VENDOR AND FARMER MANAGEMENT APPENDIX 4

NORTH CAROLINA
HIGH-RISK VENDOR IDENTIFICATION SYSTEM USING INDICATORS BASED ON EBT REDEMPTION

In accordance with federal regulations, the North Carolina WIC Program conducts compliance investigations on a minimum of five percent of the total number of WIC vendors authorized as of October 1st of each fiscal year. Annually, the Vendor Compliance Officer identifies the number of authorized vendors as of October 1 and determines the minimum number of compliance investigations that must be conducted for the year. While complaints are used as justification to investigate vendors, the North Carolina WIC Program primarily uses the following high-risk indicators, all of which are defined as low variance and/or high mean, when determining risk for WIC vendors in the state:

A. High Mean Criteria Indicators*

1. Average Dollar Amount Per Transaction:

- $55 average amount per transaction (Peer Group 9)
- $40 average amount per transaction (Peer Group 10)
- $40 average amount per transaction (Peer Group 11)
- $31 average amount per transaction (Peer Group 12)
- $33 average amount per transaction (Peer Group 13)
- $33 average amount per transaction (Peer Group 14)

The dollar amount listed above, calculated using three months of eWIC redemption data, is the average dollar amount transacted in one purchase during a quarter per peer group. All active vendors were included in this calculation regardless of peer group. If a vendor's individual transactions are consistently above the average dollar amount during a quarter, then the vendor would be considered high-risk, if he/she is also flagged as high risk using other indicators. The average dollar amount calculated is subject to change based on the redemption amounts reimbursed to vendors per quarter. This indicator alone cannot make a vendor high-risk, it must be used in conjunction with other high-risk indicators to determine risk level.

2. Average Number of eWIC Transactions:

- 137 transactions per quarter (Peer Group 9)
- 1,233 transaction per quarter (Peer Group 10)
- 509 transaction per quarter (Peer Group 11)
- 367 transaction per quarter (Peer Group 12)
- 833 transaction per quarter (Peer Group 13)
- 966 transaction per quarter (Peer Group 14)

The number of transactions listed above is the average amount of eWIC transactions per quarter

per vendor within each peer group. For each peer group, all redemption data for all vendors in the peer group is used to calculate the amounts per peer group listed above. If a vendor's transactions are above the average transaction amount for their peer group for a quarter, then the vendor is considered high- risk. The average number of eWIC transactions calculated is subject to change based on the redemption data for the quarter analyzed.

3. **Four or More Gallons of 1% Milk or Skim Milk in One Purchase:**
   - 15 or more transactions per quarter per vendor.

The number of transactions listed above is the average amount of eWIC transactions, per quarter per vendor, statewide regardless of peer group. The number was calculated using quarterly eWIC redemption data. It is highly unusual for participants to habitually purchase 4 or more gallons of milk at one time due to insufficient storage. Hence, if a vendor submits 15 or more transactions on a quarterly basis which contain 4 or more gallons of milk, they will be flagged as high-risk.

B. High Mean and Low Variance Criteria Indicator*

1. **Transactions with Prices Submitted Above the Not-to-Exceed (NTE) Price:**
   - 20 or more food purchases per quarter per vendor.

The North Carolina WIC program calculates NTEs on a monthly basis using eWIC redemption data. While vendors may submit prices for reimbursement that are over the NTE, the Program only pays vendors up to the NTE. For example, if a vendor submits a price of $3.50 and the NTE is $2.95, then the vendor will be paid $2.95. A semi-annual report, containing NTE redemption data for the previous quarter, that includes all active vendors is analyzed. The report details vendors that submitted prices which exceeded the NTE on specific food items. When data is analyzed, the average number of food purchases of a variety of food items transacted by certain vendors that exceed the NTE will be calculated. If the number of food purchases for a vendor is equivalent to the average number of purchases or higher, then the vendor will be considered high-risk. The average number of eWIC transactions that exceed the NTE is subject to change based on the redemption data for the quarter analyzed.

Reports for each indicator will be generated and analyzed on a semi-annual basis and will be based on the redemption for the previous quarter. See table below.

	Vendor Number	Vendor Name	County	Average Per Transaction	Number of Transactions	Transactions Above NTE	Four or more 1% Milk or Skim Milk in One Purchase	Total # of Indicators
1	10	AMC Mart	Forsyth	✓	✓	✓	✓	4
2	12	Charlotte Food Mart	Mecklenburg	✓	✓	✓	✓	4
3	101	Greensboro Market	Guilford	✓	✓	✓		3
4	77	Queen's Foods	Mecklenburg		✓	✓	✓	3
5	44	Raleigh Supermarket	Wake		✓		✓	2
6	64	The Cary Store	Wake			✓	✓	2
7	88	NC SuperMarket	Hoke				✓	1

The vendors that meet the criteria for each high-risk indicator will be checked on the consolidated spreadsheet. The more high-risk indicators checked, the higher risk the vendor. Higher risk vendors will be investigated first; State agency staff will only investigate vendors with two or more high-risk indicators checked. On the chart above, the vendors with the highest risk appear at the top while the vendors lower in risk appear at the bottom.

Additional high-risk indicators that may be used to supplement high-risk vendor determination are below. Though they are not the primary indicators, they may be utilized to substantiate opening a compliance investigation if only one primary indicator is flagged for a vendor. This may be necessary if less than 5% of authorized vendors have been determined to be high-risk, using the primary indicators. These supplemental indicators may also be used as supporting documentation for vendor-related hearings resulting from appeals.

High Mean Criteria Indicators*

1. **High Percentage of Benefits Redeemed During One Transaction**
   During a 3-month period more than 50% of the participants that purchase foods at the vendor's location use 90 - 100% of their benefits in one transaction.

2. **Formula Sales (Number of Transactions or Amount of Sales Per Peer Group)**
   During a 3-month period the vendor transacts over 25% more contract or exempt formula than other vendors in their peer group.

Low Variance Criteria Indicators*

1. **Redemption Activity Distance**
   Due to the large number of vendors in North Carolina, there is at least one vendor within a 10-mile radius of all WIC participants, in most areas across the state. As a result, if a large number of participants (30% or more) travel over 10 miles from their home address to transact their benefits at one vendor location, the vendor may be considered high-risk, particularly if vendors in the same area as the vendor in question, have lower redemption. There are many reasons that participants may prefer to use a vendor further away from their home address. Hence, this indicator cannot be used alone to determine high risk. It can only be used in conjunction with other indicators to determine the potential to commit fraudulent activity.

2. **Keyed Versus Swiped Transactions**
   If more than 10% of the transactions were keyed, instead of swiped at one vendor over a 90-day period, the vendor may be considered high-risk. Manually keying a transaction could also indicate poor training or that the cash register system is not functioning properly. Due to other legitimate reasons for keying transactions, this indicator cannot solely be used to confirm high-risk, but can be used in addition to others.