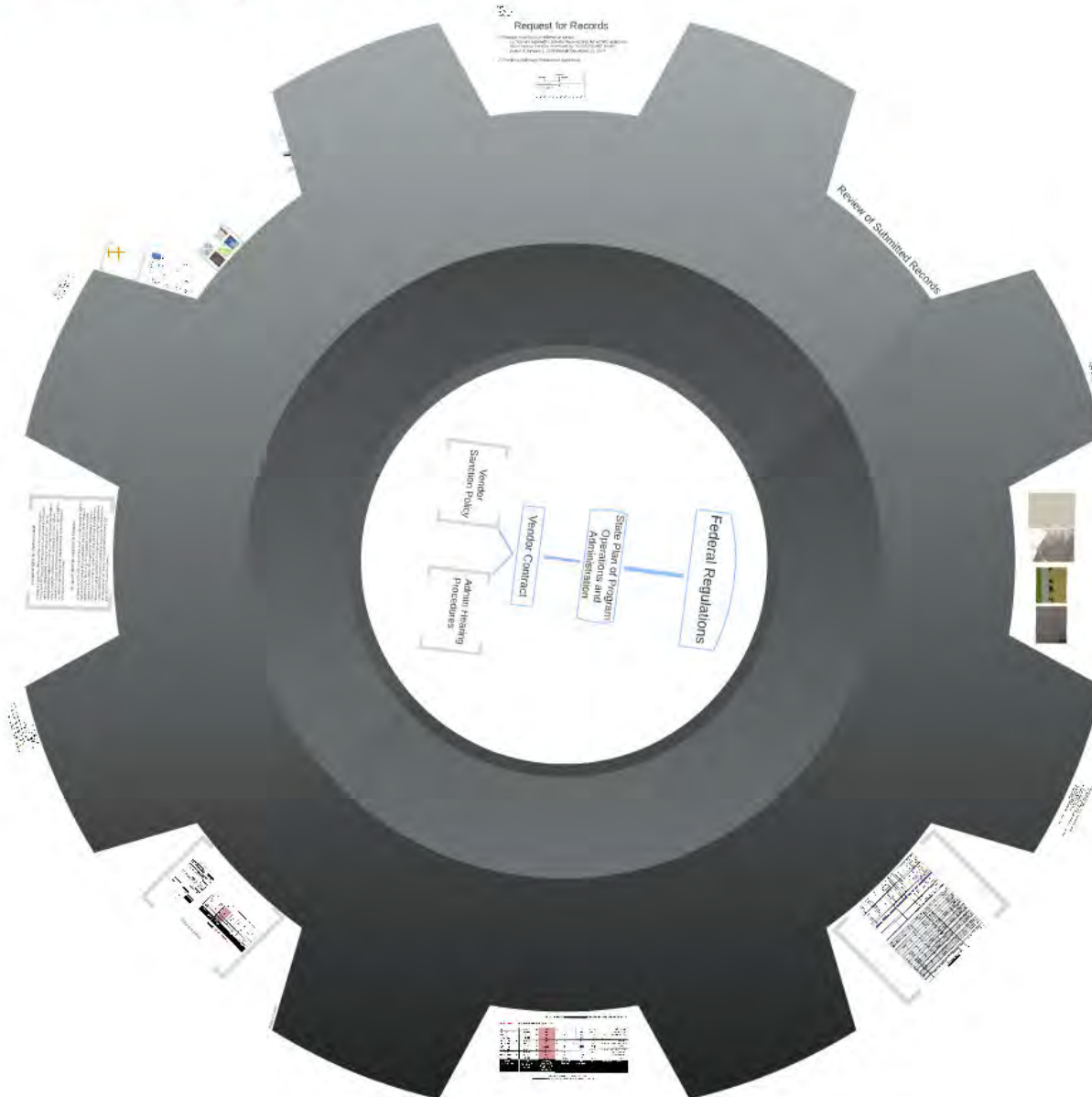


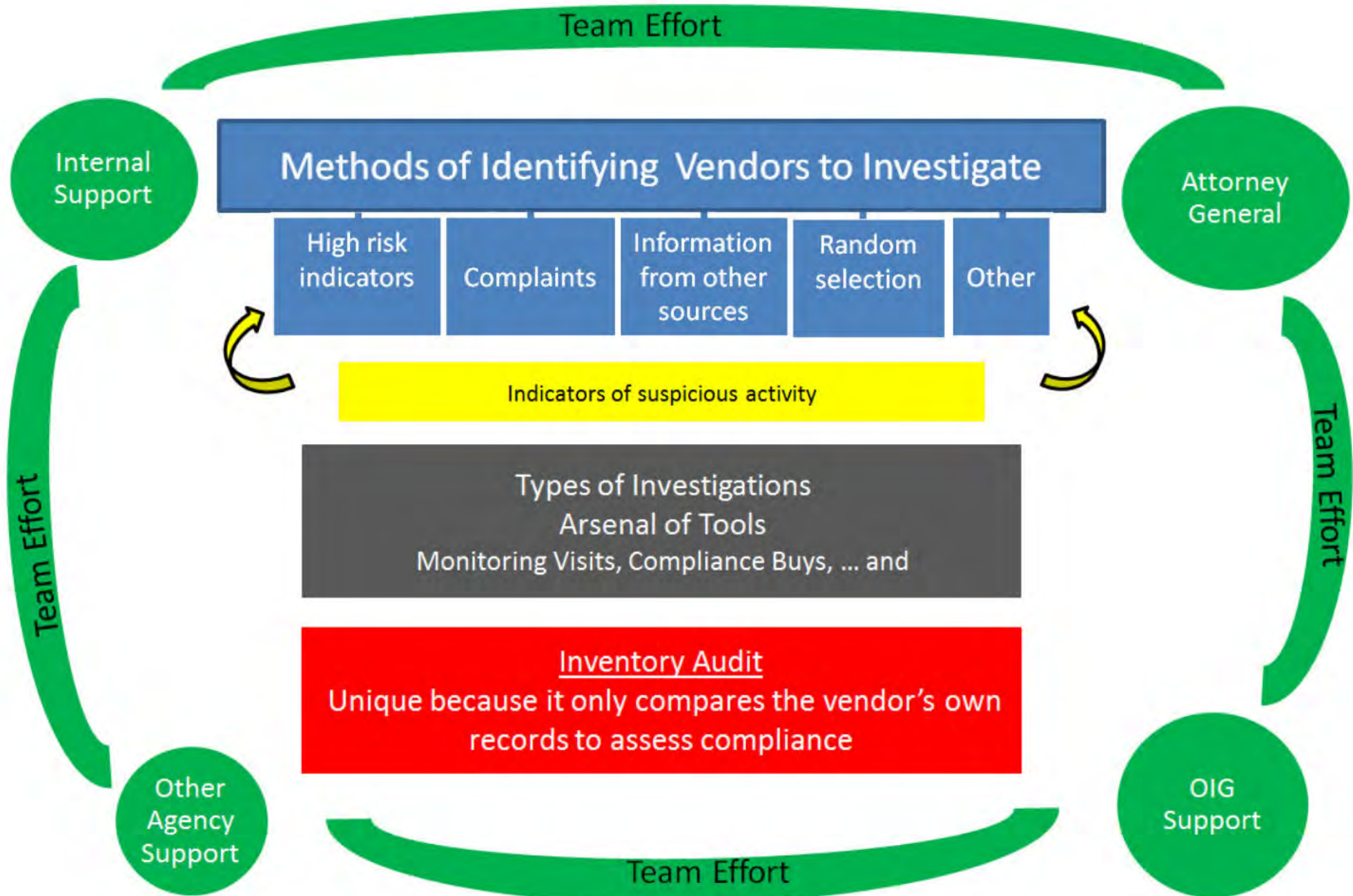
Inventory Audits



Presenters: Mike Perrelli, Santiago Rios, Loren Haughn

Michigan WIC

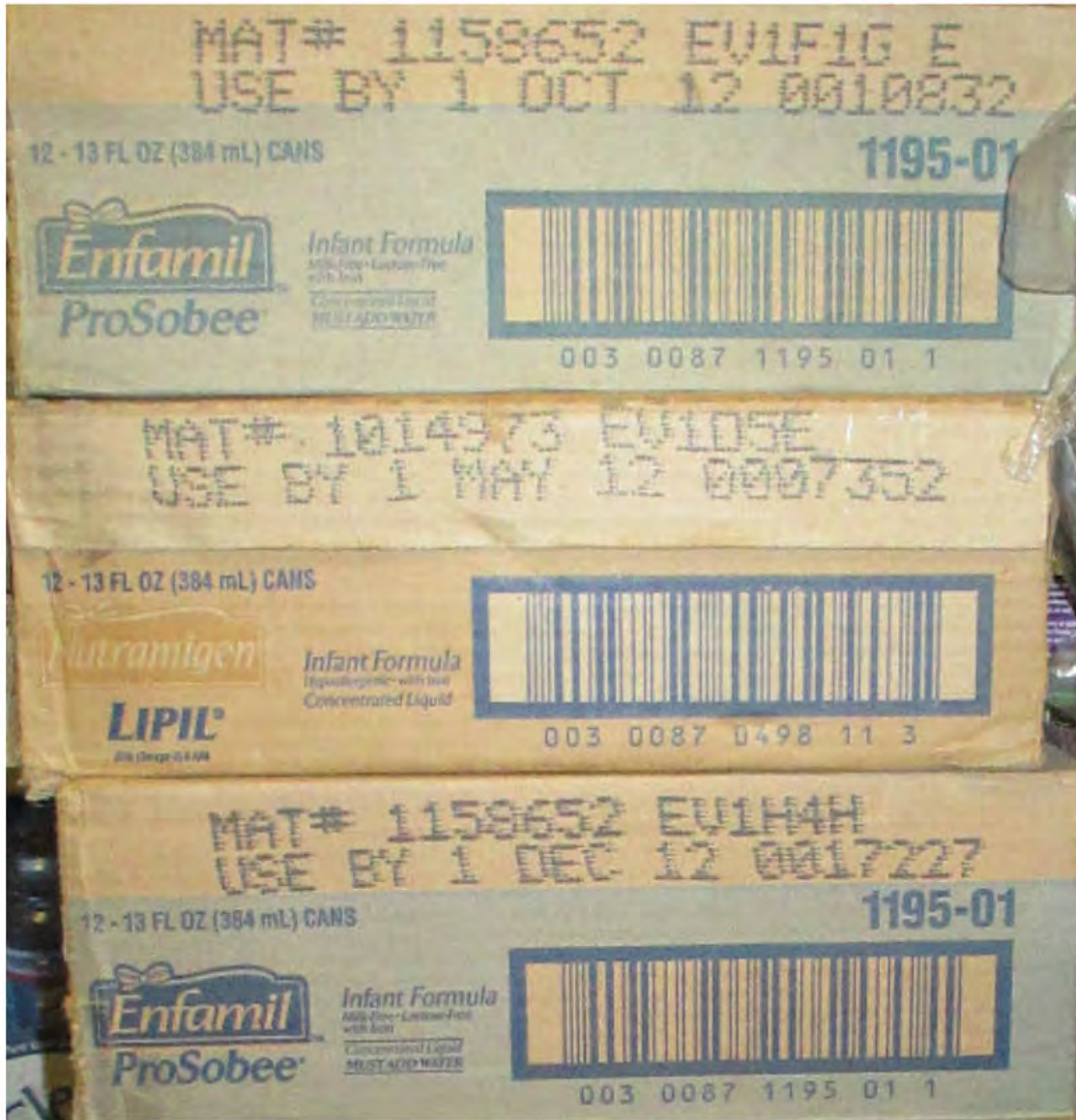
Inventory audits in the EBT environment

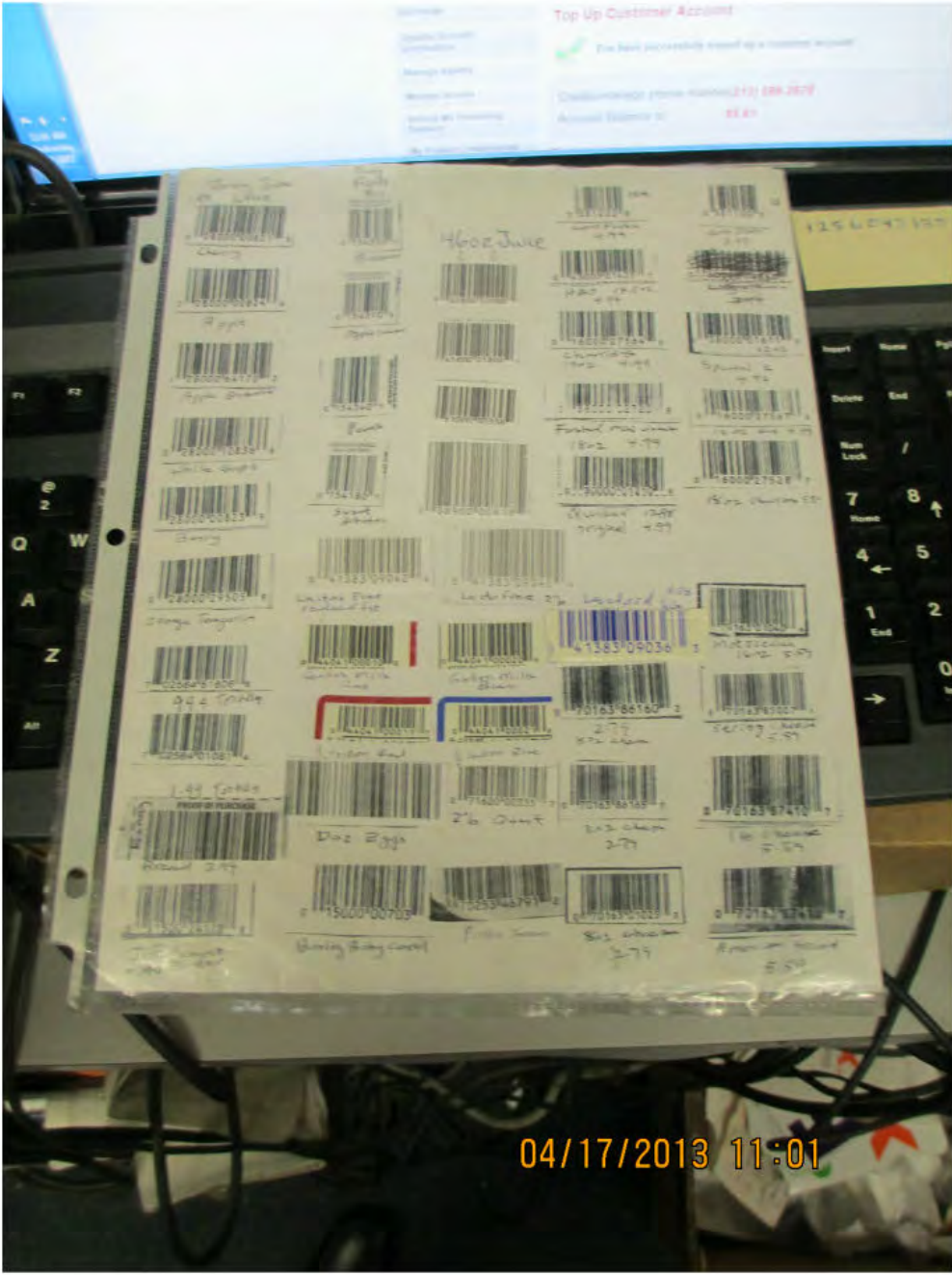


Inventory Audits & Program Integrity

- 1) Inventory Audits are Important – Mike Perrelli
 - a) Making sure we deliver nutritious food
 - i) WIC authorized product
 - ii) Product within its expiration date
 - iii) Shelf pricing and proper scanning procedures
 - iv) Other discrepancies
 - b) Vendor contract compliance
 - i) Assure effective food delivery
 - ii) Remove vendors from program that do not serve the best interest of the mission of the WIC Program
 - c) Cost Containment









Michigan WIC Program

Average Price by Peer Group

Enfamil Premium Powder 12.5 oz

State of Michigan

(October 1st, 2013-February 28th, 2014)

Infant Formula Average Price: \$18.92

Highest Price Currently Being Charged
to the WIC Program: \$27.92

Federal Regulations



State Plan of Program Operations and Administration



Vendor Contract



Vendor Sanction Policy

Admin Hearing Procedures

- 2) Federal Regulations Provide Authority – Santiago Rios
 - a) They provide the template for all of our actions
 - i) Federal regulations set up a framework to provide the State Agencies with a tool for effective enforcement
 - ii) State Plan incorporates the requirements of the Federal Regulations
 - b) WIC Contract, Sanction policy, and Administrative Hearing Procedures are the mechanisms for assuring compliance with Federal Regulations, in turn program integrity.
 - i) Overview of the contract as it relates to inventory audit
 - ii) Right to ask for records

Federal Regulations

State Plan of Program
Operations and
Administration

Vendor Contract

[Vendor Sanction Policy] [Admin Hearing Procedures]



Vendor Contract



- 3) Contract requirements for record maintenance and record composition – Mike Perrelli
 - a) Specific sections relevant to inventory audits
 - i) Section III, #20-23
 - ii) Section IV
 - b) Benefits of EBT for inventory audits
 - i) Speed and scope
 - a. Paper
 - b. EBT
 - ii) EBT Inventory Process - Loren Haughn
 - a. Invoice request process
 - b. Importance of invoice summary chart
 - c) Source of infant formula
 - a. Verification of wholesaler - Loren
 - b. Phantom wholesalers
 - c. Interaction with other agencies
 - (i) MDA
 - (ii) OIG
 - (iii) FDA



Michigan Department of Community Health
WIC Vendor Contract and Certification

SOUTH

Vendor Name (Name of Store
as it appears on
building or sign) _____

Vendor Retail Address: _____

Vendor Mailing Address:
(only if different than above)
:

Federal Identification Number: _____

This contract by and between the Michigan Department of Community Health, having a mailing address of 320 S. Walnut, Lansing, MI 48913 hereinafter referred to as the Department and the above named vendor is effective July 1, 2011 and ends June 30, 2014, subject to any amendments prescribed by the Department or until terminated by either party according to Section XV of this contract.

I. PURPOSE

This document, upon signature by the vendor and the Department, is a contract for the purpose of providing an authorized source from which qualifying women, infants and children can obtain nutritious supplemental foods in accordance with the rules, regulations and policies of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) established by the Food and Nutrition Service, U.S. Department of Agriculture (USDA) and the Michigan Department of Community Health.

II. RETAIL PURCHASE FOOD DELIVERY SYSTEM

The Michigan WIC Program operates a "Retail Purchase Food Delivery System." This enables WIC clients to go to an authorized store of their choice and shop to obtain supplemental WIC food benefits in exchange for food instruments and complete the transaction at the cash register in accordance with the terms of this contract. Food instruments are defined as WIC EBT transactions that are processed through the use of the Michigan WIC EBT Bridge Card, which includes the WIC shopping list produced by any WIC EBT point of sale device. This also includes Cash Value Benefits (CVB's), which are specific dollar amounts provided to the WIC client's account intended only for the purchase of WIC approved fresh fruits and vegetables. Each authorized store must have a single fixed location.

IV. PURCHASE AND INVENTORY RECORD REQUIREMENTS

Vendors must maintain purchase and inventory records as described below and make said records available to the Department upon request.

Purchase records or invoices shall reflect the following:

- name and address of the supplier or wholesaler
- date of the purchase
- list of the items purchased including, size, stock number, UPC code (if available), quantity and unit price.
- sales receipts for WIC foods purchased at retail grocer (for resale by the vendor) must include the name and address of the store, the date of purchase, description of the exact items purchased (e.g. 12 oz. Total cereal), the unit price of the items and the total quantity purchased.

The following criteria must also be met regarding the acceptability of purchase and inventory records for WIC review purposes.

1. Receipts, which do not completely describe the actual item, shall have computer codes, which can be verified by contacting the store at which the merchandise was purchased.
2. All receipts from purchases at retail establishments must be machine dated by the establishment. Hand dated retail store receipts are not acceptable.
3. 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.
4. Vendors must only purchase infant formula from wholesalers, distributors, and retailers licensed by the Michigan Department of Agriculture or from infant formula manufacturers registered with the Food and Drug Administration.



25700 West Eight Mile Road
Southfield, MI 48033
(248) 281-2828 FAX (248) 281-2627
Job 42:10

DELIVERY INVOICE
NO. 366147
COPY 1
PAGE 2
6/13/13



DELIVER TO

BILL TO

COO

old-to Code: B404

DD: Th

TAX EXEMPT: Y

NONE

O CIGARETTE

QTY	U/N	DESCRIPTION	PK/SZ	SNP	Cost	EXT	EXT HIGH	NET	EXT NET	
09014	12.0	EACH DOLE PINEAPPLE CHNK 20OZ	1	2.58	1.55	18.60		1.55	18.60	
90251	24.0	EACH DOLE PINEAPPLE CHUNK 8Z	1	1.32	0.86	20.64		0.86	20.64	
88484	3.0	EACH FOLGERS CLASSIC RST 11.3Z	1	7.58	3.59	10.77		3.59	10.77	
88213	3.0	EACH KELL CORN FLAKE 12Z EACH	1	5.32	3.20	9.84		3.28	9.84	
88268	1.0	EACH KELL POPTRT SS CHCPR 6CT	1	5.25	3.25	3.25		3.25	3.25	
98219	1.0	EACH KELL POPTRT SS CHERR 6CT	1	5.25	3.25	3.25		3.25	3.25	
88218	1.0	EACH KELL POPTRT SS SMORE 6CT	1	5.25	3.25	3.25		3.25	3.25	
11010	1.0	EACH 12LB HEAVY DUTY BAG 500	500	0.06	16.59	16.59		16.59	16.59	
11012	1.0	EACH 20LB HEAVY DUTY BAG 500	500	0.07	21.59	21.59		21.59	21.59	
11004	8.0	EACH 4LB BAG 500	500	0.03	7.52	68.16		7.52	68.16	
11006	6.0	EACH 6LB BAG 500	500	0.03	9.79	58.74		9.79	58.74	
11007	1.0	EACH 8LB BAG 500	500	0.04	11.50	11.50		11.50	11.50	
30195	3.0	EACH RICE/MAHATMA 1# EACH	1	1.77	1.05	3.18		1.05	3.18	
39061	1.0	EACH PICKLES FREEST DILL 12CT	12	0.90	6.49	5.49		6.49	6.49	
39062	1.0	EACH PICKLES FREEST HOT 12CT	12	0.90	6.49	5.49		6.49	6.49	
39064	1.0	EACH PICKLES FREEST KSHR 12CT	12	0.90	6.49	5.49		6.49	6.49	
39063	1.0	EACH PICKLES FREEST SOUR 12CT	12	0.90	6.49	5.49		6.49	6.49	
10252	1.0	CASE TIDY CAT LL RED 10LB CS4	4	3.50	8.48	3.48		8.48	8.48	
10420	1.0	CASE CHARC KINGSFORD 3.3# CS/6	6	8.74	31.79	31.79		31.79	31.79	
10509	1.0	CASE STYRO COOL 30QT #300 C12	12	4.17	29.99	23.99		29.99	29.99	
9216	1.0	CASE PAPER TOWEL-FIESTA 40CT	48	0.74	21.19	21.19		21.19	21.19	
8208	2.0	CASE TOLL TISS-ANGELSF 4PK/6	1	12.75	7.65	15.30		7.65	15.30	
4015	2.0	EACH SOLD VLU 16Z REDCP 24/12	1	29.98	17.99	31.98		17.99	35.98	
9315	1.0	CASE EVERFRESH CRANTUC 64Z C6	6	2.91	10.69	11.69		10.69	10.69	
9323	1.0	EACH EVERFRESH DRNG JUC 64Z 6	1	19.98	12.39	12.39		12.39	12.39	
7956	10.0	CASE ENFANTIL PRN LPL PV12.5/6	1	144.82	86.89	861.90		86.89	860.90	
8270	3.0	EACH GERB BABY CRL MIX 8OZ EA	1	3.58	2.15	6.45		2.15	6.45	
8271	3.0	EACH GERB BABY CRL OTHL 8Z EA	1	3.58	2.15	6.45		2.15	6.45	
8272	3.0	EACH GERB BABY CRL RICE 8Z EA	1	3.58	2.15	6.45		2.15	6.45	
3104	3.0	EACH KELL SPECIAL R CERL 12Z	1	6.65	4.19	12.57		4.19	12.57	
1026	3.0	EACH POST HAY BRNCH OAT 8O14.5	1	6.32	3.79	11.37		3.79	11.37	
116.0		GROCERY			15.31	11.74	1362.34	0.00	11.74	1362.34

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NONE

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QTY	U/M	DESCRIPTION	PK/SZ	SNR	COST	EXT	EXT ALLOW	NET	EXT NET
89014	12.0 EACH	DOLE PINEAPPLE CHNK 200Z	1	2.58	1.55	18.60		1.55	18.60
90251	24.0 EACH	DOLE PINEAPPLE CHUNK 8Z	1	1.32	0.86	20.64		0.86	20.64
88484	3.0 EACH	FOLGERS CLASSIC RST 11.3Z	1	7.58	3.59	10.77		3.59	10.77
88213	3.0 EACH	KELL CORN FLAKE 12Z EACH	1	5.32	3.28	9.84		3.28	9.84
88268	1.0 EACH	KELL POPTRT SS CHCHP 6CT	1	5.25	3.25	3.25		3.25	3.25
88219	1.0 EACH	KELL POPTRT SS CHERR 6CT	1	5.25	3.25	3.25		3.25	3.25
88218	1.0	KELL POPTRT SS SMORE 6CT	1	5.25	3.25	3.25		3.25	3.25
11010	1.0 EACH	12LB HEAVY DUTY BAG 500	500	0.06	16.59	16.59		16.59	16.59
11012	1.0 EACH	20LB HEAVY DUTY BAG 500	500	0.07	21.59	21.59		21.59	21.59
11004	8.0 EACH	4LB BAG 500	500	0.03	7.52	68.16		7.52	68.16
11006	6.0 EACH	6LB BAG 500	500	0.03	9.79	58.74		9.79	58.74
11007	1.0 EACH	8LB BAG 500	500	0.04	11.50	11.50		11.50	11.50
38195	3.0 EACH	RICE/MONATMA 1# EACH	1	1.77	1.06	3.18		1.06	3.18
39061	1.0 EACH	PICKLES FREEST DILL 12CT	12	0.90	6.49	5.49		6.49	6.49
39062	1.0 EACH	PICKLES FREEST HOT 12CT	12	0.90	6.49	5.49		6.49	6.49
39064	1.0 EACH	PICKLES FREEST KSHR 12CT	12	0.90	6.49	5.49		6.49	6.49
39063	1.0 EACH	PICKLES FREEST SOUR 12CT	12	0.90	6.49	5.49		6.49	6.49
10252	1.0 CASE	TIDY CAT LL RED 10LB CS4	4	3.50	8.40	3.40		8.40	8.40
10420	1.0 CASE	CHARC KINSFORD 8.3# CS/6	6	8.74	31.79	31.79		31.79	31.79
10589	1.0 CASE	STYRD COOL 30QT #300 C12	12	4.17	29.99	29.99		29.99	29.99
9216	1.0 CASE	PAPER TOWEL-FIESTA 48CT	48	0.74	21.19	21.19		21.19	21.19
8208	2.0 CASE	TOIL TISS-ANGELSF 4PK/6	1	12.75	7.65	15.30		7.65	15.30
4015	2.0 EACH	SOLO VLU 16Z REDCP 24/12	1	29.98	17.99	33.98		17.99	35.98
9315	1.0 CASE	EVERFRESH CRANTUC 64Z C6	6	2.91	10.69	19.69		10.69	10.69
9325	1.0 EACH	EVERFRESH DRNG JUC 64Z 6	1	19.98	12.39	12.39		12.39	12.39
7966	10.0 CASE	ENFAMIL PRN LPL PV12.5/6	1	144.82	86.89	863.30		86.89	868.90
8270	3.0 EACH	GERB BABY CARL MIX 80Z EA	1	3.58	2.15	6.45		2.15	6.45
9271	3.0 EACH	GERB BABY CARL OTML 8Z EA	1	3.58	2.15	6.45		2.15	6.45
9272	3.0 EACH	GERB BABY CARL RICE 8Z EA	1	3.58	2.15	6.45		2.15	6.45
3104	3.0 EACH	KELL SPECTAL K CERL 12Z	1	6.65	4.19	12.57		4.19	12.57
1026	3.0 EACH	POST HNY BNCH OAT RG14.5	1	6.32	3.79	11.37		3.79	11.37
116.0		GROCERY		15.51	11.74	1362.34	0.00	11.74	1362.34



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
SPECIAL SUPPLEMENTAL FOOD COUPON FOR WOMEN,
INFANTS AND CHILDREN

1642664205

MUST BE RECEIVED
BY STATE WIC OFFICE \$
WITHIN 60 DAYS OF
STARTING DATE

COUPON NOT VALID IF ALTERED OR STAPLED.
IMPROPER USE OF THIS COUPON BY ANYONE IS SUBJECT TO STATE
AND FEDERAL PROSECUTION.

VENDOR: CLEARLY FILL IN
AMOUNT BEFORE
SIGNATURE OF AUTHOR-
IZED PERSON OR PROXY.
DO NOT WRITE INITIALS OR
OTHER MARKINGS IN THE
PRICE BOX.

PARTICIPANT I.D.

NAME OF AUTHORIZED PERSON

AUTO. COUPON NUMBER

GOOD
FOR
THESE
FOOD
ITEMS
ONLY

10 Cans Enfamil Premium Infant

STARTING DATE

EXPIRATION DATE

AUTHORIZED
WIC
VENDOR
STAMP
MICHIGAN
ONLY

X

SIGNATURE OF AUTHORIZED PERSON OR PROXY, AFTER
PRICE IS ENTERED, MUST MATCH THE WIC ID/VOC OR
PROXY CARD

DATE SPENT/TRANSACTION BY
AUTHORIZED PERSON OR PROXY

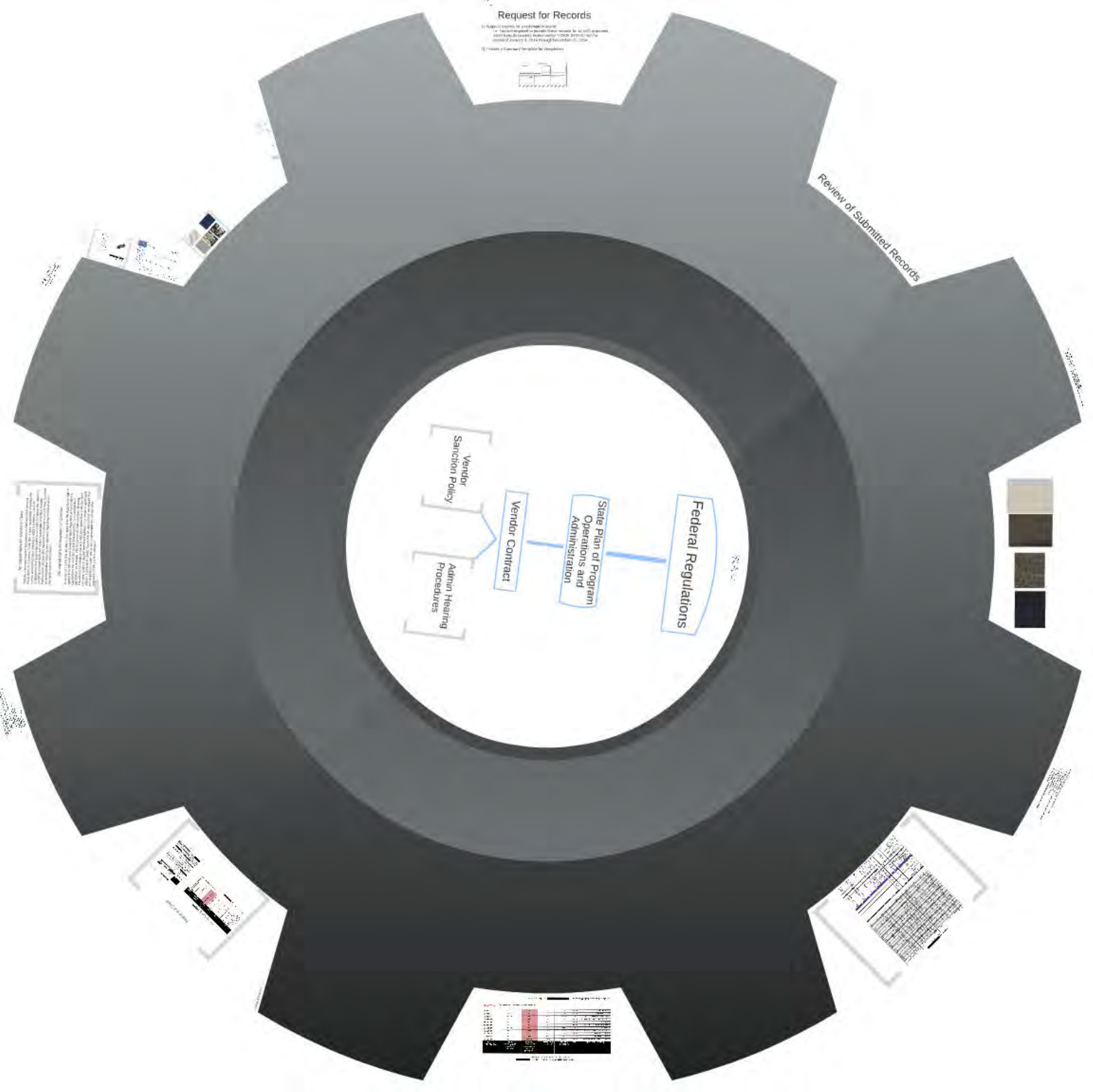
MONTH DAY YEAR

2 0 0

WIC USE ONLY

DCH-0216 (REV. 4/02) FORMERLY HF57 AUTHORITY: ACT 368, PA 1978

1642664205



Request for Records

1. Request for records for production of records.
2. Records requested in pursuit of these records for an audit, compliance, or other purpose.
3. Records requested under statute or other authority.
4. Records of activity 1, 2, or 3 through November 30, 2014.

Requester	Request Date	Request Description	Request Status

Review of Submitted Records



Federal Regulations

State Plan of Program Operations and Administration

Vendor Contract

Vendor Sanction Policy

Admin Hearing Procedures

Requester	Request Date	Request Description	Request Status

Requester	Request Date	Request Description	Request Status

Requester	Request Date	Request Description	Request Status

Requester	Request Date	Request Description	Request Status

- b) Benefits of EBT for inventory audits
 - i) Speed and scope
 - a. Paper
 - b. EBT
 - ii) EBT Inventory Process - Loren Haughn
 - a. Invoice request process
 - b. Importance of invoice summary chart
- c) Source of infant formula
 - a. Verification of wholesaler - Loren
 - b. Phantom wholesalers
 - c. Interaction with other agencies
 - (i) MDA
 - (ii) OIG
 - (iii) FDA



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 - b. Phantom wholesalers
 - c. Interaction with other agencies
 - i) MDA
 - ii) OIG
 - iii) FDA

Request for Records

1) Request records for a redemption period

i.e. You are required to provide these records for all WIC approved infant formula benefits redeemed by "YOUR STORE" for the period of January 1, 2014 through December 31, 2014

2) Provide a Summary Template for completion

Invoice Summary

<u>Vendor name:</u>	<u>Vendor Address:</u>
<small>Please do not staple invoices together.</small>	
<u>Estimated inventory turnover period for infant formula:</u>	

Date (mm/dd/yyyy)	Quantity by can/bottle	Full Description	Wholesaler/Retailer

Invoice Summary

Vendor name:

Vendor Address:

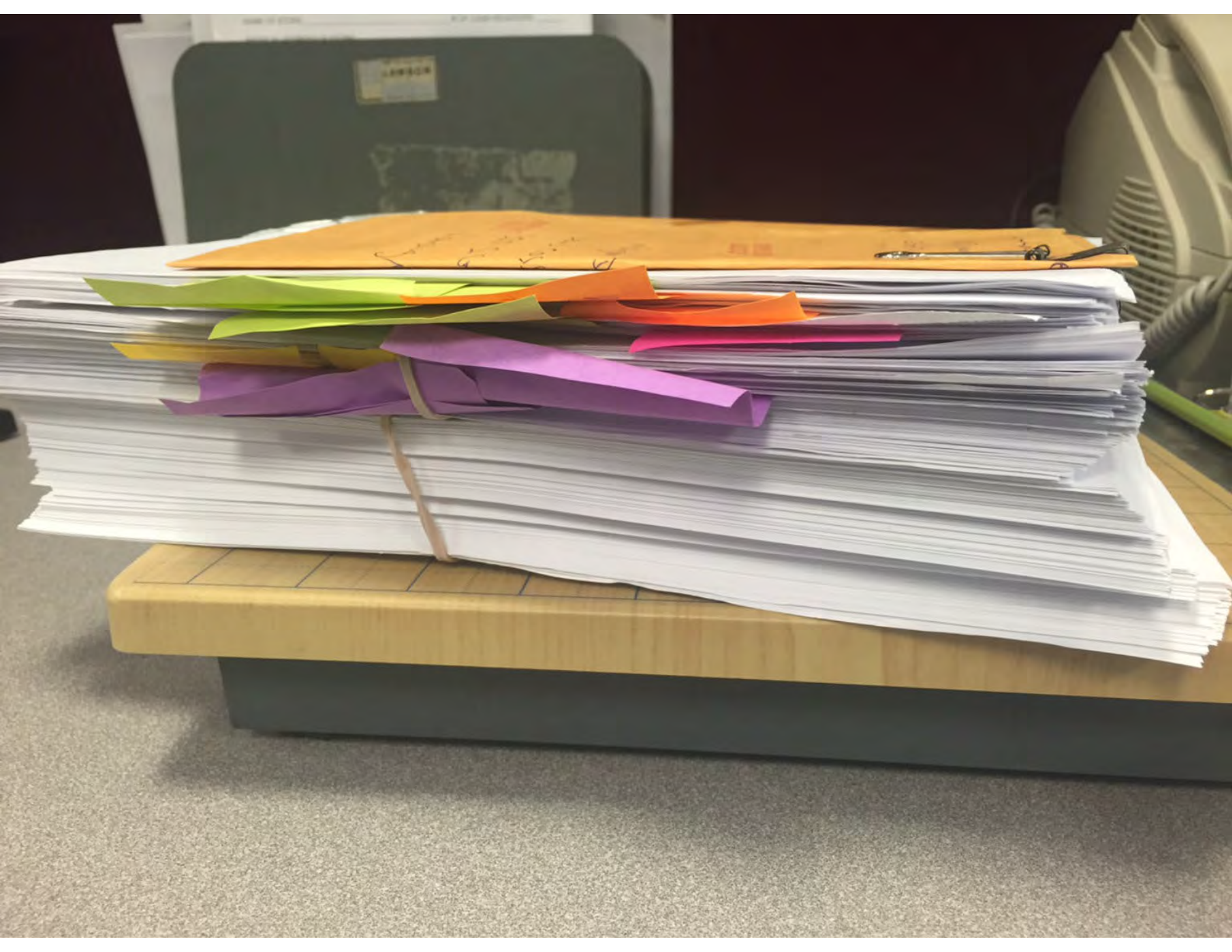
Please do not stapel invoices together.

Estimated inventory turnover period for infant formula:

Date (mm/dd/yyyy)	Quantity by can/bottle	Full Description	Wholesaler/Retailer

Review of Submitted Records





Invoice Summary

Vendor name:

Vendor Address:

Please do not staple invoices together.

Estimated inventory turnover period for infant formula:

Date (mm/dd/yyyy)	Quantity by can/bottle	Full Description	Wholesaler/Retailer

Missing address
of supplier



THANK YOU

07/07/2011 11:06AM 0001
000000#5653

RX \$856.00

***TOTAL \$856.00

—45.
CHANGL

Missing detailed list of items
purchased including item size,
stock number, UPC code (if
available), quantity, unit price,
and exact item description.

Category Description	Size	Cat	Subcat	Wholesaler	qty	Date	Invoices	
13 OZ Conc Enfamil Premium Infant	13 oz	11	002					
13 oz Conc Prosobee	13 oz	11	007					
12.4 oz PWD Gentlease	12.4 oz	11	037					
12.9 oz PWD Prosobee	12.9 oz	11	038					
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039					
8 FL OZ PEDIASURE	8 oz	11	218					
12.8/13.1oz PWD SIMILAC NEOSURE	12.8 oz	11	232					
12.9 oz PWD Enfamil AR	12.9 oz	11	233					
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248					
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039		Cash & Carry	150	6/22/2013	237343
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039		Cash & Carry	18	6/14/2013	237117
12.4 oz PWD Gentlease	12.4 oz	11	037		Cash & Carry	12	6/14/2013	237117
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248		Cash & Carry	6	6/12/2013	237083
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248		Cash & Carry	18	5/28/2013	236686
12.4 oz PWD Gentlease	12.4 oz	11	037		Cash & Carry	18	5/28/2013	236686
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039		Cash & Carry	12	5/28/2013	236686
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248		Cash & Carry	12	4/25/2013	235869
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248		Cash & Carry	12	4/24/2013	235844
12.9 oz PWD Prosobee	12.9 oz	11	038		Cash & Carry	12	4/23/2013	235831
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039		Cash & Carry	48	4/23/2013	235831
12.9 oz PWD Enfamil AR	12.9 oz	11	233		Cash & Carry	12	4/4/2013	235360
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248		Cash & Carry	6	4/4/2013	235360
12.4 oz PWD Gentlease	12.4 oz	11	037		Cash & Carry	12	4/4/2013	235360
12.9 oz PWD Prosobee	12.9 oz	11	038		Cash & Carry	6	3/20/2013	234990
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248		Cash & Carry	12	3/20/2013	234990

Phantom Wholesalers



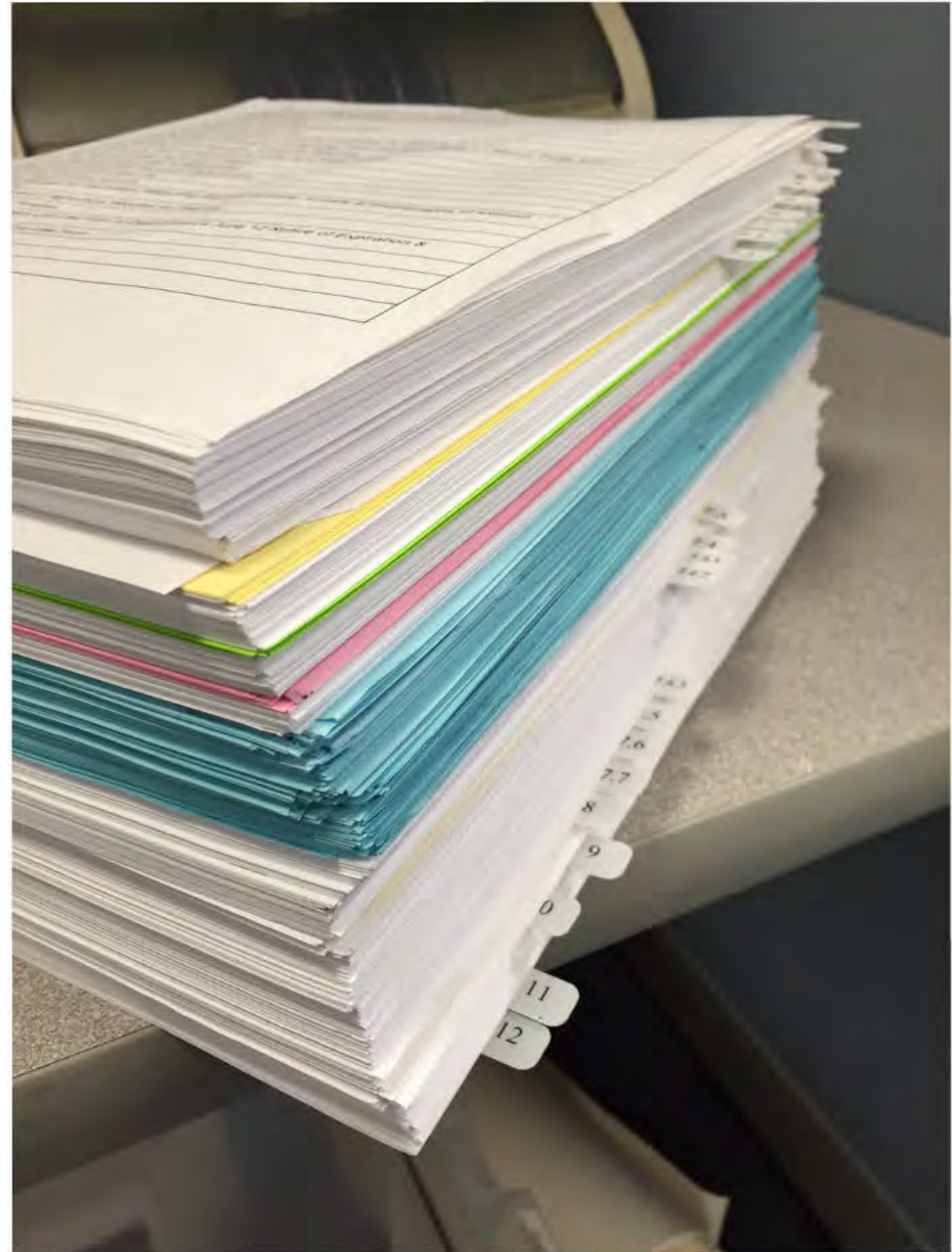
- 4) Legal Framework for Assessing Monetary Claims - Santiago
 - a) What evidence is necessary to issue monetary claim
 - b) Why close working relationship between Department and AGs office is important.

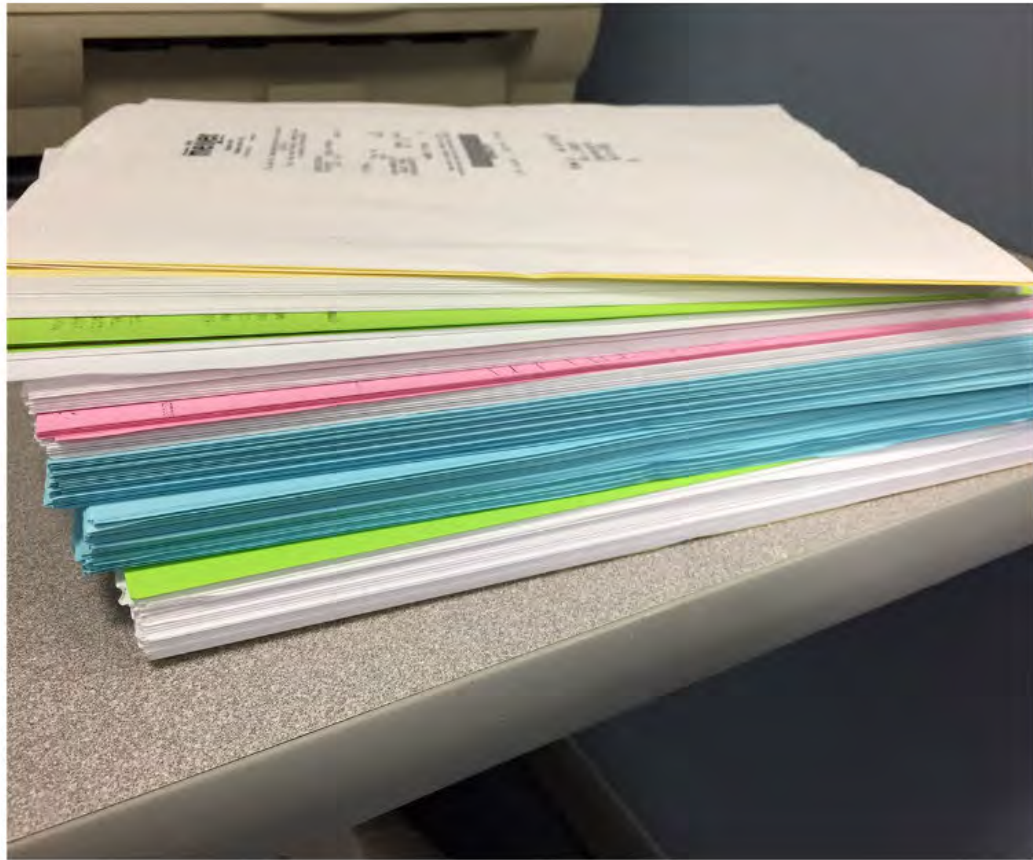
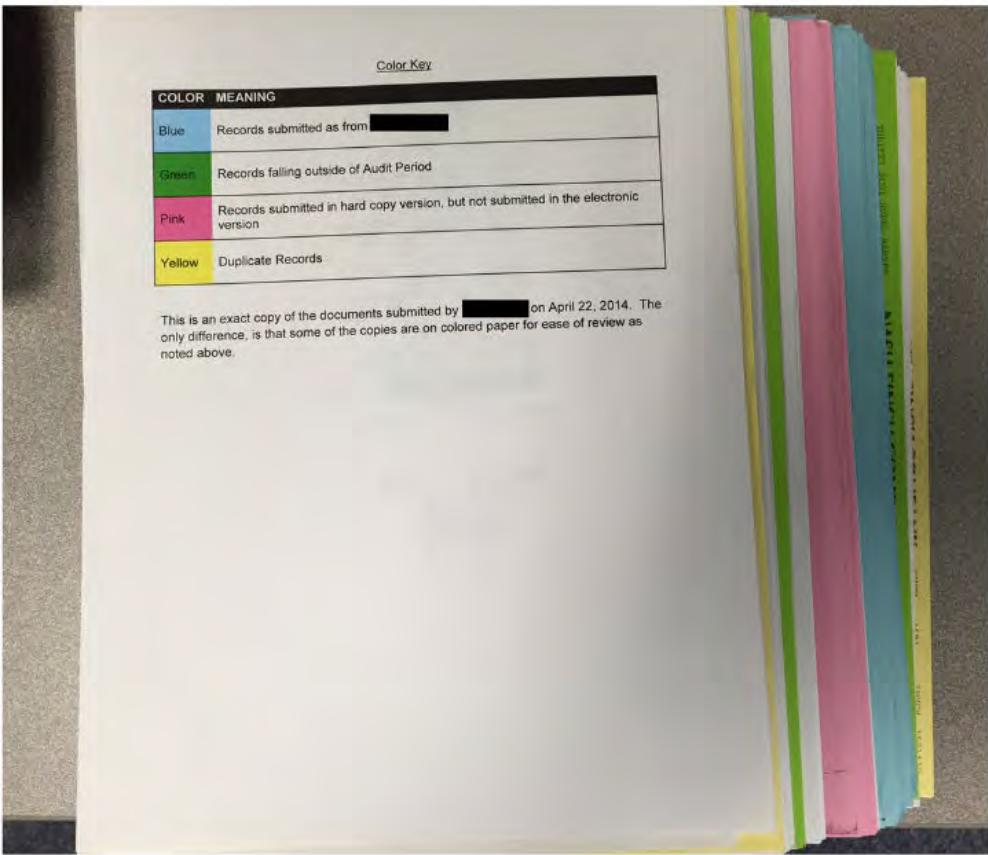
List of Exhibits

Vendor: [REDACTED]

Docket No: [REDACTED]

No.	Description of Attachments
1	6-26-2014 Notice of Disqualification & Final Monetary Claim
2	Appeal by Vendor
3	Contract with Vendor
4	State Plan – Vendor Management Portion
5	State Plan – Sanction Policy
6	State Plan – Administrative Hearing Procedures for Vendors
7	June 12 Notice of Expiration and Monetary Claim with attachments 1-7 Sent to [REDACTED]
7.1	Timeline, Invoice Requests, and E-mail Requests
7.2	Inventory Records Submitted by [REDACTED]
7.3	MI-WIC System Redemption Report
7.4	Monetary Claim Chart & Methodology
7.4.1	[REDACTED] Document Deficiencies
7.4.2	[REDACTED] Records
7.4.3	[REDACTED] inventory records
7.5	3-26-2014 Request for Information Regarding Expired Formula, e-mails & Photographs of expired infant formula
7.6	Michigan Department of Agriculture Request for Hearing
7.7	Inventory Audit Period Timeline
8	6-20-2014 response letter from [REDACTED] Law Firm to Department's June 12 Notice of Expiration & monetary Claim
9	6-24-14 Department's response to [REDACTED] Law Firm
10	MDARD reports
11	MDOT Participant Maps & Vendor Maps
12	MDOT Participant Access Map





- 5) Process for determining inventory discrepancies - Loren
 - a) Establishing Monetary Claim
 - i) Timeline, turn over buffers, price averages, WIC only sales
 - ii) Monetary claim chart
 - b) Opportunity to Justify & Correct
 - i) Common responses
 - ii) Establishing Contract Violation / Monetary Claim
 - iii) Issuing Notice

Redemption Report for [REDACTED]
 Period: 6/Jan/2011-31/Dec/2013

Transaction	Week	Brand Name	Prod Desc	Food Desc	Shoppinglist Desc	Cat	Settled Subcat	Quantity In Week	Units	Req. Price in Week	Settled Price in Week
2011/01/3	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		16	CAN	\$ 95.84	\$ 95.84	
2011/02/1	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		24	CAN	\$ 143.76	\$ 143.76	
2011/03/1	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		24	CAN	\$ 143.76	\$ 143.76	
2011/04/1	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		24	CAN	\$ 143.76	\$ 143.76	
2011/05/1	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		8	CAN	\$ 47.92	\$ 47.92	
2011/05/2	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		10	CAN	\$ 59.90	\$ 59.90	
2011/05/3	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		6	CAN	\$ 35.94	\$ 35.94	
2011/06/1	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		9	CAN	\$ 53.91	\$ 53.91	
2011/06/3	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		9	CAN	\$ 53.91	\$ 53.91	
2011/06/4	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		6	CAN	\$ 35.94	\$ 35.94	
2011/07/2	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		6	CAN	\$ 35.94	\$ 35.94	
2011/07/4	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		18	CAN	\$ 107.82	\$ 107.82	
2013/02/2	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		12	CAN	\$ 77.88	\$ 77.88	
4/3/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		19	CAN	\$ 113.81	\$ 113.81	
5/4/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		13	CAN	\$ 84.37	\$ 84.37	
6/2/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		10	CAN	\$ 64.90	\$ 64.90	
7/3/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		34	CAN	\$ 220.66	\$ 220.66	
8/3/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		34	CAN	\$ 220.66	\$ 220.66	
9/1/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		24	CAN	\$ 155.76	\$ 155.76	
10/4/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		16	CAN	\$ 103.84	\$ 103.84	
11/2/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		12	CAN	\$ 77.88	\$ 77.88	
11/3/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		24	CAN	\$ 155.76	\$ 155.76	
12/1/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		12	CAN	\$ 77.88	\$ 77.88	
12/2/2012	Enfamil Premium	13 oz Enf Premium	Concentrate	13 OZ Conc Enfamil Premium Infant	11 002		24	CAN	\$ 155.76	\$ 155.76	
2011/01/4	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		10	CAN	\$ 59.90	\$ 59.90	
2011/02/3	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		16	CAN	\$ 95.84	\$ 95.84	
2011/02/4	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		18	CAN	\$ 107.82	\$ 107.82	
2011/03/2	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		8	CAN	\$ 47.92	\$ 47.92	
2011/03/4	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		16	CAN	\$ 95.84	\$ 95.84	
2011/05/1	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		24	CAN	\$ 143.76	\$ 143.76	
11/1/2012	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		8	CAN	\$ 51.92	\$ 51.92	
11/2/2012	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		12	CAN	\$ 77.88	\$ 77.88	
12/1/2012	ProSobee	13oz ProSobee	Concentrate	13 oz Conc Prosoabee	11 007		12	CAN	\$ 77.88	\$ 77.88	
2011/02/1	Gentlease	12 oz PWD Gentlease	Powder	12.4 oz PWD Gentlease	11 037		10	CAN	\$ 219.90	\$ 219.90	

Category Description	Size	Cat	Subcat	Wholesaler	qty	Date	Invoices
13 OZ Conc Enfamil Premium Infant	13 oz	11	002				
13 oz Conc Prosoabee	13 oz	11	007				
12.4 oz PWD Gentlease	12.4 oz	11	037				
12.9 oz PWD Prosoabee	12.9 oz	11	038				
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039				
8 FL OZ PEDIASURE	8 oz	11	218				
12.8/13.1oz PWD SIMILAC NEOSURE	12.8 oz	11	232				
12.9 oz PWD Enfamil AR	12.9 oz	11	233				
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248				
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039	Value Wholesale Cash & Carry	150	6/22/2013	237343
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039	Value Wholesale Cash & Carry	18	6/14/2013	237117
12.4 oz PWD Gentlease	12.4 oz	11	037	Value Wholesale Cash & Carry	12	6/14/2013	237117
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248	Value Wholesale Cash & Carry	6	6/12/2013	237083
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248	Value Wholesale Cash & Carry	18	5/28/2013	236686
12.4 oz PWD Gentlease	12.4 oz	11	037	Value Wholesale Cash & Carry	18	5/28/2013	236686
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039	Value Wholesale Cash & Carry	12	5/28/2013	236686
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248	Value Wholesale Cash & Carry	12	4/25/2013	235869
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248	Value Wholesale Cash & Carry	12	4/24/2013	235844
12.9 oz PWD Prosoabee	12.9 oz	11	038	Value Wholesale Cash & Carry	12	4/23/2013	235831
12.5 PWD Enfamil Premium Infant	12.5 oz	11	039	Value Wholesale Cash & Carry	48	4/23/2013	235831
12.9 oz PWD Enfamil AR	12.9 oz	11	233	Value Wholesale Cash & Carry	12	4/4/2013	235360
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248	Value Wholesale Cash & Carry	6	4/4/2013	235360
12.4 oz PWD Gentlease	12.4 oz	11	037	Value Wholesale Cash & Carry	12	4/4/2013	235360
12.9 oz PWD Prosoabee	12.9 oz	11	038	Value Wholesale Cash & Carry	6	3/20/2013	234990
12.6 oz PWD Nutramigen Enflora LGG	12.6 oz	11	248	Value Wholesale Cash & Carry	12	3/20/2013	234990

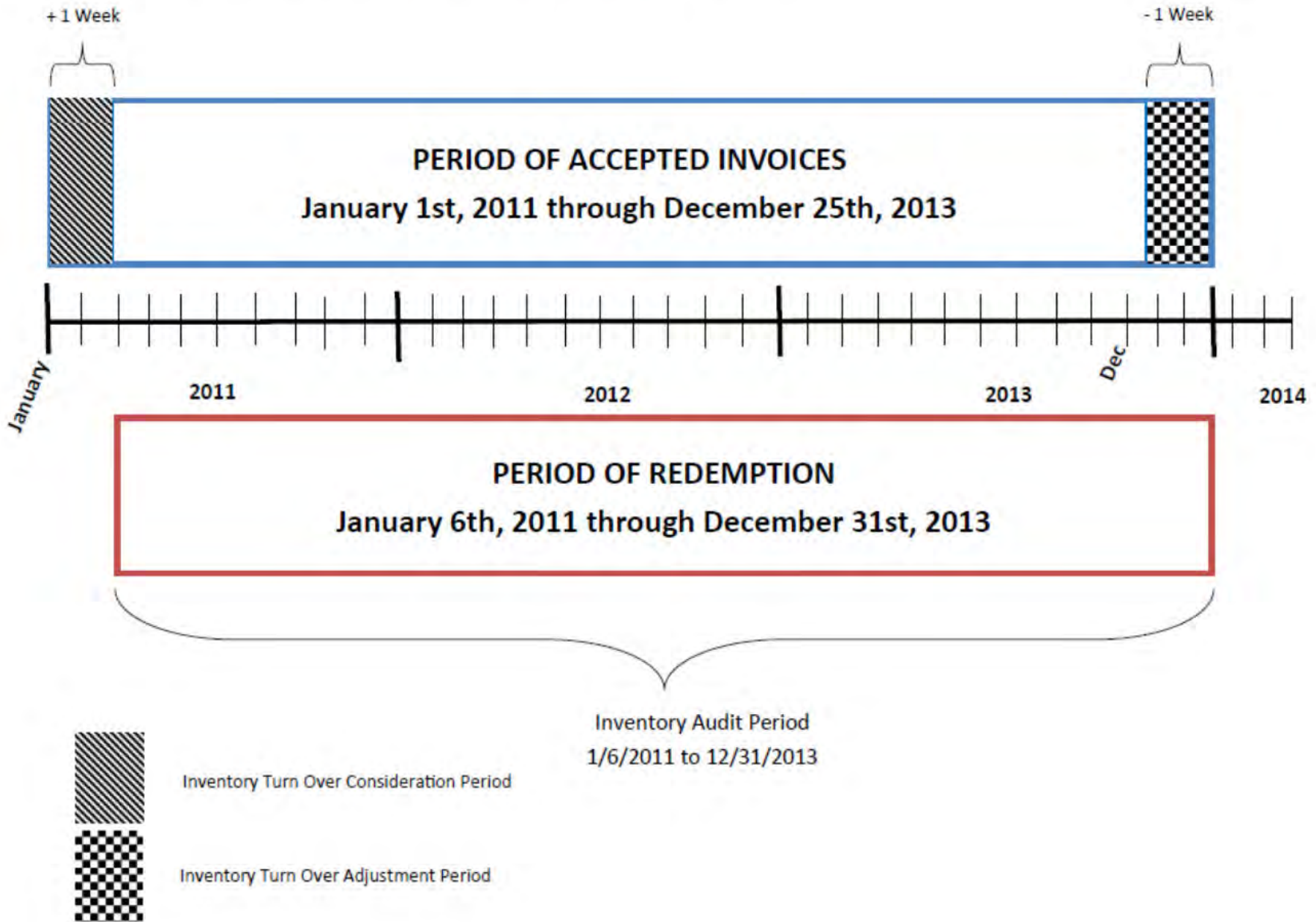
Monetary Claim Based on Inventory Discrepancies for [REDACTED]
 Period: January 1, 2014 through December 30, 2014

Category Description	Size	Redeemed Quantity		Inventory Purchases		Number of Units not Substantiated by Inventory Records		Amount Charged to WIC Program Per Unit		WIC Monetary Claim
Enfamil Premium Powder (lipil)	12.5 oz	18,414	-	4,964	=	13,450	x	\$21.99	=	\$295,765.50
Enfamil Gentlease	12.4 oz	1,762	-	816	=	946	x	\$21.99	=	\$20,802.54
Enfamil Prosobee	12.9 oz	563	-	234	=	329	x	\$22.99	=	\$7,563.71
Similac Expert Care - Neosure	13.1 oz	246	-	0	=	246	x	\$22.99	=	\$5,655.54
Pediasure	8 oz	1,986	-	342	=	1,644	x	\$2.79	=	\$4,586.76
Nutramigen with Enflora LGG	12.6oz	118	-	0	=	118	x	\$37.99	=	\$4,482.82
Enfamil AR	12.9 oz	258	-	180	=	78	x	\$22.99	=	\$1,793.22
Similac Expert Care - Allimentum	16 oz	52	-	6	=	46	x	\$34.99	=	\$1,609.54
Boost Kids Essentials 1.5 cal**	8oz	636	-	540	=	96	x	\$4.49	=	\$431.04
Pwd Progestimil	16 oz	20	-	4	=	16	x	\$36.99	=	\$591.84
Enfacare Lipil	12.8 oz	6	-	0	=	6	x	\$22.99	=	\$137.94

Cost of Formula Exceeding Vendor's Inventory: **\$343,420.45**

See attached **Monetary Claim Methodology** – [REDACTED] for further explanation.

Inventory Audit Period Timeline— [REDACTED]



Monetary Claim Based on Inventory Discrepancies for [REDACTED]
 Period: January 1, 2014 through December 30, 2014

Category Description	Size	Redeemed Quantity		Inventory Purchases		Number of Units not Substantiated by Inventory Records		Amount Charged to WIC Program Per Unit		WIC Monetary Claim
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Enfamil Gentlease	12.4 oz	1,762	-	816	=	946	x	\$21.99	=	\$20,802.54
Enfamil Prosobee	12.9 oz	563	-	234	=	329	x	\$22.99	=	\$7,563.71
Similac Expert Care - Neosure	13.1 oz	246	-	0	=	246	x	\$22.99	=	\$5,655.54
Pediasure	8 oz	1,986	-	342	=	1,644	x	\$2.79	=	\$4,586.76
Nutramigen with Enflora LGG	12.6oz	118	-	0	=	118	x	\$37.99	=	\$4,482.82
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Similac Expert Care - Allimentum	16 oz	52	-	6	=	46	x	\$34.99	=	\$1,609.54
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Cost of Formula Exceeding Vendor's Inventory: **\$343,420.45**

See attached **Monetary Claim Methodology** – [REDACTED] for further explanation.

Justify & Correct

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receive

- Re-Submission
- Outside audit period
- Unauthorized items
- Invoices from other stores

ADDITIONAL [REDACTED]

May 1, 2011 to DECEMBER 31, 2013

	Additional Units from Late Invoices	Resubmissions	Invoices Dated 2010	Duplicates Within Submission	From Wholesalers not Licensed by MDA	Illegible Date/Invoice	Not Approved Formula	Non Invoices	Total Units from Late Invoices Meeting WIC Contract Requirements
Enfamil Premium Infant Pwd 12.5 oz 16,569 cans	5,232	3,216	36	-	390	-	-	-	1,926
Enfamil Gentlease Pwd 16.6 oz 2,283 cans	540	96	-	-	420	-	-	120	114
Enfamil Prosoabee Pwd 13.1 oz 1,046 cans	246	48	-	-	132	-	-	24	-
Enfamil AR 13 oz 792 cans	298	46	-	24	258	-	-	-	3,132
Similac Neosure 16 oz 756 cans	99	12	-	-	99	-	-	-	198
Pediasure w & wo fibre 8 oz 5,345 cans	4,596	96	-	534	570	366	-	-	-
Nutramigen Eflora LGG 8 oz 594 cans	74	10	10	-	54	-	-	-	-
Efamil Premium Conc 14.1 oz 2,412 cans	1,108	910	-	-	624	-	-	-	60
Samilac Alimentum 14.1 oz 192 cans	42	-	-	-	24	-	-	-	5,574
Nutramigen Conc 250 ml 250 cans	181	-	-	81	72	-	-	-	\$69,930.72
Efamil Prosoabee Conc 400 gm 277 cans	137	45	-	-	-	32	-	-	\$419,054.01
Total Units	12,553	4,479	46	639	2,643	398	46	\$9,610.80	
Dollar Value of Units*		\$116,799.00	\$1,228.14	\$5,384.31	\$62,533.95	?	\$458.68		

Non WIC approved formulas submitted were:
 Similac Spit Up, Enfamil Newborn, and unauthorized size of Enfamil Gentlease.

Copies of Purported "Check Registers" containing no product information and having no apparent connection to submitted invoices

Total claim, even if "Additional Invoices" meeting contract requirements had been received in a timely manner:

*The dollar value of units was calculated by using the same per unit values established in determining the monetary claim.

Notice and Claim

Monetary Claim Based on Inventory Discrepancies for [REDACTED]
 Period: January 1, 2014 through December 30, 2014

Category Description	Size	Redeemed Quantity		Inventory Purchases		Number of Units not Substantiated by Inventory Records		Amount Charged to WIC Program Per Unit		WIC Monetary Claim
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Cost of Formula Exceeding Vendor's Inventory: **\$343,420.45**

See attached **Monetary Claim Methodology** - [REDACTED] for further explanation.



STATE OF MICHIGAN
 DEPARTMENT OF COMMUNITY HEALTH
 LANSING

JAMES R. THURMAN
 DIRECTOR

15-DAY TERMINATION ORDER

[REDACTED]

[REDACTED] is hereby notified that the vendor contract executed by [REDACTED] and the Michigan Department of Community Health for the period of July 1, 2011 through June 30, 2014 authorizing your participation in the WIC Program, is terminated and further, [REDACTED] is disqualified from WIC Program participation for a period of three years, effective July 5, 2013. [REDACTED] point-of-sale device for WIC EBT transactions will be disabled on this date.

This action is based on the following:

A. Termination and Disqualification

[REDACTED] is subject to termination of its contract and disqualification from WIC Program participation for a period of three (3) years for claiming reimbursement for the sales 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. This action is based on the terms and conditions of the WIC Vendor Contract, the WIC Vendor Sanction Policy, the WIC State Plan of Program Operation and Administration, and Federal Regulations, 7 CFR 246.12 *et seq*.

B. Inventory Audit Discrepancy and Monetary Claim

[REDACTED] charged and was paid by the WIC Program a total of \$9,214.37 for 363 units of infant formula for the period of January 6 through April 17, 2013.

The inventory records [REDACTED] provided for WIC authorized infant formula were compared to actual WIC redemptions (paid to [REDACTED]) for the period of January 6 through April 17, 2013.

As indicated in Attachment A and B, [REDACTED] documented inventory for the period of January 6, 2013 through April 17, 2013 was substantially less than what [REDACTED] charged the WIC Program for infant formula. [REDACTED] records reflect that [REDACTED] had 0 (zero) units



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

JAMES K. HAVEMAN
DIRECTOR

15-DAY TERMINATION ORDER

[REDACTED]

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WIC Monetary Claim
\$295,765.50
\$20,802.54
\$7,563.71
\$5,655.54
\$4,586.76
\$4,482.82
\$1,793.22
\$1,609.54
\$431.04
\$591.84
\$137.94

\$343,420.45

- 6) Monetary Claims are not Subject to Administrative Review - Santiago
 - a) Notify vendor of claim and separately T&D vendor
 - i) Contract requirements
 - ii) ALJ only authorized to determine whether there was a contract violation
 - (1) Inherent in the claim is the violation of at least 2 provision of the contract
 - (a) Record keeping
 - (i) If vendor can justify and correct, we are left with record keeping or non MDA source
 - (b) Redeeming beyond records
 - (i) If vendor cannot justify and correct
 - b) Disqualification actions can be complicated
 - i) Contract Expiration
 - (1) No right of renewal
 - (2) No right of appeal
 - ii) Renewal of contract – different track

No appeal rights for Monetary Claim

"Finally, it is noted that the Department's Administrative Hearing Procedures for Vendors, in Section 4 does not provide a Vendor the right to an administrative hearing to appeal a Money Claim for reimbursement of payments made to a Vendor for which the Vendor is unable to provide sufficient and/or acceptable inventory records. Furthermore, Section 4(F) states that a Vendor does not have a right to an administrative hearing over disputes regarding food instrument payments and vendor claims."

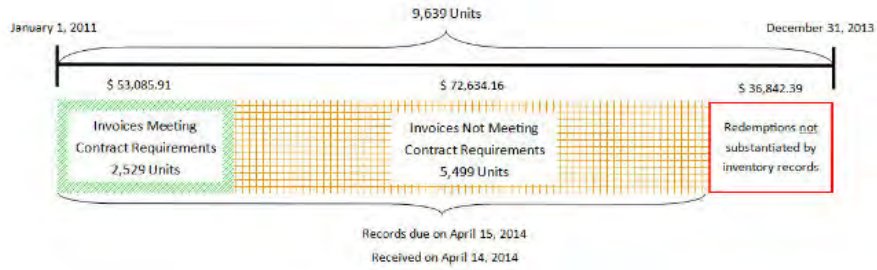
No appeal rights for expiration of Contract

"A review of 7 CFR 246.18 shows that apart from the Appellant's right to appeal from the Notice of Disqualification, Appellant is not entitled to appeal from the decision by the Department to not consider their application for renewal. The department's Administrative Hearing Procedures for Vendors, Section 4(E) also states that a Vendor does not have a right to appeal from the expiration of a vendor's agreement. Section 5(D) further states in part that an appeal shall not require that the Department enter into a new contract with the Vendor after expiration of the current contract."

- 7) Inventory Audits can be complicated - Loren
 - a) Wholesaler case study
 - i) Introduction of records during appeal process
 - ii) Scrutiny of wholesaler's purchase records
 - b) Vendor case study
 - i) Termination for other reasons during an audit
 - ii) Other consequences of in store compliance visits

Inventory Audit Overview

WIC dollars paid to [redacted]: **\$162,562.46** (Exhibit A, Att 1)
 Acceptable invoices: **\$53,085.91** (Exhibit A, Att 1)
 Claim: **\$109,476.55** (Exhibit A, Att 1)



Records due on April 15, 2014
 Received on August 22, 2014

Submission 4 months past due date
 5,193 Units

These documents were not considered because they were submitted four months late. In addition, a preliminary review of these records revealed many other discrepancies on their face, e.g. they did not contain any information (such as name and address) connecting them to [redacted] i.e. they were all "cash and carry" with no name or address of the purchaser; crossed out information, large cash purchases with split cash payments, and one invoice contained the name of another WIC Vendor.



1st Submission

[redacted]

TO: [redacted]

Date: 1-16-2014 Invoice #: [redacted]

Quantity	Value	Total
7	2066	1680
1	130	130
4	236	236
		2066

Total Coupon Value \$ _____

No. Copns. _____ x Rate \$ _____

Postage \$ _____

Total Amount Due \$ _____

2nd Submission

10022250 E028 SPLASH ORANG PINE BRR 1/142/191

Barcode: [redacted]

UPC: [redacted]

SKU: [redacted]

Product Name: [redacted]

Quantity: [redacted]

Price: [redacted]

Total: [redacted]

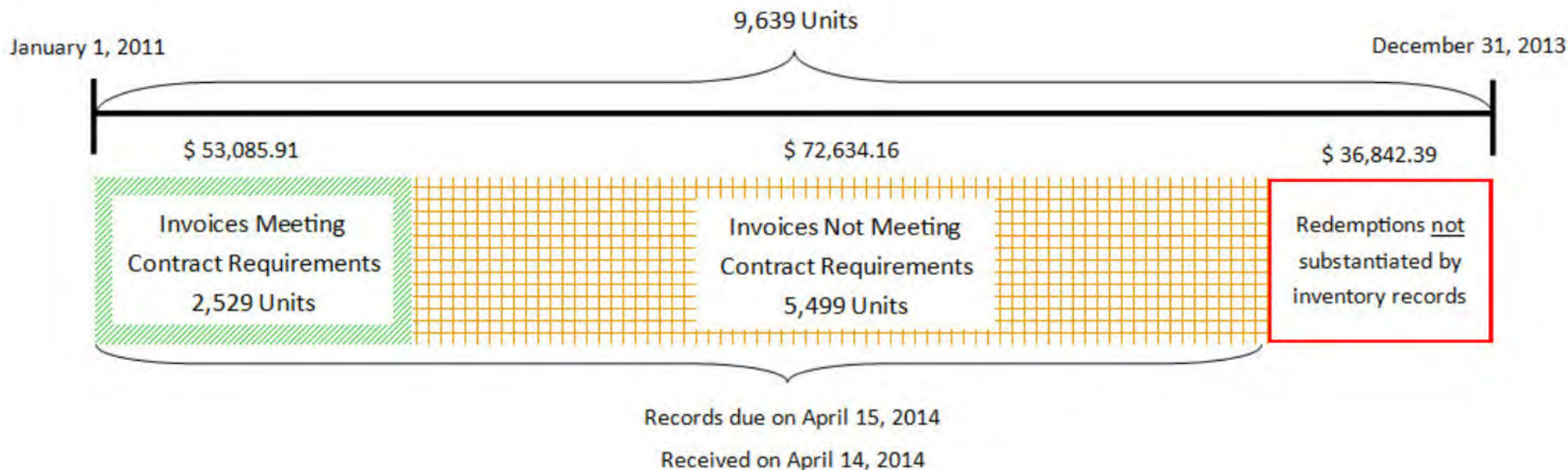
Item	Size	Cat	Subc	Amount from				
				Invoices	Invoices	Differenc		
14.3 oz Hlocare Jr. PWD	14.3 oz	81	74	570	174	-86	27021	-3027.52
14.1 oz elecare infant	14.1	11	244					
250 ml Peptamen Junior RTF	250 ml	11	230	3411	2592	-819	25028.64	-4570.02
14 oz Neocate Infant	14 oz	11	231	96	64	-32	2346.88	-1059.2
8 oz E028 Splash RTF	8 oz	11	236	2052	567	-1485	36011.25	-2257.2
8 oz Boost Kid Essentials 1.5 CAL RTF	8 oz	11	245	4242	1134	-3108		Difference
8 oz Boost Kid Essentials 1.5 CAL w/Fiber RTF	8 oz	11	246	108	8321	8213		mitigates the other

Inventory Audit Overview

WIC dollars paid to [REDACTED]: **\$162,562.46** (Exhibit A, Att 1)

Acceptable invoices: **-\$53,085.91** (Exhibit A, Att 1)

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1st Submission

2nd Submission



TO: _____
 Date: 1-16-2014 Invoice #: _____

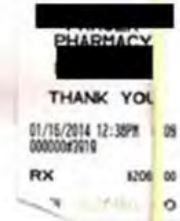
Quantity	Value	Total
7	Orbanel	1680
1	Evo8	130
4	Brest	256
		2066.15
Total Coupon Value		\$ _____
No. Cpons. _____ X	Hdlg \$	_____
Postage	\$	_____
Total Amount Due	\$	_____

10052256 EO28 SPLASH ORANG PINE BRIK 21X25/ML

Item Details Secondary Pricing / Monthly M Purchase Made
 Detail Contracts Usage History Made
 Division Status: ST - Stock
 Corp. Status: AC - Active
 Sales Status: -
 Anticipated Availability: -
 ABC #: E20712
 ABC Selling Size: 27X237 ML
 ABC Selling UoM: CS
 NDC: 49735-0110-50
 UPC Barcode: 3-49735-11050-0
 Supplier: 005000186 NUTRICIA
 Supplier Material: 11050
 Generic Code: 001913 NUTRITIONAL SUPPLEMENT ORAL LIQUID
 Fine Line Class: 000091109114 Medical Nutritionals
 Product: OT Over the Counter
 Category: OTC Branded OTC
 Product Type: OTC Branded OTC

21X25/ML
 X
 C M P

Handwritten notes: E-kind, E-022, Brest



Invoices compared to		Invoices		Amount from		Amount from		Difference	
Item	Size	Cat	Subc	Invoice	invoices	Difference			
14.1 oz Elecare Jr. PWD	14.1 oz	31	74	570	174	-396	27621	-1057.32	
14.1 oz elecare infant	14.1	11	244						
250 ml Peptamen Junior RTF	250 ml	11	230	3411	2592	-819	25028.64	-4570.02	
14 oz Neocate Infant	14 oz	11	231	96	64	-32	2346.88	-1059.2	
8 oz E028 Splash RTF	8 oz	11	236	2052	567	-1485	36011.25	-2257.2	
8 oz Boost Kid Essentials 1.5 CAL RTF	8 oz	11	245	4242	1134	-3108			
8 oz Boost Kid Essentials 1.5 CAL w/Fiber RTF	8 oz	11	246	108	3321	3213			Difference mitigates the other



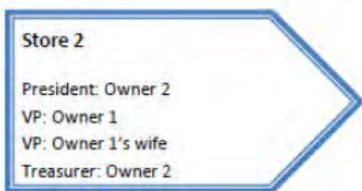
Submitted invoices for 15,174 units

Legitimate invoices* identified for 1,734 units

Charged WIC Program for 6180 units

4446 units totaling \$110,371.84 charged to the WIC Program in excess of documented inventory

0 Units available from Store 1 for re-sale to Store 2



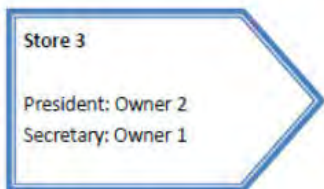
Submitted invoices for 1,335 units

Legitimate Invoices* identified for 29 units

Charged WIC Program for 902 units

873 units totaling \$21,843.27 charged to the WIC Program in excess of documented inventory

0 Units available from Store 1 for re-sale to Store 3



Submitted invoices for 1,628 units

No legitimate invoices* identified

Charged WIC Program for 752 units

752 units totaling \$19,748.48 charged to the WIC Program in excess of documented inventory

0 Units available from Store 3 for re-sale to Store 4



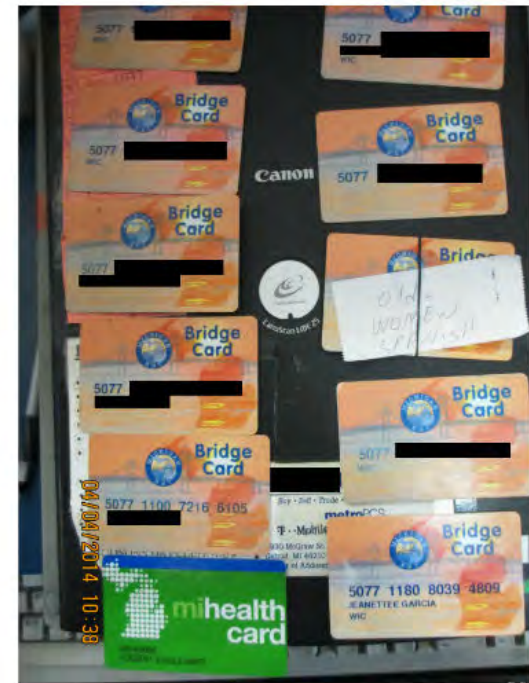
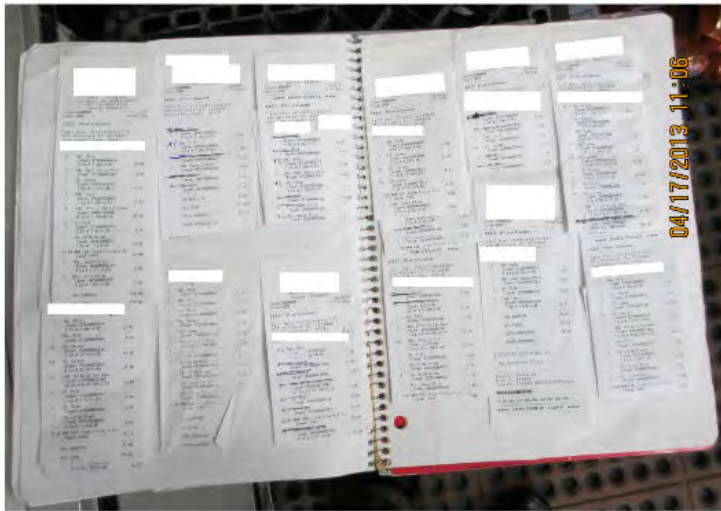
Submitted invoices for 582 units

No legitimate invoices* Identified

Charged WIC Program for 363 units

363 units totaling \$9,214.37 charged to the WIC Program in excess of documented inventory

*Legitimate invoices are invoices that meet the minimum requirements for acceptability of purchase and inventory records as set forth in the WIC Vendor Contract requirements



- 8) Closing - All actions authorized under the fed regulations, state plan, and contract - Mike
 - a) Consistency in investigating and enforcing provisions of contract
 - b) Effectiveness
 - i) Track record
 - ii) Vendor grape vine
 - c) Networking
 - i) State/County/Local
 - ii) MDA
 - iii) FNS, OIG, et al
 - iv) FDA, Homeland Security, etc

Federal Regulations



State Plan of Program Operations and Administration



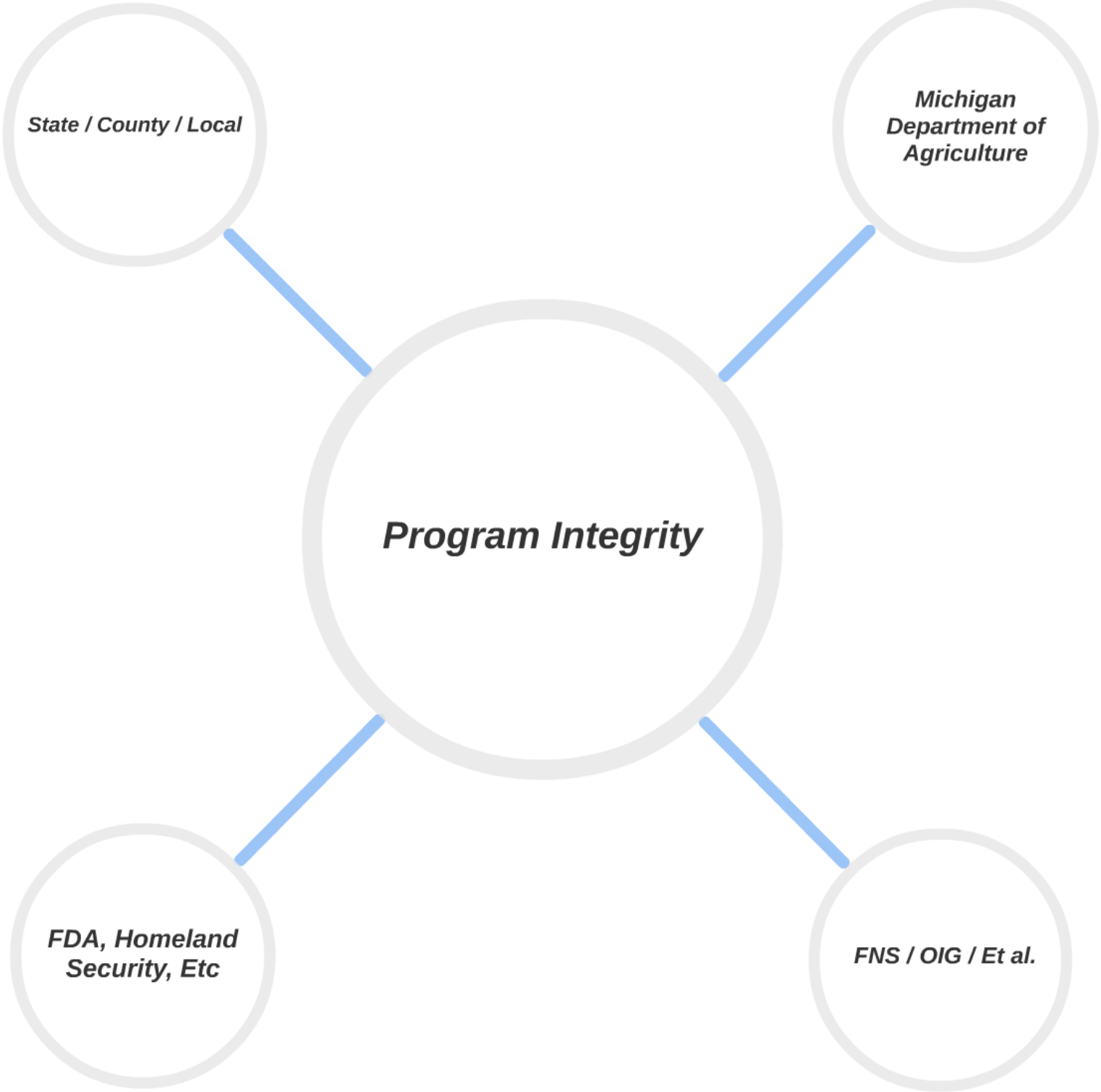
Vendor Contract



Vendor Sanction Policy

Admin Hearing Procedures

Vendor	Current Status	Monetary Claim	Year
Vendor 1	Terminated	\$ 160,133.50	2006
Vendor 2	Terminated	\$ 338,326.40	2013
Vendor 3	Terminated	\$ 28,193.87	2013
Vendor 4	Terminated	\$ 28,193.87	2013
Vendor 5	Terminated	\$ 28,193.87	2013
Vendor 6	Terminated	\$ 285,304.84	2014
Vendor 7	CMP	\$ 56,122.50	2014
Vendor 8	Terminated	\$ 208,974.31	2014
Vendor 9	Terminated	\$ 35,012.21	2014
Vendor 10	Terminated	\$ 10,941.31	2014
Vendor 11	Terminated	\$ 109,476.55	2015
Vendor 12	Terminated	\$ 171,146.00	2015
Vendor 13	Terminated	\$ 6,088.00	2015
Vendor 14	Terminated	\$ 2,214.87	2015
Vendor 15	Terminated	\$ 10,000.00	2015
Vendor 16	Terminated	\$ 6,978.28	2015
Vendor 17	Authorized	\$ -	2014
Vendor 18	Authorized	\$ -	2014
Vendor 19	Authorized	\$ -	2014
Vendor 20	Authorized	\$ -	2015
Vendor 21	Terminated	\$ -	2015
Vendor 22	Authorized	\$ -	2015
Total:		\$ 1,485,300.38	

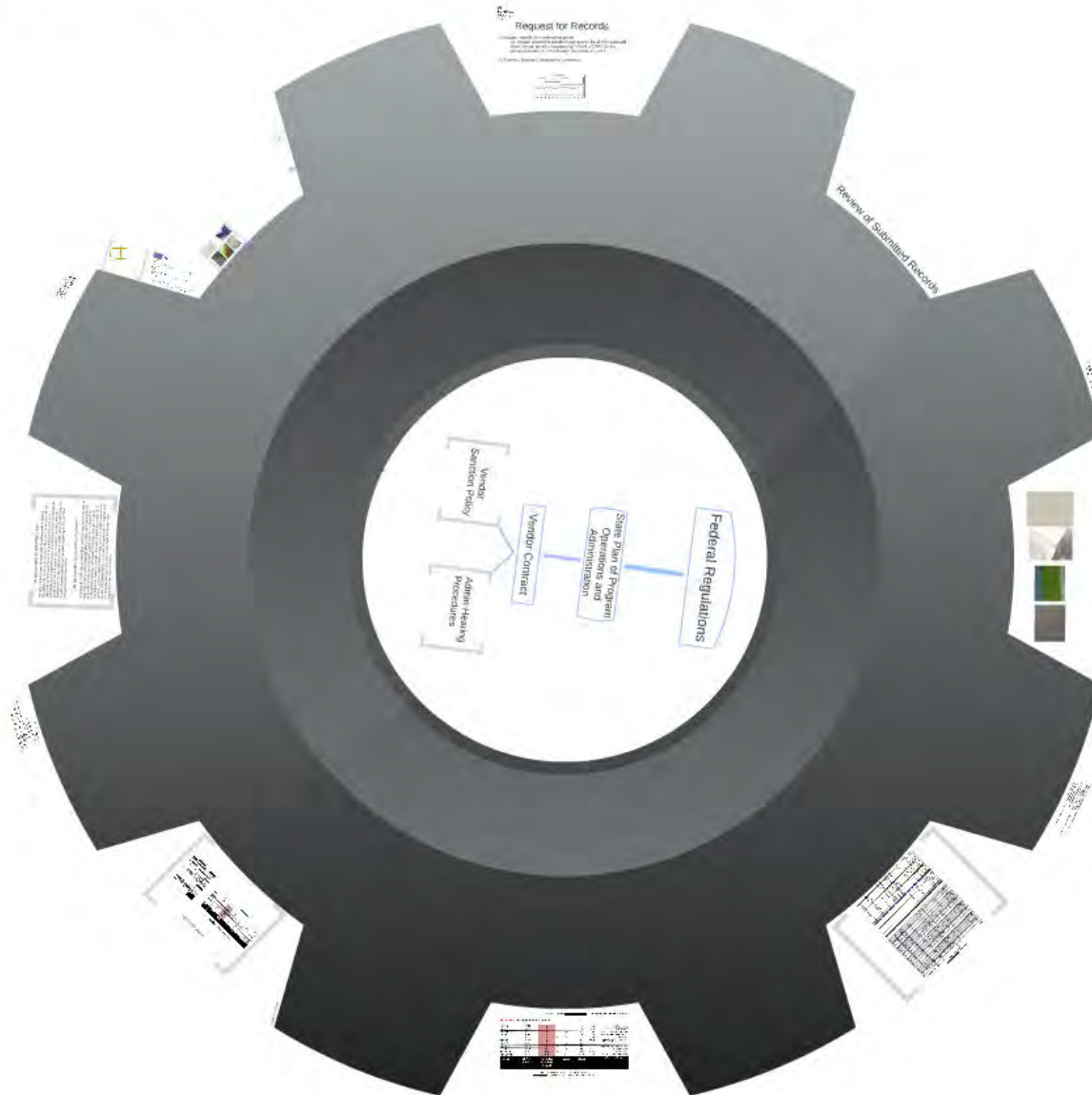


Presentation Outline

Inventory Audits & Program Integrity

- 1) Inventory Audits are Important – Mike Perrelli
 - a) Making sure we deliver nutritious food
 - i) WIC authorized product
 - ii) Product within its expiration date
 - iii) Shelf pricing and proper scanning procedures
 - iv) Other discrepancies
 - b) Vendor contract compliance
 - i) Assure effective food delivery
 - ii) Remove vendors from program that do not serve the best interest of the mission of the WIC Program
 - c) Cost Containment
- 2) Federal Regulations Provide Authority – Santiago Rios
 - a) They provide the template for all of our actions
 - i) Federal regulations set up a framework to provide the State Agencies with a tool for effective enforcement
 - ii) State Plan incorporates the requirements of the Federal Regulations
 - b) WIC Contract, Sanction policy, and Administrative Hearing Procedures are the mechanisms for assuring compliance with Federal Regulations, in turn program integrity.
 - i) Overview of the contract as it relates to inventory audit
 - ii) Right to ask for records
- 3) Contract requirements for record maintenance and record composition – Mike Perrelli
 - a) Specific sections relevant to inventory audits
 - i) Section III, #20-23
 - ii) Section IV
 - b) Benefits of EBT for inventory audits
 - i) Speed and scope
 - a. Paper
 - b. EBT
 - ii) EBT Inventory Process - Loren Haughn
 - a. Invoice request process
 - b. Importance of invoice summary chart
 - c) Source of infant formula
 - a. Verification of wholesaler - Loren
 - b. Phantom wholesalers
 - c. Interaction with other agencies
 - (i) MDA
 - (ii) OIG
 - (iii) FDA
- 4) Legal Framework for Assessing Monetary Claims - Santiago
 - a) What evidence is necessary to issue monetary claim
 - b) Why close working relationship between Department and AGs office is important.
- 5) Process for determining inventory discrepancies - Loren
 - a) Establishing Monetary Claim
 - i) Timeline, turn over buffers, price averages, WIC only sales
 - ii) Monetary claim chart
 - b) Opportunity to Justify & Correct
 - i) Common responses
 - ii) Establishing Contract Violation / Monetary Claim
 - iii) Issuing Notice
- 6) Monetary Claims are not Subject to Administrative Review - Santiago
 - a) Notify vendor of claim and separately T&D vendor
 - i) Contract requirements
 - ii) ALJ only authorized to determine whether there was a contract violation
 - (1) Inherent in the claim is the violation of at least 2 provision of the contract
 - (a) Record keeping
 - (i) If vendor can justify and correct, we are left with record keeping or non MDA source
 - (b) Redeeming beyond records
 - (i) If vendor cannot justify and correct
 - b) Disqualification actions can be complicated
 - i) Contract Expiration
 - (1) No right of renewal
 - (2) No right of appeal
 - ii) Renewal of contract – different track
- 7) Inventory Audits can be complicated - Loren
 - a) Wholesaler case study
 - i) Introduction of records during appeal process
 - ii) Scrutiny of wholesaler's purchase records
 - b) Vendor case study
 - i) Termination for other reasons during an audit
 - ii) Other consequences of in store compliance visits
- 8) Closing - All actions authorized under the fed regulations, state plan, and contract - Mike
 - a) Consistency in investigating and enforcing provisions of contract
 - b) Effectiveness
 - i) Track record
 - ii) Vendor grape vine
 - c) Networking
 - i) State/County/Local
 - ii) MDA
 - iii) FNS, OIG, et al
 - iv) FDA, Homeland Security, etc
- 9) Questions/Comments (all)

Inventory Audits



Presenters: Mike Perrelli, Santiago Rios, Loren Haughn

Michigan WIC