

**NEW JERSEY DEPARTMENT OF HEALTH  
WIC PROGRAM**

**POLICY AND PROCEDURE MANUAL**

**Policy & Procedure Number: 1.47  
Effective Date: April 24, 2024**

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**Functional Area: I. VENDOR MANAGEMENT**

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**Subject: Vendor Inventory Audits**

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**A. POLICY:**

1. The State Agency (SA) reserves the right to perform an Inventory Audit at any time on any WIC authorized vendor. A vendor that fails an inventory audit shall be sanctioned in accordance with the Vendor Sanction Schedule (NJ P&P 1.31H/I), which includes termination of the Vendor Agreement and the imposition of a vendor claim.
2. 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 with the quantities specified on the Electronic Benefit Account (EBA) redeemed by the vendor during a given period of time.
3. Selection of Vendors for Inventory Audits:
  - a. The SA shall determine the minimum number of vendors that will receive an Inventory Audit by October 1 of each fiscal year to meet the cumulative minimum federal requirement of five percent between Compliance Investigations and Inventory Audits.
  - b. If more than five percent of the SA's vendors are identified as high-risk, the SA must prioritize such vendors so as to perform Inventory Audits of those determined to have the greatest potential for program noncompliance and/or loss of funds.
4. The SA will notify the vendor of the inventory audit and request 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. a list of the items purchased, including size, stock number, UPC code (if available), quantity, and unit price.
  - d. sales receipts for WIC-approved foods purchased at retail grocers (for resale by the vendor) must include the name and address of the store, the date of purchase, a description of the exact items purchased, the unit price of the items, and the total quantity purchased.
5. The vendor submission/records must also adhere to the following:
  - a. Receipts that do not entirely 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 (written) retail store receipts are not acceptable.
  - c. Affidavits, Statements of Fact, and oral statements shall not be accepted as evidence of inventory. **Only purchase invoices or retail receipts, as described in this section, shall be accepted and constitute evidence of inventory.**

**B. PROCEDURES:**

1. The SA shall select high-risk vendors based on risk factors defined in P&P 1.50 Vendor Risk Criteria.
2. [REDACTED]
3. [REDACTED]
4. The owner or their representative has fourteen (14) calendar days to respond to the notification. Failure to respond may result in the imposition of a sanction in accordance with the vendor sanction schedule and termination of the vendor agreement. A claim for the amount of redemptions not validated for the period being audited may also be imposed.
5. After the SA has reviewed the documentation sent from the vendor utilizing the Inventory Audit Analysis form (NJ P&P Attachment 1.47D) and finds discrepancies, the SA will inform the vendor of the discrepancies and provide the vendor fourteen (14) calendar days to submit additional documentation.
6. Documentation must be received within fourteen (14) calendar days from receipt of the notification. Failure to respond to SA programmatic requests will result in a failed inventory audit. The vendor shall be sanctioned in accordance with the Vendor Sanction Schedule (NJ P&P 1.31H/I), which includes the termination of the vendor agreement and may include the imposition of a vendor claim for the amount of redemptions not validated for the period being audited.
7. Within sixty (60) calendar days, the SA shall review the documentation and make a determination utilizing the Inventory Audit Analysis form (NJ P&P Attachment 1.47D). If the documents received by the SA are determined not to be acceptable, the SA will send the vendor an Incomplete Inventory Audit Letter (NJ P&P Attachment 1.47C). The vendor must respond to the Inventory Audit Letter within ten (14) calendar days. Failure to respond shall be considered a failed inventory audit, and the vendor shall be sanctioned in accordance with the Vendor Sanction Schedule. A vendor claim for the amount of redemptions not validated for the period being audited shall also be imposed.
  - a. If the inventory audit results show that the amount of food items from the initial inventory count plus the amount of food item inventory documented during the audit period exceeds the total number of food items sold to WIC customers, or if any identified discrepancy amount totals less than \$250, the vendor is deemed to have passed the audit.
  - b. If the inventory audit results show that the total number of food items sold to WIC customers exceeds the amount of the food items from the initial inventory count plus the

amount of food item inventory documented during the audit period, or if any discrepancy amount totals exceed \$250, the vendor is deemed to have failed the audit.

- c. Vendors deemed to have failed an inventory audit will be subject to a 3-year disqualification per the State Agency WIC Sanction Schedule. If the State Agency determines that disqualifying the vendor would result in inadequate participant access, the State Agency will issue a Civil Money Penalty in accordance with 7 CFR 246.12(l)(1)(x) and the State Agency WIC Sanction Schedule.
8. The State Agency will establish a claim for the total dollar amount for any discrepancy identified during the audit, i.e., the cost for all food items not accounted for in the vendor's invoice records.
9. If the audit is determined to be in compliance, the vendor will be notified via the Inventory Audit-In-compliance Letter (Attachment 1.47E).
10. If the audit is determined to not be in compliance, the vendor shall be sanctioned in accordance with the Vendor Sanction Schedule (NJ P&P 1.31H/I), which includes termination of the Vendor Agreement and the imposition of a vendor claim for the amount of redemptions not validated for the period being audited. The vendor will be notified of the failed audit via the Inventory Audit-Non-Compliance Letter (NJ P&P Attachment 1.47F).

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Attachment(s):

- 1.31H/I Vendor Agreement
- 1.47A Initial Formula Inventory Form
- 1.47B Inventory Audit Notification Letter
- 1.47C Incomplete Inventory Audit Letter
- 1.47D Inventory Audit Analysis Form
- 1.47E Inventory Audit - In-compliance Letter
- 1.47F Inventory Audit - Non-compliant Letter
- P&P 1.38 Vendor Compliance Investigations
- P&P 1.42 Routine Monitoring
- P&P 1.50 Vendor High-Risk Criteria *DRAFT*