

SECTION 3

Food Delivery System

FOOD DELIVERY SYSTEM

(Goals - III, Procedures - 300)

Description of System

Department of HEALTH WIC Program

The State of Rhode Island Department of HEALTH WIC Program (HEALTH WIC PROGRAM) operates a statewide, computerized food delivery/management system. This system has four main components: the banking community, vendors, the state agency, and WIC local agencies. The Rhode Island food delivery system consists only of contracted retail grocery or food stores, or pharmacies, located in Rhode Island. Participants receive the Program's supplemental foods free of charge.

From 1990 to 1992 the Rhode Island WIC Program converted its ADP and Food Instrument Issuance System from a centralized mainframe system which produced food instruments on twice monthly cycles, half the caseload each cycle. Data was prepared for the system with hand written data forms at the clinic level and key entry of the data at the state WIC office.

The system now consists of a PC central computer at the state WIC office linked by modem to PCs at each clinic. Clinic configurations range from Novel LAN systems of 2 to 8 PCs, stand alone PC clinics and a few clinics using portable PCs. The state agency computer telephonically polls local agencies on a nightly unattended basis to send and receive data. The central state computer also dials into the bank system to nightly upload and download information pertaining to check issuance, bank payment and rejection activity and a vendor information file consisting of authorized vendor by type. Each check issued is designated as to food package and check type and each check type has the capability of five different maximum allowed prices depending upon the vendor classification system related to size.

The starting point for the system is at the local agencies and begins with participant certification. Staff members assign to the applicant a caseload slot, issue an identification (ID) folder, checks, and enter enrollment and nutrition information in the computer such as participant's name, address, food package, certification date, and family number, as well as other data. The computer assigns the individual's number

The computer maintains the participant's record as active for the duration of the certification period (in most cases, six months). During that time, the computer produces a monthly set of two or three months of checks for the participant as prescribed by the nutritionist. A participant's input data passes through an edit to locate errors. For example, if a participant is coded as a child, the computer checks to see that the transition from date of birth to action date is under five years.

At the retail store, the participant selects the WIC foods authorized. If an alternate shopper is shopping for the participant, the alternate's signature on the check should match the alternate's signature on the ID card. The grocer enters the cost of the food items on the face of the check in the presence of the participant, in the designated space, and the participant countersigns the check. The grocer verifies that the participant's ID card matches the name on the check, and that the two signatures on the check match.

Retail grocers must enter into a written agreement with the HEALTH WIC PROGRAM prior to their accepting any WIC food checks. Once an Agreement is signed, grocers receive a special WIC stamp bearing the store's name and an identifying number. The HEALTH WIC PROGRAM is responsible for supplying the retailers with the special store stamp. Grocers can redeem WIC checks at their banks only if they stamp them with the designated stamp.

After a retailer deposits a WIC check at the bank, the check moves through the banking system in much the same manner as a personal check. After passing through a clearinghouse bank, the check is deposited at the contracted service bank, where the state has set up a WIC account.

The process for paying participating food vendors is in conjunction with participating banks throughout the state. When the retailer delivers a redeemed WIC check to a bank, the bank will post a ledger credit to said vendor's account. At this time, the participating bank sends the deposited WIC checks to the Rhode Island WIC bank. The bank encodes the vendor number from the check on the issue file for that check and then runs a series of prepayment edits upon receipt of said checks. If the check clears all edits, the bank remits the funds to the vendor's bank.

At this point the WIC contract bank charges the established Rhode Island Department of HEALTH WIC Program WIC account for monies paid out for redeemed checks. The bank is under contract with the HEALTH WIC PROGRAM to:

1. Reject payment of all checks over sixty days old.
2. Stop payment on checks at HEALTH WIC PROGRAM request.
3. Provide microfiche records of all WIC transactions.
4. Perform the prepayment edits including, but not limited to:

NO WIC STAMP
NO SIGNATURE
EXPIRED
FUTURE DATED
EXCESSIVE DOLLAR AMOUNT
IMPROPERLY COMPLETED
ALTERED OR MISSING DATA
STOP PAYMENT
VOIDED
NOT ON ISSUE FILE
PREVIOUSLY REJECTED
ALREADY PAID

The HEALTH WIC PROGRAM will be charged for these and other services as outlined in the State of Rhode Island and bank agreement.

The HEALTH WIC PROGRAM maintains funds in the bank to cover the obligation estimated for the next three days. Using recent redemption data, the WIC staff determines these estimates, in accordance with amounts spent and current CMIA guidelines in concert with the Controller's Office and the Treasurer's Office.

Food Instrument Reconciliation

Using reports generated by both the bank and the WIC state automated system, state staff will collect questionable redeemed checks and other related information with a method of collection as follows:

A. Bank Reconciliation

After the close of each day, the bank submits to the HEALTH WIC PROGRAM a transaction file of paid and rejected checks. This information is matched against the state file sent each night to the bank of checks issued and voided. The files are merged, and the HEALTH WIC PROGRAM learns the difference between the amount obligated for food costs, and the amount that WIC participants actually expended. This difference is added to or subtracted from the next drawdown of federal monies.

B. Check Reconciliation (monthly from the bank in file format and on fiche)

An automated check reconciliation.

This report provides an analysis of each check the bank has processed. The computer has an average price index that fluctuates according to price changes. Checks that exceed the average price for the items specified

are identified and the amounts of overage are provided. The state monitors will use this report to locate vendors with overcharges and take the appropriate action.

The amount of overcharges is forwarded to the retailer, who in turn must submit payment to the Rhode Island Department of HEALTH WIC Program for the amount of overcharge. Checks received by the Rhode Island Department of HEALTH WIC Program will be credited back into the WIC account established at the state level. Stores that overcharge will receive notice in writing. Warnings, sanctions and other steps are taken to correct the problem.

Checks that do not match during this reconciliation process are listed and investigated by the HEALTH WIC PROGRAM staff. These unmatched checks fall into the categories in the table listed above.

Monthly, the computer system and the Vendor Unit perform a detailed vendor specific analysis. It is then matched with participant and vendor information and vendor for volume, average price, and any irregularities analyzes checks.

As staff resources allow, the state takes a sample of checks to investigate overcharges, the presence or absence of an authorized WIC vendor stamp, and any other discrepancies. Investigation follows significant abnormalities noted, and appropriate measures are taken.

**FD-1 Lost or Stolen Check Procedures
(Procedure Manual Sec.320)****Goal**

To protect the WIC Program from financial obligations resulting from the redemption of stolen WIC checks.

Procedure

The following procedures will be adhered to by Rhode Island Department of HEALTH WIC Program and local agency personnel in cases involving theft, and/or loss of checks:

- A. The local agency will phone, within a reasonable time, with relevant information. The call should be directed to the staff member who maintains the computer "Bad Check" Register and Check Alert Log Book or, if absent, to the alternate. If both are absent, the staff person who takes the call will record the information in the Log.
- B. A log number will be issued to the Local Agency for each lost or stolen check. These numbers will be consecutive and entered into the Register along with date of alert, check number, local agency number, description of loss and void instructions. Local agencies should be instructed to void lost or stolen checks as follows:
 - 1. If a participant has lost checks, they should be voided as "Used", void code "U", if not to be replaced.
 - 2. If a participant reports that checks have been stolen, usually void them as "Used", void code "U". If, however, the local agency presents proof on behalf of the participant of exceptional circumstances or undue hardship as discussed below in I.2, after consulting the State Agency supervisor, checks may be voided as "Lost", void code "L". The bank will reject checks voided as "Lost"; therefore, a "Stop Payment" WIC Checks Notice will be prepared and mailed to all WIC Vendors.
 - 3. If checks have been destroyed under exceptional circumstances, as discussed in I.2 below, checks may be voided as "Lost" void code "L". A "Stop Payment" WIC Checks Notice will be prepared and mailed to all WIC Vendors.
 - 4. If checks, which have not yet been assigned to a participant, are stolen, they should immediately be voided as "Stolen", void code "S" and a "Stop Payment" WIC Checks Notice mailed to all WIC Vendors.
- C. If replacement checks are requested and authorized by the State Agency, reissued check numbers must be entered into the computer Register. The replacement food package must be prorated to reflect the remaining days of the check month period minus one week to notify vendors and the bank and/or minus any redeemed checks for the period. Local agencies will call those reissued numbers in to the State agency or send them on a WIC-10 form.
- D. If a "stop payment" order is to be placed on checks (void codes "L", lost or "S", stolen), the responsible staff person will coordinate with Vendor Staff to alert stores. The Program Chief will be notified. A "Stop Payment" WIC Checks Notice will be prepared and mailed to all WIC Vendors.
- E. Local agency will notify the police department of any theft from the agency.
- F. Liaison will verify that the appropriate police department has been notified of any possible theft.

- G. When a completed WIC-10 (WIC CHECK ALERT ORDER) is received from a Local Agency, the responsible person will file it in the Check Alert Log Book. If a form is not returned within a week, that person will follow up with the Local Agency.
- H. Replacement of Checks
1. Checks that have been received by the participant or alternate shopper, may not be replaced except as set forth below (I.2).
 2. Local agency will notify the participant that if lost or stolen checks are found they cannot be used. The checks should be returned to the local agency. If dates are still valid, checks may be reissued based on number of checks returned.
- I. Assistance to Participants
1. When a local agency requests State Agency assistance due to Inadequate Participant Access, the liaison will help the local agency to identify available food resources (ex: formula supplies, food closets.)
 2. No replacement checks may be issued unless the Program Chief or his/her designee authorizes such issuance under exceptional circumstances. Evaluating exceptional circumstances shall include, but not be limited to, consideration of the following factors:
 - a. There is local agency documented undue hardship to the participant. Undue hardship is considered:
 - * loss of formula checks which is a direct threat to the nutritional status of the participant
 - * high risk status of participant
 - * chronic illness or medical condition
 - * difficult guardian situation
 - * others determined by the Program Chief
 - * family income below 185 percent of poverty level
 - b. There is corroborative evidence that the loss was the result of unavoidable catastrophe or crime, and evidence that the receiver(s) of the checks took reasonable steps to safeguard the checks.
 - c. Bank records have been reviewed to see if originals were redeemed.
 - d. Liaison and Local Agency have investigated whether participant (or agent) redeemed originals.
 - e. Any possible theft was reported to police.
 - f. The payee's history of check loss. Consider whether the payee is responsible enough to provide the WIC food to the infant or child. Consider if another payee should be assigned. Replacement checks should not be issued to a payee more than once in any twenty-four month period.
 - g. The payee signs a witnessed statement giving details of loss, and stating the payee:
 - Did not authorize anyone to receive or redeem the checks.
 - Did not receive any benefit therefrom.
 - Is willing to appear in court to give evidence regarding the loss.
 - Is making the statement for the purpose of obtaining replacement check(s).
- J. Reimbursement To Vendors
- Any voided or reported lost, stolen or damaged checks submitted for reimbursement and rejected by the bank will be evaluated by the Program Chief or his/her designee, to determine whether reimbursement will be

made. There is no obligation to reimburse vendors for any voided or stop payment check. Such a decision will be based on consideration of relevant factors including, but not limited to:

1. Whether all proper redemption procedures had been followed.
2. The vendor's efforts to validate each of the redemptions at the time of the redemption.
3. The vendor's justification for having participated in the redemption.
4. The vendor's witness credibility and willingness to cooperate in any subsequent investigation and prosecutions.
5. Whether a notice of stop payment had been sent to vendors.

Any such exceptions, furthermore, must be in the interests of the Program's accountability and protection of funds to serve the optimal number of eligible persons.

K. Follow-up - Questionable Redemptions

The State Agency data, liaison and vendor staff will continue to monitor for redemptions of original or replacement checks. If the original checks are redeemed the state and local agency will confer on an appropriate course of action:

1. Determine which checks were redeemed and by whom.
2. Determine whether all proper redemption procedures were followed.
3. Determine how to prevent any improper redemptions from reoccurring, either by the particular participant/family or payee, or at the local agency in general.
4. Determine appropriate participant or vendor education and/or warning notice, or agency corrective steps.
5. Determine sanctions as appropriate (see Procedures Sec. 242 and Operations Sec. 3, Vendor Monitoring).
6. Place payee on monthly check pickup schedule for at least the next six consecutive certified months (term doubled for a second occurrence for a payee).

OPERATION OF THE RETAIL VENDOR MANAGEMENT SYSTEM

The objective of the state's retail vendor management system is to prevent, detect and correct or sanction possible or actual fraud, waste and error; to efficiently and effectively deliver food benefits to insure participant convenience and access; to select, authorize and maintain the authorization of only those vendors who demonstrate that they are, will be and continue to be a benefit to the Program and to train vendors so that they may better comply with WIC Program requirements in order that each vendor will be a benefit to the Program. In this way, the fiscal and nutritional integrity of the Program is protected.

8/99 Definition of Vendor

The word, vendor, means and includes the **grocery or pharmacy** vendor specified in a Vendor Participation Agreement, a business in process of applying to be a participating WIC **grocery or pharmacy** vendor; the business and any person, firm, corporation officer, owner or manager or entity who/which has, has had or having a controlling or partnership (>45%) interest in, or managerial control of, such a **grocery or pharmacy** vendor or business, or any individual who participates in the transaction of a WIC check other than the WIC payee or alternate shopper authorized to transact the check, or bank or WIC staff in the performance of their duties.

No grocery or pharmacy vendor will be accepted or continued on the Program that would be a detriment to the effective and efficient administration of the Program.

10/18/01 Vendor Authorization

Only properly authorized vendors are allowed to participate in the Rhode Island Program. The state uses a uniform vendor application form for all vendors applying for Program participation. The locations of Rhode Island WIC vendors have been census tracted for the purpose of assuring that food vendors or pharmacies are located in areas accessible to participants and that the number of food vendors or pharmacies servicing the area is sufficient. All applicants are reviewed for ability to stock and provide Program food benefits; willingness and ability to operate in accord with Program regulations, guidelines, and procedures; business integrity; potential for risk; and benefit to the Program. **Changes in ownership/control, etc. are grounds for authorization review.** The agency's ability to effectively monitor and educate vendors is also considered in approving additional vendors (see Vendor Applicant Selection, V-1) (**see Change of vendor ownership, V-12.**)

Vendor Agreement

No party may accept (authorized participants and proxies excepted) or deposit WIC checks or otherwise attempt to conduct WIC vendor activities without first entering into a written Vendor Participation Agreement with the State Agency. Agreements are in effect for up to eighteen months subject to termination, disqualification, suspension and extension provisions. A standard vendor agreement form is in effect statewide. This agreement provides for compliance with all regulatory requirements (see Vendor Participation Agreement.)

Vendor Evaluation, Monitoring and Sanctions

8/99 The State agency assumes responsibility for vendor monitoring and sanctioning. State agency staff make site visits to authorized vendors. Vendors are selected for site visits on the **basis of potential for risk** and/or representative sample selection. In the event that violations of Program regulations and rules are discovered in the course of vendor monitoring or review of records or reports from other parties, Program procedures provide for appropriate corrective measures. These measures include sanctions, warnings, and education. Sanctions may include claims for repayment, probation, disqualification, termination or other appropriate action.

The State agency also conducts compliance investigations and inventory audits in order to determine possible violations. Violations uncovered through this method are also dealt with through vendor education, warning and/or sanction, as appropriate.