

Texas Health and Human Services Commission Inspector General
Inspections Division



Women, Infants and Children (WIC)

Fraud Prevention

Federal Fiscal Year 2017 Program Plan



A Brief WIC History

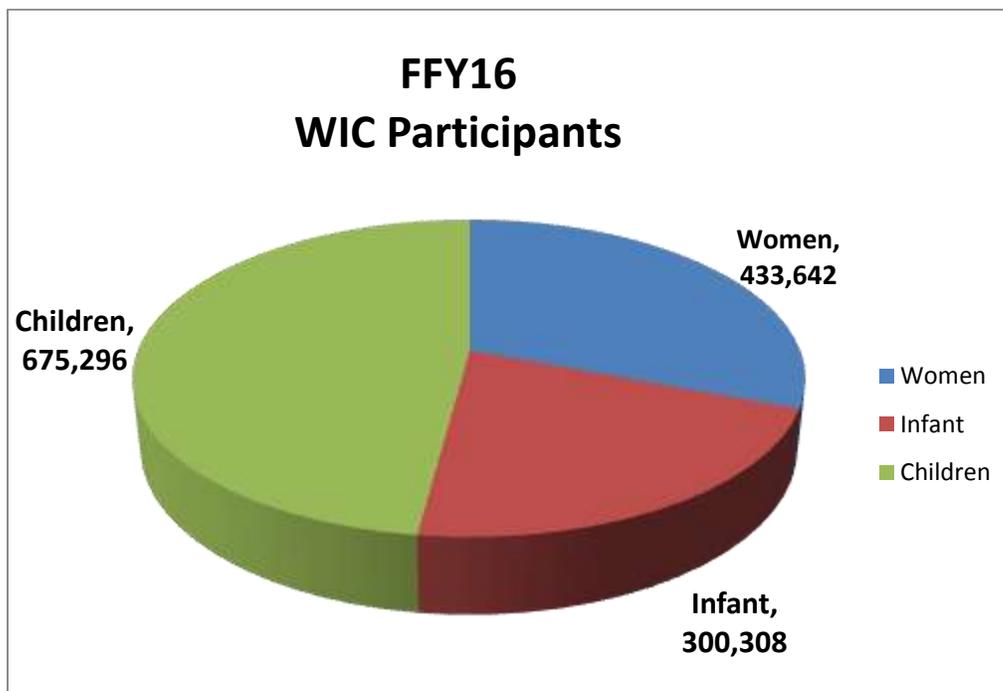
According to the Code of Federal Regulations, Title 7, Subtitle B, Ch.II, Subchapter A, Part 246, The Food and Nutrition Service of the U.S. Department of Agriculture (USDA) is responsible for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC Program). The purpose of the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

The WIC program is a 100% federally funded program administered in Texas by the Health and Human Services Commission Department of State Health Services (DSHS). The Deputy Inspector General of Inspections is responsible for program oversight.

WIC Texas Statistics

Dollar and recipient size

In FFY 2016 Total paid WIC food claims were over \$535 million. In FFY2016, there were approximately 1,409,246 WIC Participants. This includes approximately:

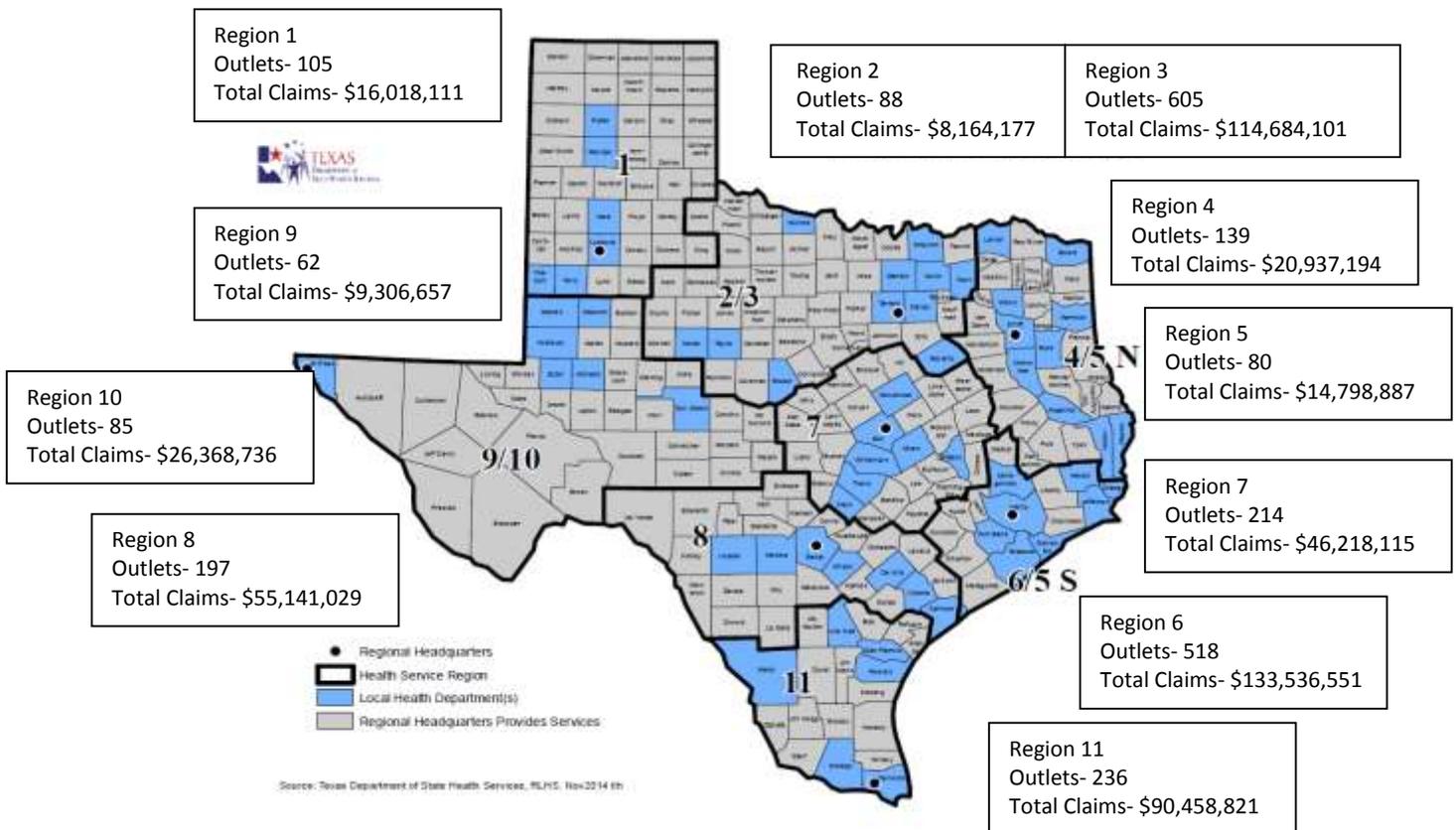


Vendor Monitoring

As of October 1, 2016, there were 320 vendors, with a total 2213 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. For FFY2017, 191 vendors are considered high-risk.

Texas WIC Program

Active Vendor Outlets¹ and FFY2016 Paid Claims²
By HHSC Public Health Regions



1- As of October 1, 2016

2 - Total Claims for FFY 2016

WIC Program Oversight

Program oversight includes two types of activities, *routine monitoring* and *compliance investigations*.

- *Routine monitoring* is done to survey the types and levels of abuse and errors among authorized vendors and to take appropriate corrective action. Routine monitoring is accomplished by conducting on-site inspections.
- *Compliance investigations* are conducted on high-risk vendors. Investigations are covert compliance buys or invoice audits.

On-Site Inspections

An on-site inspection is an assessment of the store's WIC operations in which the inspector identifies him/herself to store personnel after conducting a covert evaluation buy to test the outlet's ability to correctly process a WIC EBT transaction. The inspection will include 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

A compliance buy is a covert in-store inspection in which an inspector poses as a WIC recipient or a proxy and uses a WIC Electronic Benefits Transfer (EBT) food card to transact a purchase. This transaction is done to test the stores compliance with WIC Vendor Program Policies and the Vendor Agreement. The inspector does not reveal to the store personnel that he/she is a State agency representative during the visit. A compliance buy inspection is considered complete when a sufficient number of compliance buys have been conducted to provide evidence of a pattern of program non-compliance, or conversely, when two compliance buys have been conducted in which no program violations are found.

Invoice Audit

An invoice audit 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 of the invoice audit is to determine if the vendor had a sufficient inventory of WIC food items to justify their submitted claims. Invoice audits will be reserved for those vendors who have repeated violations and display a lack of willingness to correct identified deficiencies either thru on-site inspections or compliance inspections. Upon notification of an invoice audit, the vendor supplies the Inspector with all required documentation for analysis. If purchase invoices do not support the amounts paid to the vendor for WIC claims, the Inspector will recover the monies overpaid to the

vendor. A completed invoice audit is a closed compliance inspection. Invoice audits count toward the five percent requirement of compliance inspections, required by USDA.

Program requirements

Oversight of the vendors in the WIC program is mandated by USDA regulation, 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 five percent of the number of vendors authorized by the State agency (DSHS) as of October 1st of each year. Compliance investigations must also be conducted on a minimum of five percent of the number of authorized vendors, all of which must be designated by DSHS as high-risk vendors.

WIC Fraud Prevention Unit Staff

The WIC Fraud Prevention Unit (FPU) consists of a manager and 8 inspectors. The workload for the unit is divided equitably, with each inspector completing inspections, compliance buys, and invoice audits.

FFY2015 and FFY2016 results

The WIC FPU exceeded minimum oversight levels in both FFY2015 and FFY2016. In FFY2015, the unit conducted 155 on-site inspections, 146 compliance buys, and 58 invoice audits. The compliance inspection work yielded 191 closed investigations.

As a result of **FFY2015** compliance inspections, the following recoveries were made:

- | | |
|---|-------------|
| • Disqualification cost avoidance | \$8,729,176 |
| • Dollars identified for recovery | \$7,472 |
| • Civil Monetary Payments and overcharges | \$ 374 |

In FFY2016, the unit conducted 141 on-site inspections; from these inspections, 248 sanctionable violations were noted. Additionally, 362 vendor specific compliance buys were conducted, with 379 violations being cited. The three most noted violations amongst all vendors were: prices not prominently displayed, labeling of non-authorized food items as WIC food items, and not labeling three or more declared least expensive brand items in a specific food category.

In FFY 2016, invoice audits were performed on 20 vendor outlets. Of the 20 vendors, 3 were audits yielding no disallowances, 16 were found to have disallowances, but no pattern of disallowance, and one contract termination after paying its disallowance of \$3,422.

The following recoveries have been made in **FFY2016**:

- | | |
|---|-------------|
| • Cost Avoidance | \$8,659,829 |
| • Civil Monetary Payments and overcharges | \$20,419 |
| • Dollars identified for recovery | \$46,047 |

Fraud Prevention Plan for FFY2017

On-Site Inspections

The unit will conduct a minimum of 150 on-site inspections of authorized WIC vendors. This number will fulfill the five percent minimum level mandated by Federal regulations, and provide the USDA and DSHS with a sufficient survey of the types and levels of abuse and errors among authorized vendors.

Compliance Inspections

The unit will conduct a minimum of 150 *compliance buys* on authorized WIC vendors identified as “high-risk” for FFY2017. Compliance inspections are conducted on a number of vendors equal to or greater than five percent of authorized vendors as of October 1st of each year, with the distinction that all of these must be high-risk vendors. Invoice audits will be reserved for those vendors who have repeated violations and display a lack of willingness to correct identified deficiencies either thru on-site inspections or compliance inspections.

Trafficking/ Recipient Investigations

The unit will also begin conducting activities focused on vendors involved in the trafficking of WIC benefits as well as recipients selling their benefits. These fraud investigation activities will occur concurrently with other compliance activities and consist of compliance buys.

Proposed Activities by Quarter

1. 1st Quarter (October, November, December)
 - 40 On-site Inspections
 - 50 Compliance Buys
2. 2nd Quarter (January, February, March)
 - 40 On-site Inspections
 - 50 Compliance Buys
3. 3rd Quarter (April, May, June)
 - 40 On-site Inspections
 - 50 Compliance Buys
4. 4th Quarter (July, August, September)
 - 40 On-site Inspections
 - 50 Compliance Buys

Projected Recoveries for FFY2017

- | | |
|---|-------------|
| • Cost Avoidance | \$3,500,000 |
| • Civil Monetary Payments and overcharges | \$5,000 |
| • Dollars Identified for recovery | \$5,000 |



Call our toll-free Hotline

(800) 436-6184

To Report Suspected Waste, Fraud, or Abuse in WIC Programs, Operations or Recipients

Information you provide is confidential and you may remain anonymous