous routine monitoring.
- e. The State Agency's educational purchase system is occasionally used during Routine Monitoring for training purposes. For additional information on the educational purchase system, please refer to document: *Compliance Educational Purchase System; III. Educational Purchase System.*