



United States Department of Agriculture
Office of Inspector General





Vendor Management in the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Audit Report 27601-0038-Ch

What Were OIG's Objectives

To evaluate the implementation of new regulations on vendor management, and to assess State agencies' certification of participants as eligible. As part of this, we assessed State agencies' vendor compliance investigations and controls over program benefits.

What OIG Reviewed

Approximately 46,000 retail vendors are authorized nationwide to accept either WIC paper food instruments or EBT cards. We examined activities at two FNS regional offices and three State agencies. For these three State agencies, approximately 6,000 vendors are authorized to accept WIC food instruments.

What OIG Recommends

FNS should perform an assessment of its ME process, and periodically reassess and update its ME guidance. FNS should also require that the State agencies disqualify the violating vendors we identified, require that they strengthen their controls over vendors, and require the timely reciprocal disqualification of WIC vendors that have been disqualified from SNAP.

OIG audited FNS' controls over vendor management and participant eligibility in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

What OIG Found

The Office of Inspector General (OIG) found that the Food and Nutrition Service's (FNS) management evaluations (MEs) did not identify and correct significant issues in the vendor management processes at two State agencies operating WIC. These agencies lacked sufficient controls to track vendor violations for 42 vendors (2 in Illinois and 40 in Florida), and ensure timely and appropriate sanctions. As a result, these vendors were not disqualified as required, and could redeem an estimated \$6.6 million in WIC benefits during their required periods of disqualification. Also, the Florida State agency did not conduct compliance investigations on 24 of its 35 high-risk vendors, and did not treat smaller vendors in an equitable manner with large chain stores. These deficiencies could allow vendor violations, including excessive charges and the sale of unauthorized food items, to go undetected.

We also found that the Illinois State agency did not disqualify 3 of the 11 WIC vendors that were also disqualified from the Supplemental Nutrition Assistance Program (SNAP) during a 3-year period. If these vendors are not disqualified, we estimate that they could redeem approximately \$51,000 in WIC food instruments that they are not authorized to redeem.

We concluded that the Michigan State agency properly monitored vendors. We note that Michigan uses an electronic benefits transfer (EBT) system, while Illinois and Florida still use paper food instruments. Michigan's system uses the same device to process SNAP and WIC food instruments and removes it when a vendor is disqualified from one program—thereby ensuring reciprocal disqualification.



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Office of Inspector General
Washington, D.C. 20250



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AUDIT
NUMBER: 27601-0038-Ch

TO: Audrey Rowe
Administrator
Food and Nutrition Service

ATTN: Mark Porter
Director
Office of Internal Controls, Audits, and Investigations
Office of the Chief Financial Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Vendor Management in the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

This report presents the results of our audit of Vendor Management in the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children. Your response to the official draft report, dated March 4, 2013, is included in its entirety in the audit report, with excerpts and the Office of the Inspector General's position incorporated into the relevant sections of the report. Based on the written response, we have accepted management decision for all the recommendations in the report, and no further response to us is necessary.

Please note that Departmental Regulation 1720-1 requires final action to be reached on all recommendations within 1 year of management decision to avoid being listed in the Department's annual Performance and Accountability Report. However, we agreed to extend final action for Recommendations 2 and 3 until December 2014. Please follow your office's internal procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions.

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Background and Objectives

Background

The WIC program serves low-income pregnant, postpartum and breastfeeding women, and infants and children up to age 5. To be eligible for program benefits, applicants must meet income guidelines and State residency requirements, and be individually determined to be at nutritional risk by a health care professional. Total WIC participation reached an average of almost 9 million participants per month in fiscal year (FY) 2011, serving 4.8 million children, 2.1 million infants, and 2.1 million women. Total WIC program food costs exceeded \$5 billion in FY 2011.¹

FNS, which administers the program at the Federal level, provides funding to State health departments or comparable agencies (State agencies) to pay for supplemental foods, nutrition education, breastfeeding promotion and support, and administrative costs. One of the primary functions of staff at the seven FNS regional offices is to perform management evaluations (MEs) of State agency operations. According to FNS guidance, the ME is a significant component in FNS activities and is the most critical instrument for monitoring State agencies' program compliance and improving program operations. Data gathered through this process provides a basis for assessing the administration of the WIC program at the State level, and for planning future management objectives. FNS therefore relies on MEs and other reviews to provide effective and efficient program management.² The Supplemental Food Programs Division at FNS Headquarters provides oversight to determine how the regional offices conduct and use ME reviews.

The supplemental foods provided to participants include iron-fortified infant formula, infant cereal, infant fruits and vegetables, infant meat, milk, juice, breakfast cereal, eggs, legumes, peanut butter, cheese, canned fish, and whole grains. Also, the monthly food package for children and women includes a cash-value voucher for fruits and vegetables of \$6 each for children and \$10 for women. The majority of States provide supplemental foods to participants through the issuance of paper "food instruments," which are either checks or vouchers. Some States issue food benefits through an electronic benefits transfer (EBT) system, using a card that works like a debit card, to buy food at grocery stores. As of November 2012, ten State agencies used EBT on a statewide basis, and another ten were in the design and development stage. All States are required to fully implement EBT by October 1, 2020.

Participants receive their supplemental food benefits by transacting their WIC food instruments at authorized retail vendors. There are approximately 46,000 authorized vendors nationwide that accept paper food instruments or EBT cards. State agencies are responsible for authorizing

¹ Preliminary WIC program data for FY 2012 (as of March 8, 2013) shows no significant change in food costs and program activity.

² In addition to MEs, regional office officials review reports from the Integrity Profile database of WIC vendors and State agency (SA) monitoring activities, and the Store Tracking and Redemption System database of Supplemental Nutrition Assistance Program retailer data, as well as annual State Plans from each State agency.

vendors and for monitoring them to ensure that they are in compliance with program requirements.

FNS has implemented two major amendments to WIC regulations specifically intended to reduce the incidence of program violations by vendors. The Vendor Disqualification Final Rule, implemented on May 17, 2000, mandated uniform sanctions for the most serious vendor violations in order to curb vendor-related fraud and abuse, and promoted reciprocal disqualification for vendors who are authorized to redeem benefits under both WIC and SNAP.³ The Food Delivery Final Rule, implemented on October 1, 2002, strengthened vendor management in retail food delivery systems by establishing (1) mandatory criteria for selecting new vendors for authorization, (2) annual training requirements for vendors, (3) criteria for identifying high-risk vendors, and (4) a requirement for compliance investigations to be performed on high-risk vendors.⁴

Objectives

The overall objectives of the audit were to evaluate FNS' implementation of new regulations intended to improve the integrity of vendor management, and to assess the certification of participants as eligible. As part of this, we assessed the State agencies' implementation of vendor compliance investigations; their accountability, control, and security over food instruments; and how they made determinations of participant eligibility.

We did not identify any material findings associated with participant eligibility. As such, our report contains no findings and recommendations associated with this portion of our objective.

³ The Vendor Disqualification Final Rule was effective May 17, 1999. State agencies were required to fully implement the regulations no later than May 17, 2000.

⁴ The Food Delivery Final Rule was effective February 27, 2001. State agencies were required to fully implement the regulations no later than October 1, 2002.

Section 1: Monitoring and Sanctioning of Retail Vendors

Finding 1: FNS Needs to Strengthen Guidance and Oversight of State Agencies' Vendor Monitoring and Enforcement Activities

FNS did not identify, through its management evaluation (ME) process, that two of the three State agencies we visited were not properly monitoring and sanctioning vendors, as required by regulations. Specifically, we found that neither Florida nor Illinois ensured that 42 vendors (2 in Illinois and 40 in Florida) were disqualified from WIC program participation, or were assessed the appropriate civil money penalty, after committing a pattern of violations. In addition, the Florida State agency did not properly monitor its 35 high risk vendors and ensure that there was no evidence of serious program violations. Finally, the Florida State agency was inconsistent when imposing sanctions on 103 vendors (i.e., disqualifications or civil money penalties), in that it did not treat smaller vendors in an equitable manner with large chain stores. FNS was not aware of these problems because the regional offices did not take sufficient steps during ME reviews to identify how States dealt with violating vendors. In addition, since FNS Headquarters had not performed adequate oversight of the ME process, national officials were not aware that the two regional offices overseeing these States were not performing the MEs as they intended. As a result, we identified 42 WIC vendors that continued to be authorized to redeem food instruments after committing violations that should have led to their disqualification, such as overcharging the program and/or selling expired foods to the participants. These vendors could, if allowed to continue their authorization, redeem an estimated \$6.6 million in WIC benefits (see exhibit A).⁵ In addition, the Florida State agency did not conduct compliance investigations on 24 of its 35 high risk vendors, or treat smaller stores in an equitable manner with large chain store vendors (i.e., no chain stores were sanctioned when they committed significant violations). This inaction could allow program violations to go undetected.

FNS is required to establish an ME process in order to assess the accomplishment of program objectives. FNS must also establish standards and procedures for determining how well regional offices are performing the ME reviews.⁶ Each FNS regional office is required to perform MEs of all States within its region. The ME process, developed by FNS Headquarters, provides standardized questions for the review of nine functional areas at each State agency, including vendor management. As part of this review, the regional office is to identify program deficiencies and ensure that vendors are sanctioned in accordance with program requirements. For any areas of noncompliance, the ME tool provides standard language for the findings and corrective actions.

We noted that MEs performed by the regional offices we visited did not identify any of the issues we found in our audit. These issues are described in the following sections.

⁵ The \$6.6 million is an estimate of the total amount of WIC benefits that would have been redeemed by the 42 vendors during their required disqualification periods of either 6 months or 3 years, depending on the violation. We estimated that each vendor's disqualification period would have begun approximately 6 months following the establishment of a pattern of violations.

⁶ Title 7, CFR, Section 246.19 (a) (1).

Two State Agencies Did Not Impose Mandatory Sanctions After Establishing a Pattern of Violations

Neither the Illinois nor the Florida State agencies had a process for tracking vendor violations to ensure that vendors who committed patterns of violations received the proper sanctions. We judgmentally selected 28 of the 286 vendors in Illinois⁷ and 151 of the 701 WIC vendors in Florida⁸ who were subject to compliance investigations and/or routine monitoring visits in FY 2010. From this sample, we identified 65 vendors (2 in Illinois and 63 in Florida) with a pattern of violations and determined that the State agencies did not impose the mandatory sanction on 42 of the 65 vendors, or 65 percent (see exhibit A).

When vendors are found to have committed serious violations of program rules, State agencies must impose mandatory sanctions. Some violations—such as exchanging food instruments for cash, firearms, alcohol, or tobacco products—require an immediate disqualification for periods ranging from 3 years to permanent disqualification. Other lesser violations,⁹ such as overcharging or charging for supplemental food not received, do not require disqualification, unless the State agency establishes a pattern of such violations. Once a pattern is established, the State agency must impose a disqualification of 1 to 3 years against the vendor.¹⁰ States have the authority to define what constitutes a "pattern" of violations and may also designate other types of violations that are not specifically described in Federal regulations.

The 42 vendors committed violations such as overcharging, failing to remove expired foods from their shelves, claiming sales in excess of available inventory, and failing to maintain required inventory. These vendors should have been disqualified for periods ranging from 6 months to 3 years (see exhibit A). However, the State agencies were not aware that a pattern of violations had been established because neither State agency had a system to properly track them. For example, in two instances a Florida vendor committed a pattern of overcharging. On both occasions, the vendor charged the maximum allowable amounts shown on the food instruments, instead of the actual amount for the items purchased. The Florida SA considers a pattern to be established with the second instance of any violation. This vendor should have been disqualified for 3 years for overcharging, but was allowed to continue in the program. However, since the State agency was unaware that a pattern of violations had occurred, it sent the vendor a warning letter instead of a disqualification notice.

As of December 31, 2011, none of these vendors had been sanctioned and they had redeemed food instruments totaling \$3.2 million between November 1, 2007, and December 31, 2011. If allowed to continue participating in the program, they will

⁷ For Illinois, we obtained a list of 286 vendors that received compliance investigations and/or routine monitoring visits in FY 2010. We judgmentally selected 28 vendors to review: 10 vendors that received one or more compliance investigations in FY 2010, and another 18 vendors that were selected at random.

⁸ For Florida, we obtained a list of 701 vendors that received compliance investigations and/or routine monitoring visits in FY 2010. Of these, we judgmentally selected 151 for review.

⁹ Such violations do not carry a penalty until a pattern is established.

¹⁰ Title 7, CFR, 246.12 (l) (1).

redeem WIC food instruments totaling an estimated \$6.6 million during the time they should have been disqualified from the program (see exhibit A).

Both Illinois and Florida kept records of individual violations, but did not have a centralized method, such as a spreadsheet, to track the violations for each vendor in order to recognize a pattern of violations requiring a mandatory sanction. While Illinois mistakenly did not impose sanctions on two vendors, many of the Florida State agency's decisions to not sanction vendors were intentional. While Illinois established unique and high thresholds that a vendor would have to reach before being deemed as having a "pattern" of violations, Florida's rules established a "pattern" after more than one violation was found—regardless of the severity or type of violation involved. Therefore, a store that had two incidences of a single expired cereal box on the shelf would be subject to mandatory disqualification.¹¹ Although the Florida State agency had the authority to amend its own pattern definition to make it more lenient, the State vendor manager chose to use his own discretion when applying the mandatory sanctions, a practice which is not allowed (see below). When asked why they did not amend the "pattern" definition, one State official replied that she had never thought to do so.

One State Agency Did Not Properly Monitor High-Risk Vendors

In FY 2010, the Florida State agency identified 35 of its approximately 2,000 vendors (1.7 percent) as being high-risk, in terms of having benefit redemption patterns indicative of serious Federal program violations, based on the two criteria provided by FNS.¹²

WIC program regulations require each State agency to conduct compliance investigations of a minimum of 5 percent of the total number of vendors authorized annually in the State. This sample must include all vendors identified as "high-risk" up to the 5 percent minimum; if the State's high-risk vendors are less than 5 percent of the total, then it must randomly select additional vendors for compliance investigations to meet the minimum requirement.¹³

Since the State agency identified less than 5 percent of its vendors as high-risk, it was required to conduct compliance investigations on all 35 of these vendors.¹⁴ However, it conducted compliance investigations on only 11 of them. The compliance investigations confirmed that 9 of the 11 vendors (82 percent) committed a pattern of serious program violations, which led to mandatory disqualifications for 3 years. Eight vendors charged

¹¹ Each State's procedure manual (included in the State Plan) shows the State's established criteria for a pattern of violations. FNS is required to review and approve each State Plan.

¹² FNS Headquarters requires State agencies to identify high-risk vendors using the following two criteria: (1) high mean, referring to the redemption of benefits at higher-than-average amounts; and (2) low variance, referring to the redemption of benefits at the same or a very narrow range of prices.

¹³ Title 7, Code of Federal Regulations (CFR), Section 246.12 (j) (4).

¹⁴ Compliance investigations must be conducted for each high-risk vendor, up to the 5 percent minimum, to determine whether the vendor is actually committing serious program violations. The investigation consists of either a series of compliance buys or an inventory audit. A compliance buy is a covert, onsite investigation in which a program representative poses as a participant and makes transactions. An inventory audit is an examination of invoices or other proofs of purchase to determine whether a vendor had sufficient quantities of a food on hand in order to provide participants the quantities specified on benefit redemptions during a given period of time.

for WIC-approved juices that their inventory records showed were not on-hand for them to have sold. The remaining vendor provided ineligible WIC foods to an investigator during multiple undercover purchases. In addition to the disqualifications, the State agency recovered over \$71,000 in WIC food benefits that were improperly redeemed by these vendors.

For the 24 vendors which did not receive compliance investigations, the State agency did not perform any reviews in 8 cases, and only performed routine monitoring visits on the remaining 16.¹⁵ As a result of the routine monitoring visits, the agency disqualified 13 of the 16 vendors for 6 months for the State-defined violation of failure to maintain the required inventory of WIC foods. Another vendor was issued a civil money penalty of over \$3,100 in lieu of disqualification for this same violation; according to SA officials, the lesser penalty was necessitated by the fact that there were no other vendors within a 5-mile radius, and the vendor's disqualification would have caused a hardship to WIC participants. For the two remaining vendors, no violations were found during the routine monitoring visits. However, since its agreements with these two vendors were due to expire on February 28, 2010, the agency decided to allow these two high-risk vendors' agreements to expire without reauthorizing them. The agency also allowed the agreements of the eight vendors who received no monitoring to expire on February 28, 2010, without reauthorization. While we credit the agency for allowing these agreements with high-risk vendors to expire, we maintain that regulations require all such vendors to be subject to a full investigation.

In response, State agency officials could not explain why none of these 24 high-risk vendors received compliance investigations. Although the agency vendor manager believed that he was authorized to use his own discretion regarding monitoring, the regulations specifically require that compliance investigations be conducted on high-risk vendors. While routine monitoring visits can identify minor violations and can result in the disqualification of vendors for up to 1 year, they are not sufficient to confirm the more serious Federal violations for which these vendors were at a high risk (and which were, in fact, confirmed for 82 percent of those who were actually investigated). Also, while routine monitoring visits may result in sanctions, they do not result in potentially serious violators being disqualified either permanently or for multi-year periods. Thus, the deterrent value of sanctions may be diminished if high-risk vendors are not fully investigated and held accountable for their violations.

A State Agency Did Not Manage Chain Store Vendors Equally and Fairly

The other issue we found in Florida involved inconsistency in imposing sanctions on chain store and non-chain store vendors following compliance investigations.¹⁶ Although non-chain stores were sanctioned as required, we found that enforcement actions were never taken against chain stores, regardless of either the severity or the frequency of the

¹⁵ Routine monitoring visits are overt, onsite monitoring visits during which program representatives identify themselves to vendor personnel. In Florida, vendor managers check compliance with required inventory levels, check for outdated WIC foods, and check that all benefit redemptions on hand were completed properly.

¹⁶ The State agency defines chain stores as those vendors with a corporate office.

violations identified. Because approximately 80 percent of all vendors¹⁷ in Florida are chain stores, this deficiency has added significance.

According to a State agency official, this unwritten policy was put in place to avoid creating “confusion” among WIC participants, who might be able to transact their benefits at one chain store, while being unable to transact them at a disqualified store belonging to the same chain. In addition, the official stated that chain stores cost the program less because they have lower prices than non-chain stores.

In FY 2010, the State agency did not complete 87 of 93 compliance investigations¹⁸ it initiated at chain stores,¹⁹ but did complete all 10 compliance investigations that were initiated at non-chain stores. Based on the compliance investigations at the non-chain stores, Florida established a pattern of violations that resulted in 9 of the 10 vendors being disqualified for 3 years. However, since compliance investigations were not completed for 87 chain stores, no pattern of violations could be established and, therefore, no sanctions were required. Instead of finishing the investigations, the agency issued claim letters to the vendors’ corporate offices, notifying them of the violations and requesting reimbursement for the ineligible benefit redemptions.

The State agency vendor manager believed that any errors committed by chain store vendors were “unintentional cashier errors,” rather than violations. This stance is contrary to Federal regulations, which define a vendor violation as any intentional or unintentional action of a vendor’s current owners, officers, managers, agents, or employees (with or without the knowledge of management) that violates program policies.²⁰ Because it did not classify any of the errors it found as violations, the agency did not notify any chain store²¹ of the initial violation found during the investigation, which is required before the State agency can document another violation.^{22,23} Therefore, the agency had no basis to even begin establishing a pattern because the vendor was not notified of the initial violation and the second violation cannot therefore be documented.

During the incomplete compliance investigations, the agency found that 73 of the 87 chain store vendors committed serious program violations, such as charging for WIC food not received by the participant or providing unauthorized food items to the participant. The remaining 14 chain store vendors committed minor State-defined violations, such as failure to record the amount of benefits redeemed before requiring the participant’s signature and failure to request the participant’s WIC identification card.

¹⁷ In Florida, 1,668 of the 2,090 vendors are chain stores.

¹⁸ A compliance investigation is complete when the State agency determines that a sufficient number of compliance buys have been conducted to provide evidence of program noncompliance (a pattern), when two compliance buys are conducted in which no program violations are found, or when an inventory audit has been completed.

¹⁹ For the six complete compliance investigations, two compliance buys were conducted at each vendor and no program violations were found.

²⁰ Title 7, CFR, Section 246.2.

²¹ Federal regulations require the State agency to notify the vendor of the initial violation. According to the definition of vendor, each store is a vendor, not the corporate office. Therefore, the claim letters sent to the store’s corporate office did not constitute notification to the vendor.

²² Title 7, CFR, Section 246.12 (l) (3).

²³ This policy gives the vendor an opportunity to correct the problem before another buy is conducted.

An FNS Headquarters official stated that it is important for State agencies to treat all vendors the same, and that once a pattern of violations is established, sanctions are mandatory.²⁴

FNS was not aware of the issues discussed above because FNS Headquarters has not provided adequate guidance or oversight to regional offices in order for them to perform effective MEs. FNS implemented a new automated ME tool in FY 2010 that standardized ME performance. However, FNS has not updated its guidance on how to perform ME reviews since February 23, 2009, before the new tool was released. Also, FNS Headquarters officials have not yet reviewed the implementation of the ME tool at the regional level because they are waiting for information from a large number of ME reviews to be entered into the tool. Therefore, they were unaware that regions were not using the tool as intended.

The ME tool includes templates for each area of review. Each template includes a list of questions with a priority level of one to three. Priority one questions are baseline questions that FNS Headquarters instructs the regional offices to address during every ME review, while priority two and three questions are optional. The template also provides tips, standard findings, and corrective actions. There are over 400 questions for the first priority, of which 82 involve vendor management.

For Illinois and Florida's FY 2011 MEs, neither the Midwest nor the Southeast regional offices identified the issues presented in this finding because they did not adequately address all priority one questions in the vendor management area. If the regional offices had taken the actions detailed in the reviewer's tips, they would have identified some of the issues.

For example, the ME tool requires the reviewer to determine whether the State agency imposed sanctions for vendor violations in accordance with program rules. To accomplish this, the ME suggests that reviewers obtain a list of all vendors who committed violations, but received no sanction, and compare the violations committed by each vendor to the State agency's sanction schedule. The Midwest regional office did address this question, but only recorded the number of investigations that took place, without comment on whether all required sanctions were imposed. Regarding the Southeast regional office, there was no evidence that the reviewer asked this question at all. If the reviewers had tried to obtain a list of all vendors who committed violations in Illinois and Florida, they would have found that neither State agency had a system for tracking vendor violations. Therefore, they would have needed to pull a sample of vendor files to determine if the State agencies imposed the appropriate sanctions. In addition, the Southeast regional office reviewer documented that the Florida State agency did not conduct compliance investigations on all of its high-risk vendors, but did not include a finding on this topic in the ME report. The reviewer's documentation indicated that since 24 out of 35 high-risk vendors were addressed in some way, there was no issue; however, this is not in line with the regulations, which require investigations of all high-risk vendors.

FNS Headquarters officials admitted that there are no controls yet for providing oversight of the ME process, and stated that they need to focus their attention on improving guidance to ensure that regional offices perform proper and effective MEs. They also noted that the new tool did

²⁴ Both Illinois and Michigan conducted proper reviews and sanctioning of chain stores.

not roll out smoothly, and that there was a significant learning curve in regional offices. When we discussed the MEs with regional officials, both regions stated that while the ME is a good tool, the priority one questions need to be condensed because reviewers do not have sufficient time to address all of them adequately. The officials also said their travel budgets limit the time they can spend on-site at the State agencies to one week, including travel time.

FNS Headquarters officials responded by emphasizing that regional offices are responsible for State oversight, and that they are expected to use their travel budgets in the most effective manner in order to accomplish that responsibility. They pointed out that regional reviewers can request State agencies to upload documents and information for review to the ME tool prior to the onsite visit. This would enable them to conduct research beforehand and make best use of their limited time.

In conclusion, we believe that in addition to working with the cited State agencies to correct the deficiencies, FNS needs to work with its regional offices to improve the ME process and identify significant program deficiencies within their limited timeframes.

Recommendation 1

Perform an assessment of the ME process to determine what changes are needed to enhance reviews in the vendor management area. Based on this assessment, update the written ME guidance for the regional offices as needed. Once updated, conduct additional assessments and oversight reviews of the ME process on an ongoing basis.

Agency Response

FNS performed an assessment of the vendor management section of the ME tool and has reprioritized, revised, added to, and removed questions and updated the related guidance as needed. This guidance will be uploaded to the tool in mid-April 2013. FNS also provided training on these changes to over 60 FNS staff on January 24, 2013. In an email dated March 14, 2013, FNS officials stated that they plan to conduct additional assessments and reviews of the entire ME tool on an annual basis.

OIG Position

We accept management decision on this recommendation.

Recommendation 2

Update the overall ME guidance to incorporate new guidance on using the automated ME tool implemented in FY 2010. Reevaluate which procedures in the ME tool should be mandatory.

Agency Response

FNS will issue an updated written overview on the use of the ME tool by March 15, 2013. Also, FNS also plans to reevaluate the other eight functional areas of the ME tool, including all applicable guidance, by December 2014. In an email dated March 14, 2013, FNS officials estimated that the comprehensive evaluation for the other functional areas would be completed by December 2014. As stated in the response to Recommendation 1, FNS plans to reevaluate all functional areas of the ME tool on an annual basis.

OIG Position

We accept management decision on this recommendation.

Recommendation 3

Conduct training for FNS regional staff on the new guidance developed for using the automated ME tool.

Agency Response

FNS provided training on the changes made to the vendor management section of the ME tool on January 24, 2013. FNS officials further clarified, in an e-mail dated March 14, 2013, that training will be conducted for the future updates to the other 8 functional areas (as noted in the response to Recommendation 2) as well. These updates will be completed in December 2014. FNS also designated three regional office staff reviewers as “super users” who are able to conduct training for other reviewers.

OIG Position

We accept management decision on this recommendation.

Recommendation 4

Require the Illinois and Florida State agencies to begin disqualification procedures on the 42 vendors that did not receive the mandatory sanction following a pattern of violations.

Agency Response

FNS officials stated that the Midwest and Southeast Regional Office will continue to work with the Illinois and Florida State agencies to ensure that any of the 42 vendors still authorized for the WIC program will be disqualified for the required time period. This process will be completed by June 1, 2013.

OIG Position

We accept management decision on this recommendation.

Recommendation 5

Require the Florida State agency to implement internal controls to ensure consistent enforcement of program requirements, regardless of the type of vendor involved.

Agency Response

FNS will require the Florida State agency to implement controls to ensure that individual stores belonging to a chain receive the same treatment as non-chain stores. The FNS Southeast Regional Office will ensure the State agency's compliance through the ME process. This will be completed by June 1, 2013.

OIG Position

We accept management decision on this recommendation.

Recommendation 6

Require the Illinois and Florida State agencies to implement internal controls to track vendor violations and impose mandatory sanctions.

Agency Response

FNS will require the Illinois and Florida State agencies to ensure that vendor violations are tracked by individual store. The regional offices will monitor the State agencies' activities through the ME process, and will also review their definitions of "patterns of violations" to ensure that they are reasonable and that mandatory sanctions are imposed for such patterns. The estimated completion date for this activity is June 1, 2013.

OIG Position

We accept management decision on this recommendation.

Section 2: Ensuring Integrity Across FNS Programs

Finding 2: FNS Does Not Ensure that All Retail Vendors Disqualified from SNAP are Disqualified from WIC

The Illinois State agency did not disqualify three WIC vendors that were already disqualified from participation in SNAP. This occurred because FNS did not implement a nationwide control to require regional offices to periodically verify that reciprocal disqualifications between the SNAP and WIC programs were taking place, even though this issue was identified in a previous OIG audit.²⁵ In addition, even though FNS' SNAP field office routinely notified the State agency of SNAP disqualifications, the State agency did not follow up with the field office to ensure that all notifications had taken place, nor did it have a process in place to independently verify SNAP disqualifications. As a result, these three vendors that were disqualified from SNAP between October 2007 and September 2010 continued to be authorized in the WIC program. As a result, they could redeem an estimated \$51,000 in WIC benefits during the length of time they should have been disqualified.²⁶ We note that one of the three vendors was permanently disqualified from SNAP in 2009 and should, therefore, have been permanently disqualified from WIC, while the other two vendors should have been disqualified for 3 and 6 months, respectively.

FNS regulations require State agencies to disqualify any vendor that has been disqualified from SNAP. The disqualification must be for the same length of time as the SNAP disqualification, may begin at a later date, and is not subject to administrative or judicial review under the WIC program.²⁷ Since neither the SNAP regulations nor any other FNS policy require FNS to notify WIC State agencies of SNAP disqualifications, FNS developed an optional Memorandum of Understanding (MOU) for use by regional offices and State agencies.

The Illinois State agency and the Midwest regional office's SNAP and WIC officials signed an MOU in January 2007 that called for the FNS regional SNAP office to provide the State agency with documentation of SNAP disqualifications no later than 45 days after the date that all administrative and judicial appeal rights had been exhausted. The responsibility for notification fell to the SNAP field office in Chicago, which, like other field offices, is responsible for managing SNAP retailers. The Chicago SNAP field office did routinely forward a copy of each retailer disqualification letter to the WIC State agency via e-mail. However, because of a staff error, the field office did not notify the State agency of 3 of the 11 disqualifications it made during a 3-year period.²⁸ Officials at the field office could not explain why the notification was not made, other than to note that it was a staff error; but they agreed that it should have been sent.

²⁵ The OIG audit was issued to the FNS Southeast Regional Office and corrective actions were implemented at the regional level.

²⁶ We calculated this total based on each vendor's average redemptions per month. Technically under the regulations, the WIC program can disqualify a vendor at any time after a SNAP disqualification. However, to enhance program integrity, we believe WIC should act on reciprocal disqualifications as soon as possible.

²⁷ Title 7 of the Code of Federal Regulations, Section 246.12 (l) (1) (vii).

²⁸ During the 3-year period from October 1, 2007, through September 14, 2010, the Chicago field office disqualified 11 Illinois SNAP retailers that were also WIC vendors.

An FNS regional office SNAP official affirmed that the SNAP field office should notify the WIC State agency of SNAP disqualifications, but stated that there is no process in place for ensuring that it is done. Instead, the field office staff tried to remember to notify the State agency when they disqualified a vendor from SNAP. We note that OIG had previously identified problems concerning SNAP and WIC reciprocal disqualifications in a previous audit of another FNS region. This audit found that eight vendors (17.4 percent) from two States in the Southeast region, who were disqualified from SNAP, were not referred to their respective WIC State agencies because the field offices did not have adequate procedures to ensure the agencies were notified.²⁹ The eight disqualified SNAP vendors continued to be authorized in the WIC program, and OIG estimated that they could have potentially redeemed over \$900,000 in WIC benefits during the periods they should have been disqualified. Based on the audit's recommendations, the regional office created a procedure to receive periodic reports from field offices detailing disqualified vendors. The regional office was then to follow up with each State agency to ensure that the required reciprocal disqualifications occurred. We believe that FNS needs to require its regional and field offices to institute a similar process to verify that reciprocal disqualifications between the SNAP and WIC programs are taking place.

As for the State agency, although it did use FNS' Store Tracking and Redemption System (STARS)³⁰ to identify cases in which WIC vendors have been disqualified from SNAP, the agency's vendor manager stated that it cannot initiate the disqualification process until it receives a copy of the disqualification letter from the field office. In each of these three cases, the State agency was actually aware of the SNAP disqualifications, but did not follow up with the field office when the disqualification letters were not sent.

If such vendors are not disqualified, they can continue to redeem WIC benefits that they would not otherwise be authorized to redeem. For instance, one vendor received a permanent disqualification from SNAP, effective January 1, 2009. Based on the vendor's FY 2009 through FY 2011 redemptions, we estimate that it has redeemed approximately \$23,000 in benefits as of December 31, 2011. If the vendor is not disqualified, it will continue to redeem benefits. The other two vendors, who were only temporarily disqualified, redeemed approximately \$28,000 in benefits for the length of time they should have been disqualified.

In conclusion, the Illinois State agency should take immediate steps to disqualify the three identified vendors. Also, FNS should expand the process it created for ensuring reciprocal disqualifications from the Southeast regional office to the Midwest regional office.

Recommendation 7

Require the Illinois State agency to disqualify the three WIC vendors for the same period as their SNAP disqualifications.

²⁹ Audit No. 27002-0001-AT, Food and Nutrition Service Vendor Sanction Policies, issued July 2004.

³⁰ STARS is a database and software system used by SNAP staffs at FNS Headquarters, regional offices, and field offices for store authorization, monitoring, and investigation.

Agency Response

FNS will require the Illinois State Agency to disqualify the three vendors if they are still WIC authorized vendors. In addition, the Illinois State Agency will be required to notify the Midwest Regional Office when the required disqualifications are made. The estimated completion date is June 1, 2013.

OIG Position

We accept management decision on this recommendation.

Recommendation 8

Require the Midwest regional office to implement controls to ensure that disqualified SNAP vendors are being disqualified from the WIC program as required.

Agency Response

FNS will require the Illinois State Agency to implement controls to ensure that it completes reciprocal disqualifications for vendors disqualified from SNAP, and will ensure compliance by monitoring the State agency's activities through the ME process. The estimated completion date is June 1, 2013.

OIG Position

We accept management decision on this recommendation.

Recommendation 9

Establish controls to verify that reciprocal disqualifications between the SNAP and WIC programs are taking place on a nationwide basis.

Agency Response

FNS will identify ways to ensure compliance with Federal requirements regarding reciprocal WIC and SNAP disqualifications. FNS will review best practices, evaluate the appropriate controls needed, and issue guidance to the States by December 31, 2013.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

We performed our audit fieldwork from July 2010 through April 2012 at FNS Headquarters in Alexandria, Virginia; at two regional offices located in Chicago, Illinois (Midwest) and Atlanta, Georgia (Southeast); three State agencies located in Springfield, Illinois (Illinois Department of Human Services); Lansing, Michigan (Michigan Department of Community Health); and Tallahassee, Florida (Florida Department of Health); as well as 12 local agencies (4 each in Illinois, Michigan, and Florida). Each of these three States has approximately 2,000 WIC authorized vendors. Each of these vendors served between approximately 253,000 and 492,000 participants in FY 2011.³¹ Total WIC program costs for these three States totaled approximately \$576 million.

We also performed limited audit work of the Georgia State agency, located in Atlanta, Georgia. Because the Georgia State agency was heavily engaged in major program improvements, we decided not to perform a complete audit of the agency. Our work was limited to a review of the two most recent MEs performed by the Southeast regional office, FY 2008 and FY 2010, as well as the corrective actions proposed and completed, to determine whether the Southeast regional office was providing adequate oversight to assist the Georgia State agency in correcting deficiencies. Since we identified several problems with the Florida State agency regarding vendor management, we limited our scope regarding the Georgia MEs to the vendor management area of review. We concluded that the Southeast regional office appropriately followed up on the deficiencies in the ME review, and ensured that appropriate corrective actions were performed.

To accomplish our objectives, we conducted interviews with FNS Headquarters, regional office, and State and local agency officials. At FNS Headquarters, we also:

- Reviewed FNS' Federal Managers' Financial Integrity Act reports for FY 2008 through FY 2011.
- Gained an understanding of FNS oversight responsibilities.
- Evaluated whether the two criteria used to identify high-risk vendors were reasonable.
- Evaluated the internal controls in place to ensure the reciprocal disqualifications of SNAP and WIC vendors.
- Gained an understanding of The Integrity Profile (TIP) database of vendor data.

At the two regional offices, we evaluated the oversight of State and local agency operations, the latest MEs and State Plans of each State agency in its jurisdiction, as well as the reciprocal disqualification process for SNAP and WIC vendors. At the three State agencies, we evaluated vendor management activities and accountability, control, and security of food instruments.

³¹ For FY 2011, approximately 253,000 participants were served in Michigan, 295,000 in Illinois, and 492,000 in Florida.

We performed site visits at 18 vendors in Michigan that redeemed almost \$1.7 million in benefits in FY 2009, and 36 vendors in Florida that redeemed over \$8.5 million in benefits in FY 2011. We also visited 2 of 16 WIC vendors in Illinois that are unique to the WIC Program. Illinois is the only State that operates WIC Food Centers in addition to the traditional food delivery system of retail vendors. The WIC Food Centers, located in Chicago, are a unique hybrid between retail and direct distribution food delivery systems. Food centers carry only WIC-authorized foods and only service WIC participants. The State agency grants a non-profit organization funds annually to operate the food centers. The non-profit organization receives its grant funds monthly, following submission of documentation of all expenses to the agency for review and approval, rather than the traditional route of vendors submitting transacted food instruments to the State agencies' bank for redemption. No additional audit work was performed regarding the food centers.

We conducted fieldwork at 12 local agencies (4 each in Illinois, Michigan, and Florida) and 19 of the local agencies' associated clinic sites (6 in Illinois, 9 in Michigan, and 4 in Florida). At the local agencies and their clinics, we:

- Evaluated the adequacy of corrective actions taken or planned in response to findings in the latest ME performed by the State agencies.
- Reviewed efforts to mitigate dual participation.
- Assessed the process for benefit accountability, control, and security.
- Documented the process for determining participant eligibility.
- Checked the inventories of paper benefit coupons on hand, by reconciling them back to local agency records.

At the four local agencies in Florida, we also evaluated the process for performing routine monitoring visits and performed site visits to a sample of vendors to observe the vendor manager's process for performing routine monitoring visits. Because we had not found any issues with food instrument accountability and security at any of the local agencies in Illinois, Michigan, or the first two local agencies in Florida, we did not perform those procedures at the last two local agencies we visited in Florida.

We judgmentally selected the Midwest and Southeast regional offices. The Southeast regional office's average monthly participation for the period from October 2009 through September 2010 was the second highest of the seven regional offices, and the Midwest regional office was the fourth highest. We judgmentally selected the Michigan State agency primarily because it uses EBT cards to issue food benefits to participants. We judgmentally selected the Illinois and Florida State agencies because they had the largest participation of any State in their regions. We initially selected Georgia because of known problems at that State agency, but since it was implementing major program improvements, no audit work was performed in the State.

We judgmentally selected the local agencies in Illinois, Michigan, and Florida for review, based on their large participation levels, their proximity to bordering states, or their location within each State.

During the audit, we verified the accuracy of information contained in the Integrity Profile system (TIP) system developed by FNS. TIP contains information, such as redemptions, monitoring efforts, and violations, for each vendor in a particular State. Since TIP contains data for each vendor in a State, we compared the data (including redemption history, monitoring visits, and type of violations) shown in the vendor files to the information shown in the TIP System for our sampled vendors in Florida and Illinois.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

EBT	Electronic Benefits Transfer System
FNS	Food and Nutrition Service
FY	Fiscal year
ME.....	Management evaluation
MOU	Memorandum of Understanding
OIG	Office of Inspector General
SNAP	Supplemental Nutrition Assistance Program
STARS	Store Tracking and Redemption System
TIP.....	The Integrity Profile system
USDA.....	United States Department of Agriculture
WIC.....	Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: Vendors Who Were Not Disqualified for Program Violations

VENDOR	STATE	VIOLATION	FEDERAL OR STATE VIOLATION	PERIOD OF MANDATORY SANCTION (IN MONTHS)	ESTIMATE OF REDEMPTIONS FOR ENTIRE PERIOD OF SANCTION ³²
1	FL	Failure to maintain inventory	State	6	\$29,349.55
2	FL	Failure to maintain inventory	State	6	\$15,748.43
3	FL	Claims in excess of inventory	Federal	36	\$723,148.41
4	FL	Failure to maintain inventory	State	6	\$58,104.85
5	FL	Failure to maintain inventory	State	6	\$78,174.82
6	FL	Failure to maintain inventory	State	6	\$1,827.67
7	FL	Failure to maintain inventory	State	6	\$278,021.73
8	FL	Expired foods	State	6	\$107,002.97
9	FL	Failure to maintain inventory	State	6	\$3,034.07
10	FL	Failure to maintain inventory	State	6	\$30,688.38
11	FL	Claims in excess of inventory	Federal	36	\$624,786.57
12	FL	Failure to maintain inventory	State	6	\$116,209.88
13	FL	Failure to maintain inventory	State	6	\$33,410.70
14	FL	Failure to maintain inventory	State	6	\$53,673.48
15	FL	Expired foods	State	6	\$171,266.49
16	FL	Failure to maintain inventory	State	6	\$132,654.07
17	FL	Failure to maintain inventory	State	6	\$176,930.36
18	FL	Failure to maintain inventory	State	6	\$391,972.16
19	FL	Failure to maintain inventory	State	6	\$176,929.88
20	FL	Failure to maintain inventory	State	6	\$9,444.17

³² If this vendor does not receive the mandatory sanction of disqualification, this is the amount of food instruments that it will be allowed to redeem. This amount is an estimate based on the previous fiscal year's redemptions for this vendor.

VENDOR	STATE	VIOLATION	FEDERAL OR STATE VIOLATION	PERIOD OF MANDATORY SANCTION (IN MONTHS)	ESTIMATE OF REDEMPTIONS FOR ENTIRE PERIOD OF SANCTION ³²
21	FL	Failure to maintain inventory	State	6	\$78,934.75
22	FL	Failure to maintain inventory	State	6	\$17,222.87
23	FL	Failure to maintain inventory	State	6	\$12,203.85
24	FL	Failure to maintain inventory	State	6	\$266,446.40
25	FL	Failure to maintain inventory	State	6	\$49,952.63
26	FL	Failure to maintain inventory	State	6	\$24,219.05
27	FL	Failure to maintain inventory	State	6	\$49,647.84
28	FL	Failure to maintain inventory	State	6	\$18,945.04
29	FL	Failure to maintain inventory	State	6	\$69,733.55
30	FL	Failure to maintain inventory	State	6	\$37,880.72
31	FL	Failure to maintain inventory	State	6	\$56,034.16
32	FL	Failure to maintain inventory	State	6	\$96,254.36
33	FL	Overcharge	Federal	36	\$811,315.50
34	FL	Failure to maintain inventory	State	6	\$14,936.97
35	FL	Expired foods	State	6	\$23,800.86
36	FL	Failure to maintain inventory	State	6	\$49,572.14
37	FL	Failure to maintain inventory	State	6	\$122,862.71
38	FL	Failure to maintain inventory	State	6	\$364,058.55
39	FL	Failure to maintain inventory	State	6	\$12,949.65
40	FL	Expired foods	State	6	\$105,428.82
41	IL	Overcharge	Federal	36	\$191,971.59
42	IL	Overcharge	Federal	36	\$909,844.29
Total					\$6,596,594.84

**USDA'S
FNS'
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

Food and
Nutrition
Service

3101 Park
Center Drive
Room 712

Alexandria, VA
22302-1500

DATE: March 4, 2013

AUDIT
NUMBER: 27601-0038-CH

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Audrey Rowe /S/
Administrator
Food and Nutrition Service

SUBJECT: Vendor Management in for Food and Nutrition Service's Special
Supplemental Nutrition Program for Women, Infants, and Children

This letter responds to the official draft report for audit report number 27601-0038-CH, Vendor Management in the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children. Specifically, the Food and Nutrition Service (FNS) is responding to the nine recommendations in the report.

OIG Recommendation 1:

Perform an assessment of the ME process to determine what changes are needed to enhance reviews in the vendor management area. Based on this assessment, update the written ME guidance for the regional office as needed. Once updated, conduct additional assessments and oversight reviews of the ME process on an ongoing basis.

Food and Nutrition Service Response:

FNS Headquarters and Regional Office staff recently performed an assessment, made changes to and conducted training for the vendor management section of the ME tool. Staff reviewed, reprioritized, revised, added to or deleted from the list of vendor management questions. The updated list of questions has already been uploaded into the ME tool. The standard operating procedures and worksheets that provide the reviewers with guidance to follow and use when conducting a vendor management evaluation were also revised and will be uploaded into the ME tool during the system's next change release in mid-April. Pending the change release to load the guidance documents into the ME tool, reviewers have been provided with the documents through FNS' Partner Web. Training to implement all of the changes was also conducted on January 24, 2013; over 60 FNS staff participated in that training. The training session was also recorded for future use as the need arises through staff turnover, etc.

FNS Headquarters and Regional Office staff will conduct additional assessments of the ME tool and reviews on an ongoing basis.

Completion Date: January 24, 2013

OIG Recommendation 2:

Update the overall ME guidance to incorporate any new guidance on using the automated ME tool implemented in FY 2010. Reevaluate which procedures in the ME tool should be mandatory.

Food and Nutrition Service Response:

FNS concurs with this recommendation. We will continue to perform ongoing assessments concerning which procedures should be mandatory and whether or not the guidance requires updates or revisions. FNS Headquarters in coordination with Regional Office staff will issue an updated written brief overview concerning the use of the automated ME tool, separate from the ME tool, by March 15, 2013. As stated in response to recommendation 1, FNS has already reprioritized the procedures and added guidance for the Vendor Management Section. Since there are 8 other functional areas of the ME tool to reevaluate, we estimate reevaluations of all sections will be completed by December 2014. Extensive guidance on using the automated ME tool was built into the tool including a list of prioritized questions, reviewer's tips, standard findings, and corrective actions. The ME tool also includes a Standard Operating Procedure including worksheets, if applicable, that walk reviewers through the steps of conducting an ME for each of the 9 functional areas and a Systems Help Tab. In fact, the audit report acknowledges, "if the reviewers had taken the actions detailed in the reviewer's tips, they would have identified some of the issues." FNS will continue to update guidance within the automated ME because it enhances the ability of FNS Headquarters to maintain standardized version control and makes it easier for FNS Regional office reviewers to locate and access documents within the tool rather than having to look elsewhere.

Estimated Completion Date: March 15, 2013

OIG Recommendation 3:

Conduct training for FNS Regional staff on the new guidance developed for using the automated ME tool.

Food and Nutrition Service Response:

FNS Headquarters and Regional Office staff conducted training to implement the updated Vendor Management section of the ME tool on January 24, 2013. Please note when the ME tool was implemented in FY 2010, FNS Headquarters staff provided training for all FNS Regional Offices and their State agency staff either on-site or via Live Meeting using the automated ME tool itself. FNS has also designated 3 individual Regional

Office staff reviewers as “super users” who are now able to conduct training for other reviewers.

Completion Date: January 24, 2013

OIG Recommendation 4:

Require the Illinois and Florida State Agencies to begin disqualification procedures on the 42 vendors that did not receive the mandatory sanction following a pattern of violations.

Food and Nutrition Service Response:

FNS takes program integrity very seriously. Any errors are of concern; however, FNS notes that 37 of the 42 vendors (approximately 88 percent) committed less severe State violations such as failure to maintain an established inventory of stock. Only 5 of the 42 vendors (approximately 12 percent) committed Federal violations -- overcharging for food or charging for food not received.

The FNS Midwest and Southeast Regional Offices will continue to work with the Illinois and Florida State Agencies to ensure any of the 42 vendors still authorized for the WIC Program will be disqualified for the required time period.

Estimated Completion Date: June 1, 2013

OIG Recommendation 5:

Require the Florida State Agency to implement internal controls to ensure consistent enforcement of program requirements, regardless of the type of vendor involved.

Food and Nutrition Service Response:

The FNS Southeast Regional Office will require the Florida State Agency to implement controls to ensure individual stores belonging to a chain receive the same treatment as non-chain stores and will ensure compliance by monitoring the Florida State Agency's activities through the ME process.

Estimated Completion Date: June 1, 2013

OIG Recommendation 6:

Require the Illinois and Florida State Agencies to implement internal controls to track vendor violations and impose mandatory sanctions.

Food and Nutrition Service Response:

The FNS Midwest and Southeast Regional Offices will require the Illinois and Florida State Agencies to ensure vendor violations are tracked by individual store and will ensure compliance by monitoring the Illinois and Florida State Agencies' activities through the ME process. It should also be noted the State Agencies' definitions of pattern of violations will be reviewed to ensure they are reasonable and that the mandatory sanction is imposed for such patterns.

Estimated Completion Date: June 1, 2013

OIG Recommendation 7:

Require the Illinois State Agency to disqualify the three WIC vendors for the same period as their SNAP disqualifications.

Food and Nutrition Service Response:

FNS concurs with this recommendation. The FNS Midwest Regional Office will require the Illinois State Agency to disqualify the three WIC vendors if they are still WIC authorized vendors. The Illinois State Agency will be required to notify the FNS Midwest Regional Office when the required disqualifications have been made.

Estimated Completion Date: June 1, 2013

OIG Recommendation 8:

Require the Midwest Regional Office to implement controls to ensure that disqualified SNAP vendors are being disqualified from the WIC Program as required.

Food and Nutrition Service Response:

FNS concurs with this recommendation. The FNS Midwest Regional Office will require the Illinois State Agency to implement controls to ensure that it completes reciprocal disqualifications for vendors disqualified by SNAP and will ensure compliance by monitoring the Illinois State Agency's activities through the ME process.

Estimated Completion Date: June 1, 2013

OIG Recommendation 9:

Establish controls to verify that reciprocal disqualifications between the SNAP and WIC Programs are taking place on a nationwide basis.

Food and Nutrition Service Response:

FNS concurs with this recommendation. FNS will identify ways to ensure compliance with Federal requirements regarding reciprocal WIC and SNAP disqualifications. FNS will review best practices, evaluate the appropriate set of controls needed to ensure compliance and issue the necessary guidance to the States by December 31, 2013.

Estimated Completion Date: December 31, 2013

Informational copies of this report have been distributed to:

Administrator, Food and Nutrition Service

Attn: Agency Liaison Officer

Government Accountability Office

Office of Management and Budget

Office of the Chief Financial Officer

Attn: Director, Planning and Accountability Division

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