

Inventory Audits

POLICY:

The West Virginia (WV) WIC Program (State Agency) reserves the right to perform an inventory audit on any authorized vendor at any time throughout the term of its WIC Vendor Agreement. An inventory audit is a type of compliance investigation that is purposed to identify potential discrepancies between an authorized vendor's purchasing invoice records and the eWIC transactions charged to the State Agency.

In accordance with the WIC Vendor Agreement, vendors must only purchase infant formula from wholesalers, distributors, and retailers listed on the State Agency's Infant Formula Supplier List. Additionally, the vendor must maintain inventory records (paper, electronic or digital) used for Federal tax reporting purposes and maintain other records the State Agency may require throughout the course of the WIC Vendor Agreement for a minimum of three years.

Upon request, the Vendor must make available to representatives of the State Agency, USDA, and the Comptroller General of the United States, at any reasonable time and place for inspection and audit, all program related records (paper, electronic or digital).

Inventory audits will be conducted as either desk audits or on-site audits; the type will be determined by the State Agency. On-site inventory audit visits will not be announced in advance. Rather, the State Agency WIC Vendor Management Unit (WIC Investigator) will inform the vendor or store representative of his/her presence at the time of the visit. Vendors are required to cooperate with the WIC Investigator during the inventory audit. **Failure to cooperate during the inventory audit shall result in the imposition of a vendor sanction, vendor claim, and/or termination of the WIC Vendor Agreement.**

To complete an inventory audit, the WIC Investigator will conduct an examination of the vendor's food invoices and other acceptable proofs of purchase to determine whether the vendor purchased sufficient quantities of supplemental foods to provide participants with the amounts quantified in the vendor's eWIC redemptions for the timeframe being audited.

All inventory discrepancies documented during the inventory audit will count towards the establishment of a pattern in accordance with 7 CFR 246.12(j)(4)(i) and 7 CFR 246.12(j)(4)(ii). Vendors determined to have a pattern of claiming reimbursement for the sale of an amount of a specific supplemental food item which exceeds the store's documented inventory of that supplemental food item for a specific period of time will be sanctioned in accordance with the WV WIC Vendor Agreement and Sanction Schedule.

PROCEDURE:

- A. Upon arriving at the store for an on-site visit and prior to counting the in-store inventory of the WIC approved food item(s) being audited, the WIC Investigator will provide the vendor with written notification that announces the audit and explains the audit process.
- B. The State Agency will utilize an Inventory Audit Reporting Form (8.12 Attachment #1) to document the date of the visit, the name of the store personnel participating in the audit, the types and quantities of items being audited, the count of all in-store inventory, the nature of any problem(s) detected, and the name and signature of the reviewer and vendor or store representative.

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- C. To ensure the vendor is given proper credit for their entire available inventory, the WIC investigator will count and document all WIC approved food item(s) being audited that are located anywhere on the store premises, including the cashier's office, sales floor, stock rooms, attic, basement, and any other storage areas. **Expired foods will not be included in the total in-store inventory count.**
- D. Before leaving the store, the WIC investigator will have the vendor or store representative review, sign, and date the Inventory Audit Reporting Form to signify the vendor's agreement with the in-store inventory count.
- E. If an on-site inventory audit is being performed, the WIC Investigator will return to the store approximately 90 calendar days after the beginning inventory to conduct an ending inventory count, as described in Procedure C of this policy. The ending inventory count will be recorded on the Inventory Audit Reporting Form. The vendor or store representative will review, sign, and date the Form to signify the vendor's agreement with the ending inventory count.
- F. If a desk audit is being conducted, the WIC Investigator will request purchase records for a specified period in the past to review against the vendor's redemption records. An in-store stock count may or may not occur depending on the State Agency's preference and audit totals.
- G. A Notice of Audit Period Ending with Record Request Letter will be provided to the vendor. The vendor has 20 calendar days to provide the State Agency with all invoices for the time period specified in the letter. If the vendor fails to provide invoices or other acceptable purchase records, the vendor will be deemed to have failed the audit and will be sanctioned in accordance with the State Agency WIC Sanction Schedule.
- H. Invoices or other acceptable purchase records must show the following:
1. The vendor's name,
 2. The name and address of the supplier or wholesaler,
 3. The supplier or wholesaler's store ID and phone number,
 4. The date of the purchase, and
 5. A list of the items purchased, including brand, size, stock number, UPC code (if available), quantities purchased, and price per unit.
 6. Other acceptable proofs of purchase for WIC foods purchased at a non-WIC retail grocer (for resale by the vendor being audited) must include the name and address of the store where the items were purchased, the store ID, phone number, and date of purchase, a description of the exact items purchased, the price per unit for each item purchased, and the total amount(s) purchased.
- I. Acceptable proofs of purchase must also adhere to the following:
1. Receipts that do not completely describe the actual item shall contain an ID code that can be verified by contacting the store at which the merchandise was purchased.
 2. All proof of purchase receipts for purchases made at non-WIC retail establishments must be machine dated by the establishment. **Handwritten and/or hand-dated retail store receipts are not acceptable proof of purchase receipts.**
- J. Affidavits, Statements of Fact, and oral statements shall not be accepted as evidence of inventory. Only original purchase invoices or original retail receipts as described in this policy shall be accepted and constitute evidence of inventory.

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- K. Within 30 calendar days of the State Agency receiving the vendor's Record Request Letter response, including any supplemental invoice records, the State Agency shall review all documentation and make a final inventory audit outcome determination.
- 1) If the inventory audit results show that the amount of food items from the initial inventory count plus the amount of food item inventory documented during the audit period exceeds the total number of food items sold to WIC customers, or if any identified discrepancy amount totals less than \$250, the vendor is deemed to have passed the audit.
 - 2) If the inventory audit results show that the total number of food items sold to WIC customers exceeds the amount of the food items from the initial inventory count plus the amount of food item inventory documented during the audit period, or if any discrepancy amount totals exceed \$250, the vendor is deemed to have failed the audit.
 - 3) Vendors deemed to have failed an inventory audit will be subject to a 3-year disqualification per the State Agency WIC Sanction Schedule. If the State Agency determines that disqualifying the vendor would result in inadequate participant access, the State Agency will issue a Civil Money Penalty in accordance with 7 CFR 246.12(l)(1)(x) and the State Agency WIC Sanction Schedule.
 - 4) Once the results of the audit have been determined, the applicable notification will be sent to the vendor and the case closed, unless an appeal has been requested. For the policy on appeals, refer to 8.06 Fair Hearing Policy for Vendors.
- L. The State Agency will establish a claim for the total dollar amount for any discrepancy identified during the audit, i.e., the cost for all food items not accounted for in the vendor's invoice records.
- M. After the retailer receives a final Inventory Results letter, the vendor must remit payment for any assessed claim within 20 calendar days to the WV Department of Health in the form of a cashier's check, personal check, or money order. Payment should be mailed by certified mail to the contact person and address identified on the WIC invoice sent to the retailer.
- N. Questions regarding the Inventory Audit Final Result Letter received by the retailer must be directed to the State Agency WIC Office personnel that sent the letter.
- O. A disqualified store may reapply for WIC Program authorization after it has completed all performance requirements outlined in its final written disqualification letter. These requirements include, as applicable, the return of all stand beside equipment used to process eWIC transactions.

REFERENCES: 7 CFR §246.12(h)(3)(xx), 7 CFR 246.12(j)(4)(i), 7 CFR 246.12(j)(4)(ii), 7 CFR 246.12(l)(1)(iii)(D), West Virginia WIC Vendor Agreement, West Virginian WIC Vendor Sanction Schedule

ATTACHMENTS: 8.12 Attachment 1 - Inventory Audit Reporting Form