

**NEW JERSEY DEPARTMENT  
OF HEALTH WIC PROGRAM  
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WIC PROGRAM**

**POLICY AND PROCEDURE MANUAL**

**Policy & Procedure Number: 1.47  
Effective Date: April 24, 2019**

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**Functional Area: I. VENDOR MANAGEMENT**

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**Subject: Inventory Audit**

**A. POLICY:**

The SA reserves the right to perform an Inventory Audit at any time on any authorized Vendor. Inventory audit means the examination of food invoices or other proofs of purchase to determine whether a vendor has purchased sufficient quantities of supplemental foods to provide participants the quantities specified on food instruments redeemed by the vendor during a given period of time.

The State Agency (SA) shall use a number of factors to determine if a store is to receive an inventory audit. An inventory audit can be the result of an investigation, a monitoring event or conducted in lieu of a compliance buy. Factors to be considered are:

- Participant Complaints Reports
- Low Variance Report
- High Cost Vendor Summary
- High Cost Food Instrument
- Thirty Percent Change
- Large number of food instruments redeemed outside of the service area
- Vendor Monthly Summary
- A vendor found to be within 45%-49% of SNAP sales compared to WIC sales

1. Once a vendor has been identified to receive an inventory audit, the SA will notify the owner via certified mail. Vendors will receive a notification (1.38B Inventory Audit Notification Letter) requesting food invoices or other proofs of purchase to determine whether they have purchased sufficient quantities of supplemental foods to provide participants the quantities specified on food instruments redeemed by the vendor during the time period specified by the SA.

2. The owner or their representative has three weeks to respond to the notification. Failure to respond will result in termination of the vendor.

3. After the SA has reviewed the documentation sent from the vendor, and discrepancies are found the SA may determine sanctions up to and including restitution and or termination.

## **B. PROCEDURES:**

1. Once a vendor has been identified to receive an inventory audit, the SA will notify the owner via certified mail. Vendors will receive a notification (1.38B Inventory Audit Notification Letter) requesting food invoices or other proofs of purchase to determine whether they have purchased sufficient quantities of supplemental foods to provide participants the quantities specified on food instruments redeemed by the vendor during the time period specified by the SA.
2. The owner or their representative has three weeks to respond to the notification. Failure to respond will result in termination of the vendor.
3. After the SA has reviewed the documentation sent from the vendor, and discrepancies are found the SA may determine sanctions up to and including restitution and or termination.
4. After a compliance buy or monitoring visit or determination of a vendor being high risk; the SA reserves the right to conduct an inventory audit.
5. The SA will notify the vendor requesting invoices for a defined period of time. Invoices or purchase records must show the following:
  - a) name and address of the supplier or wholesaler
  - b) date of the purchase
  - c) list of the items purchased including, size, stock number, UPC code (if available), quantity and unit price.
  - d) sales receipts for WIC formula purchased at retail grocer (for resale by the vendor) must include the name and address of the store, the date of purchase, description of the exact items purchased the unit price of the items and the total quantity purchased.
6. The records must also adhere to the following:
  - a) Receipts, which do not completely describe the actual item, shall have computer codes, which can be verified by contacting the store at which the merchandise was purchased.
  - b) All receipts from purchases at retail establishments must be machine dated by the establishment. Hand dated retail store receipts are not acceptable.
7. Affidavits, Statements of Fact and oral statements shall not be accepted as evidence of inventory.

**Only original purchase invoices or original retail receipts as described in this section shall be accepted and constitute evidence of inventory.**

8. Vendors must only purchase infant formula from wholesalers, distributors, and retailers listed on New Jersey's Infant Formula Directory.
9. Documentation must be received within three weeks from receipt of the notification. Failure to do this will result in a failed inventory audit and the vendor will be disqualified from the Program for three-years.
10. Within 60 days the, SA shall review the documentation and make a determination. If the audit is determined to be in compliance, the vendor will be notified. If the audit is determined to not be in compliance the vendor will be notified and the State will impose the corresponding sanction in accordance with the State's sanction schedule.