

Vendor Selection Criteria: Good Decisions to Prevent Future Problems

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Good Decisions –Prevent Problems

- ▶ The Environment: Problem
- ▶ Goals: Survey Says
- ▶ Good Decisions: Rigorous Eligibility Criteria
- ▶ Limiting Criteria
- ▶ Good Decisions: Data Mining
- ▶ Cutting Edge Data Collection
- ▶ Balancing Act/Future Considerations

Sources



- WIC Vendor Manager Survey
- WIC/SNAP Compliance Literature Review
- USDA: FNS (Tony Hardy)
- USDA: Office of Inspector General Investigations (Kevin Porter, Special Agent)
- Washington WIC: Analytics Division (Mark Sullivan)

What 's happening out there: General Numbers (2012)

	WIC	SNAP
\$\$\$ Benefits	7 Billion	74 Billion
# of vendors	50,000	246,000 (Supermarkets & Superstores= 37,000)
Denial/Withdrawn based on Eligibility Requirements	824 (2%)	5500 (2%) (Voluntary withdrawals not included)
Undercover Investigations Completed	4584	4396
Positive Findings (Not #of vendors)	1050 (23% of investigations)	1694 (39% of investigations)
Sanctions: DQ/CMP	92 (.2% of all vendors)	2079 (.8% of all vendors)

Who is Naughty? (SNAP Sanctions)

	# Sanctioned	Types of Vendors Sanctioned
Convenience & Combo Grocery	1295	62%
Grocery- Small	550	26%
Grocery- Medium	167	8%
Non-WIC - Delivery/ Farmer/ Bakery	46	2%
Grocery- Large/Super	21	1%
TOTAL	2,079	100%

Who?

SNAP reports:

- ▶ Small stores- including convenience stores- accounted for 15% of redemptions and an estimated 85% of trafficking redemptions.
- ▶ Trafficking much more likely in privately owned stores than public and among retailers in high poverty areas.

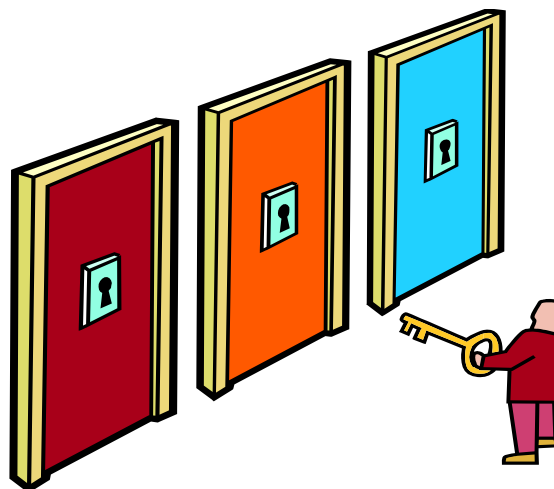


Scope: A Problem????

- ▶ SNAP reports that approximately 1.3% of total SNAP benefits were trafficked. (Roughly \$800 million.)
- ▶ Washington WIC staff estimated (based on inventory audits) that the annual impact of six stores – charging for WIC for items not in inventory – would have equaled \$823,645.



What are Good Decisions: Survey Says



Authorization Goals We Rank as Important

1. Mitigate Potential Abuse/Fraud
2. Deny WIC Authorization to Vendors with Integrity Issues
3. Ability to Confirm Selection Criteria with Accurate Data
4. Defendable Criteria for Appeals/ Audit
5. Authorize Less Expensive Vendors
6. Respond to New/Diverse Vendors (e.g. non-English speaking, unique dietary needs)
7. Provision of Healthy Food in Food Deserts
8. Limiting Number of Vendors
9. Consideration of Small Businesses
10. Decrease Number of Appeals

“Good Decisions” During Selection

▶ Select Wisely–

Developing selection criteria to mitigate the number of fraudulent store owners from obtaining authorization

▶ ‘Evidence’ Wisely–

Collecting the ‘right’ data at application and throughout to effectively ID abuse and sanction.

Result: Shockwave



Goals---**Select or Deny**

Response	WIC should develop criteria to deny and/or limit authorization of vendors for the following reasons:
90.9%	Past History of Confirmed Abuse
84.8%	High Risk/Potential of Abuse
63.6%	Sufficient Number of Vendors Authorized
57.6%	Low Redemptions/Low Potential Redemptions
39.4%	Administrative Challenges (e.g., remote location, communication, . .)

Eligibility Criteria- Most Effective

Survey Results & Websites ASAP-

105 pages!!!

Survey – Most interesting

1. Maintain active e-mail account
2. New vendors subject to background checks
3. Participation in an Automatic Clearing House (ACH) process
4. Waiting period after application denial
5. Minimum size requirements (e.g., 3,000 sq feet) of food sales space or stocking or registers (at least 3 cash registers)
6. Restrictions on locations inside non-food retail facilities (e.g., inside a daycare or floral shop)
7. Non-corporate vendors attend & pass required training session before pre-approval visit
8. Application acceptance limited to specific times
9. Removal from other federal, state, and local programs

Survey– Most Effective

1. Denial of A50% or expected A50% stores
2. SNAP authorized & in good standing.
3. Vendor location accessible to WIC staff for training/ monitoring visits
4. Requirement of external licenses, permits, sanitation codes, registrations and/or certifications.
5. History of compliance– Limit of past WIC/SNAP fines and/or violations
6. WIC access to facilities/storage areas during business hours
7. Removal from other federal, state, and local programs
8. Denial of incomplete application
9. Store does not focus primarily on serving WIC customers
10. Agreement to comply with selection criteria changes after application received
11. Waiting period after application denial
12. Required proof of location lease/ ownership

Survey– Most Effective Write-In

- History/Integrity
- Full Service
- Low prices and the authorization of large chain stores at all times.
- Limiting Criteria (based on limited resources):
 - Yes; FNS Should Support Limits; Not effective as cost to defend is greater than benefit, access trumps our being busy
- Access and review of SNAP High Risk History
- Detailed Minimum Stock Requirement
- Mandatory Training– Pre-authorization

New for Colorado WIC Criteria

Limit of Full Service Grocery Store-- At least one of the following is true:

- The store is identified by SNAP with a Store Type as a Large Grocery Store, Medium Grocery Store, Military Commissary, Small Grocery Store, Supermarket, or Super Store/ Chain Store.
- Annual food sales (i.e., food items eligible for purchase with SNAP benefits) are greater than or equal to 65 percent of total annual sales.
- Annual food sales exceed \$1 million.

Colorado “Limiting” Criteria

To determine the maximum number and distribution of vendors to authorize (pursuant to § 246.12(g)(2)).

--Not based on the store’s characteristics.)

Survey Results: Majority of responses said not used or not effective

Colorado WIC denies new retailers if:

- Participant to authorized store ratio is too low. (<200:1) or
- Currently a large number of authorized stores in the zip code.

“Good Decisions” During Selection

▶ Select Wisely–

▶ ‘Evidence’ Wisely–

Collecting the ‘right’ data at application and throughout to effectively ID abuse and sanction.



Cutting Edge– Data, Data, Data

	Data Used **Captured at Application
Low Variance of FI Type	Redemption Data/ SNAP Data
High Mean of FI Type	Redemption Data
High Volume Per Register	**Number of Registers
High Volume per Square Foot	**Number of Sq Feet of Food Sales
High # of checks at same time	Redemption Data
Many transactions in quick succession	Redemption Data
High SNAP transaction amounts	SNAP Data
Corporate vs Private Ownership	**Ownership Type

Balancing Act

- ▶ Food Access in a desert or a swamp– rural, urban: Limiting access to nutrition?
- ▶ Prevent denial of ‘good guys’
- ▶ Ensure open to new types of business that may “look” guilty
- ▶ Solid foundation against appeals– evidence/verifiable data and consistently used
- ▶ Data– vital “if we can get it” & we can’t get it
- ▶ Sharing data & expertise between partners
- ▶ Denial of authorization for SNAP/WIC confirmed abusers– both the stores & owners; track unique identifiers
- ▶ Not set up for combating crime–systems or conducting serious investigations
- ▶ Legislative Change– Be careful what you wish for?
- ▶ Efforts must be coordinated with Training– for vendors and clients.
- ▶ Resources limited: time and money and data and . . .

Future

- ▶ EBT– very different world
- ▶ Goals– to each their own
- ▶ Denial for DQ stores and owners
- ▶ Training goes beyond listing the rules for a new owner– Not meeting WIC’s requirements is not acceptable. For example: Bargaining with WIC benefits is not negotiable
- ▶ Is language a barrier to compliance? Expand language of vendor materials, training



Resources– Guidance

- ▶ FNS
- ▶ Consulting Firms
- ▶ Published Research
- ▶ Law Enforcement
- ▶ Retailers, Wholesalers, Associations
- ▶ Other federal Government Agencies– SNAP, OIG
- ▶ WIC Compliance /Fraud Investigators– Mark Sullivan, WA WIC

