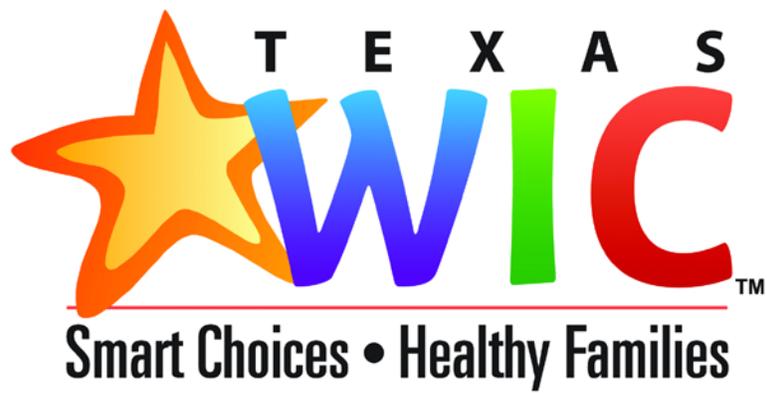


Texas Health and Human Services Commission Inspector General
Inspections and Evaluations



Women, Infants and Children (WIC) Vendor Program
Federal Fiscal Year 2016 Program Plan



A Brief WIC History

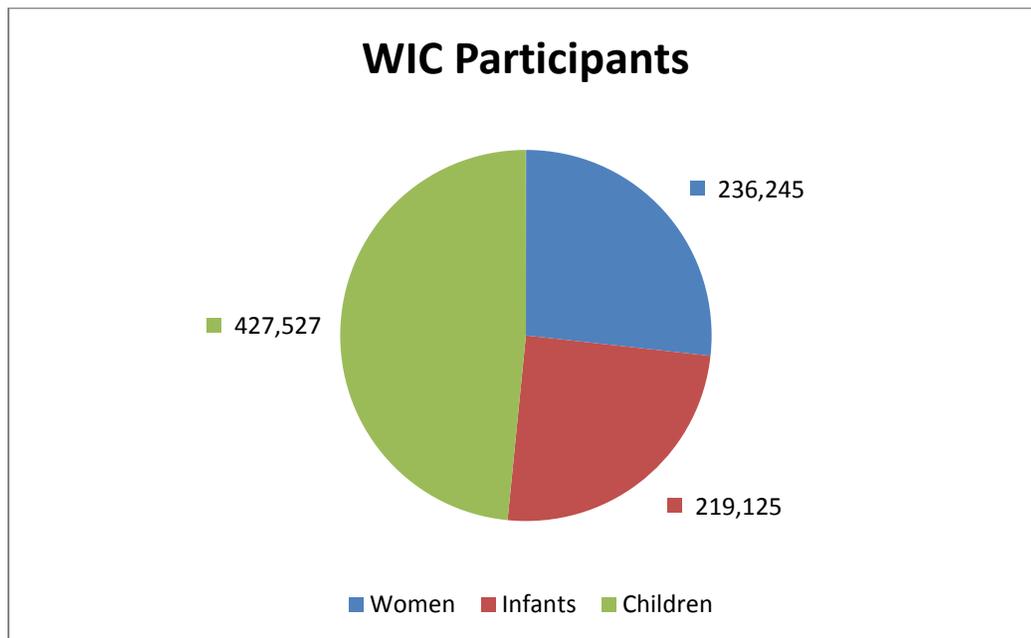
According to the Code of Federal Regulations, Title 7, Subtitle B, Ch.II, Subchapter A, Part 246, the Food and Nutrition Service of the U.S. Department of Agriculture (USDA) is responsible for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). WIC provides supplemental foods and nutrition education, including breastfeeding promotion and support, through cash grants to state agencies which administer the program through local agencies at no cost to eligible persons. The program promotes good health care during critical times of growth and development to prevent the occurrence of health problems, including drug and other harmful substance abuse, and to improve the health of these individuals.

WIC is 100 percent federally funded, and administered in Texas by the Department of State Health Services (DSHS). The Inspector General Inspections and Evaluations WIC Vendor Monitoring Unit is responsible for program oversight.

WIC Texas Statistics

Dollar and recipient size

In federal fiscal year (FFY) 2015, more than \$549 million was paid in WIC claims. In FFY 2015, there were 882,897 WIC participants. A breakdown:

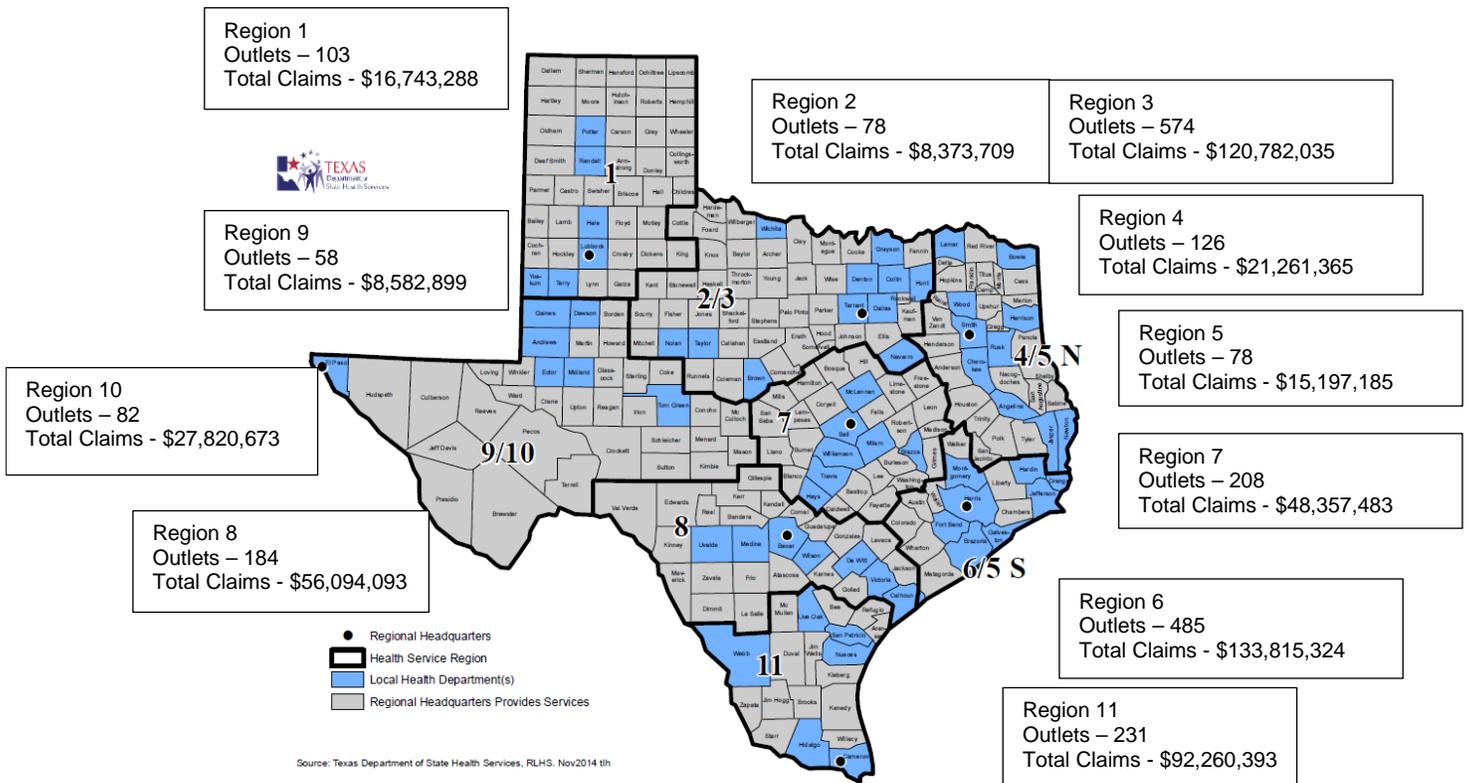


Vendor Monitoring

As of October 1, 2015, there were 322 vendors, with 2,207 outlets providing WIC benefits in Texas. Risk assessment of vendors is conducted by DSHS annually. Criteria include cost containment, dollar volume, flat rate pricing, and percentage of business volume that WIC comprises. Vendors compiling a score of 10 or above are determined to be “high risk”. For FFY 2016, 196 vendors are considered high risk.

Texas WIC Program

Active Vendor Outlets¹ and FFY2015 Paid Claims²
By HHSC Public Health Regions



1 – As of October 1, 2015

2 – Total claims for FFY 2015

WIC Program Oversight

Program oversight includes routine monitoring and compliance investigations.

- Routine monitoring involves on-site evaluations to survey the types and levels of abuse and errors among authorized vendors and to take appropriate corrective action.
- Compliance investigations are covert compliance buys or invoice audits conducted on high-risk vendors.

On-Site Evaluation

This is an assessment of a store's WIC operations by an inspector who identifies themselves to store personnel. It includes collecting shelf prices and verifying that prices are prominently displayed for all WIC food items, examining adequacy of stock levels, expiration dates, WIC signage, compliance with "least expensive brands," and adherence to vendor incentive item restrictions. The inspector will also test for other violations of WIC Vendor Program Policies and the Vendor Agreement.

Compliance Buys

This is a covert in-store inspection by an inspector posing as a WIC recipient or a proxy using a WIC Electronic Benefits Transfer (EBT) food card to make a purchase. This transaction tests the store's compliance with WIC Vendor Program Policies and the Vendor Agreement. The inspector does this anonymously.

A compliance buy investigation is considered complete when enough buys have been conducted to provide evidence of a pattern of program non-compliance, or conversely, when two compliance buys find no program violations. The unit also conducts follow-up compliance buys on open investigations.

Invoice Audit

This is a comparison between a vendor's submitted claims and their purchase invoices for WIC food items, generally for a 12-month period. The purpose is to determine if the vendor had a sufficient inventory of WIC food items to justify their submitted claims. A completed invoice audit is a closed compliance investigation. Invoice audits count toward the 5 percent requirement of compliance investigations.

Program requirements

Oversight of WIC vendors is mandated by USDA regulations, specifically 7CFR 246.12(j). The regulation specifies the two areas of monitoring and sets minimum levels of activity. Routine monitoring must be conducted on a minimum of 5 percent of the vendors authorized by the state agency (DSHS) as of October 1 of each year. Compliance investigations must also be conducted on at least 5 percent of high-risk vendors as of October 1 of each year.

FFY 2014 and FFY 2015 results

The WIC Vendor Monitoring Unit exceeded minimum oversight levels in both FFY 2014 and FFY 2015.

In FFY 2014, the unit conducted 113 evaluations, 87 compliance buys, and 58 invoice audits, yielding 126 closed investigations. As a result of FFY 2014 compliance investigations, the following recoveries were made:

- Disqualification cost avoidance \$17,667,247
- Dollars identified for recovery \$207,495
- Civil monetary payments and overcharges \$3,786

In FFY 2015, the unit conducted 120 on-site evaluations. From those evaluations, 280 sanctionable violations, and 111 non-sanctionable violations were noted, and 16 vendors had no violations. The three most noted violations were prices not prominently displayed (72), labeling food items not authorized as WIC food items (54), and not labeling three or more declared least expensive brand items (52).

In FFY 2015, the unit conducted 116 vendor-specific compliance buys. In those compliance buys, 178 sanctionable and 65 non-sanctionable violations were cited, and 37 vendors had no violations. The most cited violations were not labeling three or more declared least expensive brand items (33), prices not prominently displayed (26), and labeling food items not authorized as WIC food items (24).

In FFY 2015, the group performed 43 follow-up compliance buys on open cases. In those compliance buys, 63 sanctionable violations and 28 non-sanctionable violations were cited, and 14 vendors had no violations. One vendor was disqualified for trafficking food benefits (the vendor has filed an appeal; a fair hearing decision is pending). The most cited violations were not labeling three or more declared least expensive brand items (12), labeling food items not authorized as WIC food items (10), and prices not prominently displayed (8).

In FFY 2015, invoice audits were performed on 58 vendor outlets. Of the 58 vendors, 5 were audits yielding no disallowances, and 47 were found to have disallowances, but no pattern of disallowance. Of the remaining six vendors, two were disqualified for failing to submit invoices

for their audits, and one quit the program after preliminary findings indicated a pattern of disallowance. One was disqualified, and the disqualification was upheld at a fair hearing. Two have been disqualified, have filed appeals, and are awaiting fair hearings.

The following recoveries were made in FFY 2015:

- Cost avoidance \$7,617,166
- Civil monetary payments and overcharges \$9,927
- Dollars identified for recovery \$5,703

Vendor Monitoring Plan for FFY 2016

WIC Vendor Monitoring Unit Staff

The WIC Vendor Monitoring Unit consists of a manager and 8 inspectors. The unit has an aggregate of more than 75 years of experience working in the unit. Several members bring to the unit numerous years of auditing, accounting, federal law enforcement, and other related experience from previous careers.

On-Site Evaluations

The unit will conduct a minimum of 120 on-site evaluations of authorized WIC vendors, which will fulfill the 5 percent minimum level mandated by federal regulations, and provide the USDA with a sufficient survey of the types and levels of abuse and errors.

The vendors selected represent a comprehensive sample, including vendors of all sizes, and from all regions of the state. On-site evaluations will be completed in the first quarter.

Compliance Investigations

The unit will conduct a minimum of 120 compliance buys on authorized WIC vendors identified as “high risk” in quarters one through three.

The unit will also conduct follow-up compliance buys on a number of open compliance investigations. The regulation requires that an investigation of a high-risk vendor may be considered complete when the state agency determines enough compliance buys have been conducted to provide evidence of program non-compliance, when two compliance buys find no violations, or when an inventory (invoice) audit has been completed. Follow-up compliance buys are done year-round.

Invoice audits will be conducted on 12 vendors with a total of 21 outlets. As these allow a vendor a 60-day deadline to submit invoices, invoice audits are commenced in the second quarter (once invoices are received), and are concluded in the third and fourth quarters.

All monitoring work is scheduled to be concluded well before the end of the fiscal year to allow DSHS sufficient time to compile its reporting to USDA. This also allows the unit time in the fourth quarter to plan for FFY 2017.

Projected recoveries for FFY 2016

- | | |
|---|--------------|
| • Cost avoidance | \$ 8,594,472 |
| • Civil monetary payments and overcharges | \$10,000 |
| • Dollars identified for recovery | \$6,500 |



Call our toll-free Hotline

(800) 436-6184

To report suspected fraud, waste, or abuse in WIC programs, operations or recipients

Information you provide is confidential and you may remain anonymous