VENDOR AND FARMER MANAGEMENT APPENDIX 6

NORTH CAROLINA
WIC INVENTORY AUDIT PROCEDURES

1. An auditor employed by the North Carolina Division of Child and Family Well-Being Community Nutrition Services Section, conducts the WIC inventory audits. No contact is made with the vendor prior to initiation of the audit. The auditor will conduct either an in-person or desk audit. The type of audit that is conducted is based on the location of the vendor, scope of the audit, violation detected, safety/health concerns, or other factors which warrant the type of audit selected.
2. In-Person Inventory Audit:
    a. The auditor begins the audit by going to the store and counting all inventory available for purchase at the store for selected WIC supplemental foods. The eWIC benefits transacted that day prior to the beginning inventory count are also taken into account for the beginning inventory count. The auditor provides the store representative with a form for signature after verifying that all available inventory for the WIC supplemental foods selected has been counted.
    b. The auditor may return to the store at the end of the audit period to conduct an ending inventory count. The auditor follows the same procedures described for the beginning inventory count. At the conclusion of the ending inventory count, the auditor requests the vendor's purchase documentation for the audit period. The vendor is given thirty calendar days to submit the purchase documentation to the auditor. In the event of imposed travel restrictions or other extenuating circumstances, an ending inventory count may not be completed as it is not needed to finalize the audit.
3. Desk Audit:
    a. The auditor mails an introductory letter of request and beginning inventory count form to the vendor. The vendor must then count all inventory available for purchase for the selected WIC supplemental foods and document that inventory on the form. The vendor must date and sign the form on the day the count is performed and mail it back to the auditor within 10 days.
4. The auditor may mail another inventory count form during the audit period to conduct an ending inventory count. The auditor follows the same procedures described for the beginning inventory count. At the conclusion of the ending inventory count, the auditor requests the vendor's purchase documentation for the audit period. The vendor is given thirty calendar days to submit the requested purchase documentation to the auditor. The audit period is approximately 65 to 90 days, but can be adjusted due to the nature of the audit or administrative circumstances.
5. A daily comparison is performed of WIC inventory available for sale, determined by beginning inventory plus inventory purchased, compared to WIC inventory sold via eWIC transactions. WIC inventory sold is determined by redeemed eWIC benefits transacted at the store during the audit period. The auditor completes an audit report for each audit which contains the audit findings and this report is provided to the WIC Vendor Compliance Officer.
6. If the audit findings show the vendor has claimed reimbursement for the sale of WIC supplemental food which exceeded the store's documented inventory of that WIC supplemental food during the audit period, a claim is assessed against the vendor. Claims are calculated by multiplying the largest daily inventory deficiency by the average price. An inventory deficiency occurs when the amount of the specific WIC supplemental food sold

exceeds the store's documented inventory of WIC supplemental food on any given day during the audit period. The largest daily inventory deficiency is defined as the largest inventory deficiency that occurs on any given day during the audit period. The average price is the average of the shelf prices identified at the beginning and the ending inventory counts or the average redeemed reimbursement price from redeemed WIC food benefits.

7. If the audit findings show this violation has occurred for six or more days within a 60-day period (the six days do not have to be consecutive), the State agency also issues a Notice of Intent to Disqualify the vendor from the WIC Program for a pattern of claiming reimbursement for the sale of WIC supplemental food which exceeded the store's documented inventory during the audit period. The disqualification period is in accordance with 7 CFR 246.12(l)(iii)(B).
8. In some cases, inventory audits may be coordinated with the Office of Inspector General, the Supplemental Nutrition Assistance Program and State law enforcement agencies.