

PURPOSE: To describe inventory audits, including differentiating between desk and on-site audits, and outline Vendor recordkeeping requirements.

DEFINITIONS:

Audit Period means the period for which the purchase records of the audited WIC-approved foods will be compared to the redeemed quantities of the WIC-approved foods.

Desk Audit means an inventory audit conducted remotely by a WIC analyst at their office.

Inventory audit means the examination of food invoices or other proofs of purchase (i.e., purchase records) to determine whether a Vendor has purchased sufficient quantities of supplemental foods from authorized sources to provide participants the quantities specified on WIC benefits redeemed by the Vendor during a given period of time.

Monetary claim means a claim requiring the Vendor to reimburse, return or restore an amount of money or make any other payment in respect of an amount of money.

On-Site Audit means an inventory audit where the WIC analyst conducts an in-store count of the audited WIC-approved foods prior to comparing purchase records to redemption records.

Purchase records means invoices, receipts, wholesaler movement reports and any other documents that record a sale of WIC-approved food items for which the Vendor has claimed reimbursement from the Department.

A. POLICY:

1. The Department will conduct inventory audits each year. (See Policy 5.01 Overview of Vendor Compliance & 7 CFR 246.12(j)(4)(i).)
 - a. Vendors are selected for inventory audits based on the High-Risk Indicator Report, as well as complaints or referrals. (See Policy 5.02 High-Risk Vendor Identification and Policy 5.06 Vendor Complaints.)
 - b. The inventory audit conducted will either be a desk audit, or an on-site audit as described in Paragraph 8 below. The type of audit to be conducted will be determined by the Department's discretion.
 - c. All WIC-approved foods are subject to be audited.

2. Vendors are required to maintain inventory records for all purchased WIC-approved foods for at least three (3) years and make these records available to the Department upon request.
3. Vendors selected for inventory audits are required to submit to the Department their purchase records for WIC-approved foods for a particular period of time, up to 3 years, to substantiate their WIC redemptions during that period.
4. Acceptable purchase and inventory records must be submitted in their entirety and include:
 - a. Name and address of the store;
 - b. Date of purchase (must be machine dated);
 - c. Description and/or computer code of the exact item(s) purchased (e.g., 12 oz. Total cereal);
 - d. Unit price of the item(s);
 - e. Total quantity purchased;
 - f. Form of payment; and
 - g. Invoice numbers if the record is from a wholesaler.
5. Affidavits, statements of fact and oral statements shall not be accepted as evidence of inventory. Only purchase invoices or retail receipts as described in this section shall be accepted and constitute evidence of inventory.
6. If it is determined that a Vendor has insufficient records to support their WIC redemptions during an audit period, the Vendor will receive a notice of inventory discrepancy with a chance to justify and correct. If the discrepancy cannot be resolved, the Vendor may receive a monetary claim and will have to reimburse the Department in the amount of the claim. (See Exhibit 6.01A Vendor Sanction Schedule.)
7. The Department may take additional action against a Vendor in accordance with the current WIC Vendor Contract, the current WIC Vendor Sanction Schedule, federal regulations, or federal or state law. (See Exhibit 2.05A WIC Vendor Contract, 2.05B WIC Pharmacy Vendor Contract, and 6.01A WIC Vendor Sanction Schedule.)
8. Below is a general overview of the audit process. Steps a) through d) refer only to on-site audits, while steps e) through j) pertain to both the on-site and desk audit processes.

- a. On-Site audits occur at the store and are unannounced. During the visit, the WIC Analyst takes a count of the selected WIC-approved foods, both on the sales floor and in the back room, using the WIC On-Site Inventory Audit Report (Exhibit 5.04A).
- b. Once the count is concluded, the Analyst and Vendor representative review the report for accuracy and the Vendor representative signs the report. A copy is mailed or emailed to Vendor within five (5) business days.
- c. Any observed violations, such as minimum stock violations, failure to show prices, expired WIC foods available for sale, etc., may be referred to the Vendor Relations Unit, and the Vendor will be given a verbal warning to address the issue.
- d. The Program Integrity Unit will mail Vendor a Request for Records letter with an attached Record Summary (Exhibit 5.04B) asking for all purchase records of the selected WIC-approved foods that are to be audited during the selected Audit Period. In the case of an on-site audit, the Analyst may also go to store with a prepared Request for Records letter and help Vendor collect receipts at the store and fill out the Record Summary. The Vendor will have 21 days to mail or email all purchase records, physical or electronic.
- e. The Department will generate a Redemption Report that shows all redemptions of the audited food group. The Redemption Report is used to:
 - i. Compare the number of redemptions to the number of units purchased by the Vendor based on the records submitted.
 - ii. Calculate the average price of each food item audited. The average price will be used to calculate a monetary claim if there is a discrepancy.
- f. At the conclusion of the comparison of records, if there is no discrepancy between the inventory purchase records and the WIC redemptions, the Department will send the Vendor a Letter of No Discrepancy and the investigation will be closed.
- g. At the conclusion of the comparison of records, if the Vendor's redemptions of the food items are higher than the food items purchased, a Notice of Inventory Discrepancy is sent to the Vendor explaining there was a discrepancy with the Audit.
- h. The Vendor will have twenty-one (21) days to submit additional purchase records to justify and correct the discrepancy. These additional purchase records will be compared to the original redemptions.
 - iii. If the Vendor submits records and the discrepancy is resolved, the Department will send a Letter of No Discrepancy to the Vendor and the investigation will be closed.

- iv. If there is still a discrepancy at the conclusion of comparison of new purchase records to the redemptions, the Department will send Vendor a Notice of Monetary Claim which details the audit discrepancy, violations, reimbursements instructions, sanctions, and appeals, if applicable.
 - v. If the Vendor fails to submit additional records, the Vendor will receive a Notice of Monetary Claim.
- i. An invoice for the monetary claim will be sent by the WIC Department following the Notice of Monetary Claim with instructions on how to pay.

References:

- 7 CFR Part §246.2
- 7 CFR Part §246.12 (h)
- 7 CFR 246.12(j)(4)(i)

Cross-References:

- 5.01 Overview of Vendor Compliance
- 5.02 High-Risk Vendor Identification
- 5.06 Vendor Complaints

Exhibits:

- 2.05A WIC Vendor Contract
- 2.05B WIC Pharmacy Vendor Contract
- 5.04A On-Site Inventory Audit Report
- 5.04B Record Summary
- 6.01A WIC Vendor Sanction Schedule