

Purpose To outline the federal guidance for compliance investigations and inventory audits.

Introduction Federal regulations specify that the state agency shall conduct compliance investigations to collect evidence of improper vendor practices on a minimum of 5% of the total WIC vendors authorized at the beginning of the federal fiscal year.

Method Compliance investigations will first be conducted on vendors identified as high risk. Identification of high risk vendors will be determined quarterly by the following risk factors:

- Check Redemption Analysis
 - High mean by dollar volume
 - Low variance by dollar volume
 - Overcharge report
 - Trend analysis by dollar volume
- 5 or more sanction points levied during the quarter
- Documented complaints

If fewer than 5% of the state agency's authorized vendors are identified as high risk, additional vendors will be selected randomly to meet the 5 % requirement.

A compliance investigation is complete if:

- A sufficient number of compliance purchases have been conducted to provide evidence of program non-compliance.
- Two compliance purchases are conducted in which no program violations are found.
- An inventory audit has been completed.