



# Vendor Management in an EBT Environment

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WIC EBT User Group Meeting

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# Overview

Vendor Selection & Training

Cost Containment & High Risk Vendors

Monitoring & Investigations



# Vendor Selection & Training



# Selection Process

- Selection criteria – 7 CFR §246.12(g)(3).
  - Previous criteria still apply.
  - EBT capable – 7 CFR §246.12(aa)(4)(ii).
    - Processor arrangements.
    - Internet access.
    - Minimum lane requirements.
  - Competitive price.
  - *SA option*: SNAP authorization.



# Selection Process

- Application form – example of changes.
  - Average monthly WIC redemptions.
  - Number of registers.
  - Number of terminals that accept WIC.
  - Type of EBT equipment (e.g., multi-function).
  - Does vendor own, rent, or plan to acquire terminals?
  - How does vendor connect to Internet?
- Application process.
  - Two-step application process allowed.
  - Vendor may not accept WIC benefits until fully authorized – all steps completed.



# Selection Process

- On-site preauthorization visit.
  - Necessary to verify EBT capability.
  - Visit must take place after vendor acquires EBT system and before authorization.
  - Encourage visit to existing vendors transitioning to EBT, too.
- Timeframe for accepting new applicants still applies – participant access exception.



# Documentation & Training

- Vendor agreement.
  - 5 new requirements added to list in regulation.
  - 7 CFR §246.12(h)(3)(xxvii-xxxi).
- Vendor training.
  - Include vendor agreement amendments.
  - Address implementation issues such as open lanes with WIC terminals.
  - Specific system operation requirements.



# Participant Access

- Clear, consistently applied criteria.
- Guidance to come.



- Local agencies provided resources and training needed to carry out delegated functions.

# Cost Containment & High Risk Vendors



# Cost Containment System Assessment

- What is effectiveness?
  - Price as an outcome measure.
  - The most effective peer groups are those where the variation in price within groups is less than the variation in price between groups.
  - Peer group design is a critical element of effective competitive pricing systems and maximum allowable reimbursement levels.

*Interim Guidance on WIC Vendor Cost Containment, p. 21 & 36*

*\*Additional guidance to come (Vendor Handbook)*



# Cost Containment System Assessment

- What does this mean for EBT?
  - It's a good time to do the required assessment and get your peer groups in order.
  - Consider evaluating cost at the subcategory level. There is such a thing as too much data.
  - Ask FNS for help. We have new resources and can provide comprehensive TA.



# Maximum Allowable Reimbursement Levels (MARLs)

- Paper – set at FI level.
- EBT – set at the item UPC, subcategory, or category level.
- Some vendor systems print the MARL on the receipt instead of the shelf/sale price of the item, but then claim the shelf/sale price. This will affect compliance buy results.
  - Find out as much as you can about all your vendors and their systems.
  - Train/require vendors to set up their system to facilitate compliance.



# Shelf Price Collection

- Use REQUESTED/CLAIMED price data in redemption files and check shelf prices.
- Apply for an exemption from the shelf price collection requirement if you can demonstrate that your system is capable of containing costs.
  - You will still have to collect shelf prices from new vendor applicants.

**WIC Vendor Management Exemption Request:  
Shelf Price Collection Requirement**

WIC State agencies (SAs) are encouraged to use this worksheet to submit an exemption request to the Food and Nutrition Service (FNS). SAs should consult their respective Regional Offices (ROs) before submission. SAs should submit requests at least 60 calendar days before the anticipated implementation date.

An approved exemption remains in effect until the SA no longer meets the conditions on which the exemption was based; until FNS revokes the exemption; or for three years, whichever occurs first, as set forth in WIC regulation 246.12(g)(4)(ii)(B).

State Agency:  Date:

SA Point of Contact:  Title:

Email Address:  Phone Number:

Has the SA ever had a Shelf Price exemption?  
 Yes  No

If yes, what date did FNS grant the prior exemption?

Reason for requesting this exemption (choose one option from the list below):

**SECTION 1. Regulatory basis for the request.**

1. Check the statements that best describe the SA's current vendor cost containment system. If all of these statements do not apply, consult your RO before proceeding.

The SA has alternative methodology for capturing vendor prices and monitoring vendor compliance that is efficient and effective in achieving vendor cost containment.

SA policies and procedures are not dependent on frequent collection of shelf price data.

2. Is the SA requesting this exemption due to the SA's implementation of an EBT system?  
 Yes  No

If yes, what is the statewide EBT implementation date?

3. Does the SA authorize above-50 percent (A50) vendors?  
 Yes. (Section 4 is required.)  
 No. (Section 4 is NOT required.)

**SECTION 2. Proposal description.**

In the space below, describe the alternative cost containment methodology.

Version 1.0  
July 2016 Page 1 of 3



# High Risk Vendor Indicators

- Current indicators that rely on redemption data can be a challenge because
  - the transactions are not aligned with issuance information and
  - data is at the food item/UPC level.
- Federally required indicators need to be reassessed to see how to best implement them with your EBT data.
- Learn about your EBT data.



# Reporting

- Your bank processor and MIS contractors can show you the reporting capabilities of your system and sometimes teach you how to use it for:
  - Cost containment assessments.
  - Peer grouping analyses.
  - HRV Indicators.
- For example, SOAR has canned reports that can help you with HRV identification.
- Once you learn about your system's reporting abilities, you can reach out to FNS for TA on analysis.



# Monitoring & Investigations



# Types of Monitoring & Investigations

- **Routine Monitoring** – State agency representative conducts overt, on-site visit of vendor location to observe compliance with Program rules, as well as provide technical assistance
- **Compliance Investigations** – Consisting of compliance buys (covert) and inventory audits (usually overt).



# Routine Monitoring

During monitoring visits, State agencies should observe the following:

- Compliance with EBT operating rules and policies.
- EBT Capabilities.
  - EBT Terminals.
  - Internet access.
  - Minimum lane requirements.
  - Review EBT transactions and receipts.



# Compliance Investigations

State agencies must:

- Conduct compliance investigations on a minimum of 5% of the number of vendors authorized as of October 1 each year.
- Conduct compliance investigations on its high risk vendors up to the 5% minimum.
- Prioritize high risk vendors based on the greatest potential for noncompliance and/or loss if the percentage of high risk vendors is greater than 5%.



# Compliance Investigations

## Compliance buys

- State agencies should update compliance investigation forms and procedures to EBT transactions.
- Modify compliance buys to find EBT violations.
  - Cash for EBT benefit (trafficking).
  - Overcharging, especially on CVV.
  - Substitutions, especially on CVV.
  - Failure to apply loyalty card discounts that appear on receipt.



# Compliance Investigations

## Inventory Audits – EBT Data

- State agencies may want to increase the number of inventory audits.
  - Accessibility to EBT redemption data.
  - Concrete evidence of abuse.
  - Easier to defend and present in legal proceedings.
  - Easier to calculate a claim against a vendor.
  - Easier to establish a pattern of vendor abuse.
  - More cost effective than compliance buys.



# Sanction Schedule

State agencies should update vendor sanction schedule to include EBT violations.

- Federal – Mandatory vendor sanctions.
- State – noncompliance of EBT operating procedures and requirements.





# Thank you!

Please contact your FNS  
Regional Office with any  
questions or requests for  
technical assistance.

