

Chapter III

Benefit Issuance Controls

WIC benefits are generally issued to participants in the form of paper instruments that specify the food items in a monthly food package. The food package may be divided among several instruments, so that purchases can be spread out over the month. Usually, participants pick up their food instruments at a WIC clinic during a visit for certification or nutrition education. The participants redeem their food instruments for the prescribed foods at authorized stores. (A few States use non-retail delivery systems, such as home delivery or food distribution centers).

Two types of food instruments are most typical:

- WIC checks are formatted to be processed like regular checks through the banking system.
- WIC vouchers are submitted directly to the State agency, so they are formatted according to the State's needs (within the requirements of WIC regulations).

In this chapter, the text refers to both checks and vouchers as food instruments.

Several States are developing or operating electronic benefit transfer (EBT) systems for benefit issuance and redemption. In the EBT systems currently being pilot-tested in Wyoming, Nevada, and Ohio, each WIC household has a card with a computer chip to store the benefit prescription. Vendors are equipped with point-of-sale terminals, which process purchase transactions and (in some instances) load additional benefits to the card. Thus, the EBT card replaces the paper food instruments.

This chapter discusses the methods used to protect the integrity of the WIC benefit issuance process, which includes the handling, production, and distribution of the food instruments. (Benefit redemption practices are discussed in the next chapter.) The text focuses on the conventional process used in nearly all States. Although EBT offers greater security in several aspects of benefit issuance, it is not yet sufficiently mature to be presented as an enhanced control for widespread use. Readers can refer to several FNS documents for information on EBT.³

3.1 Background

As background to the discussion of basic and enhanced benefit issuance controls, it is helpful to review the nature of the vulnerabilities in the benefit issuance process and the available statistics on the prevalence of certain basic practices.

³See the FNS website for resources (www.fns.usda.gov/wic).

Vulnerabilities of the Benefit Issuance Process

In the WIC benefit issuance process, several types of fraud or abuse may occur:

- Food instruments may be lost or stolen during storage, production, or shipment.
- Participants may receive excessive benefits if the food instruments do not match the prescription.
- Duplicate benefits may be issued if a participant falsely reports food instruments as lost.
- Food instruments may be issued to the wrong person through error or deliberate fraud.
- Food instruments may be altered or counterfeited to make unauthorized benefits available to the perpetrators.

Either participants or Program staff may be involved in any of these forms of fraud. Except for issuances to the wrong person that are not replaced, all of these vulnerabilities entail a loss of WIC funds.

Key Provisions of WIC Regulations

WIC regulations concerning food delivery systems (7 CFR 246.12) establish a number of requirements to ensure the integrity of the food instrument issuance process:

- State WIC agencies must establish standards for the security of food instruments and uniform procedures for participants to obtain them.
- Food instruments must be securely stored and transported, and equipment for producing food instruments must be protected from loss and misuse.
- To assure the security of food instrument stock and preprinted food instruments, WIC agencies must store them under lock and key and maintain perpetual inventories, conduct monthly inventories, and reconcile these inventories on a monthly basis.
- Each food instrument must contain specified information, including valid dates for use by the participant, the last valid date for submission by the vendor, a unique serial number, and the food items that may be purchased with the instrument. The food instrument may specify a maximum value and must provide space to record the price of foods, identification of the vendor, and the participant's signature.
- The participant or proxy must sign a receipt when food instruments are issued.
- Participants and proxies must receive instruction on proper use of food instruments and procedures for obtaining supplemental foods.
- State agencies must account for the disposition of all of their food instruments.

WIC regulations also establish several requirements to ensure that participants receive appropriate nutrition education and other services in conjunction with benefit issuance:

- Food instruments must be picked up in person when the participant is scheduled for nutrition education or certification. (This requirement also minimizes the mailing of benefits and the associated risks of losses.)
- The agency may issue no more than 3 months' food instruments at a time.
- State agencies may permit issuance to proxies when participants cannot come to the clinic, but the procedure must ensure adequate provision of nutrition education and referrals for health care to participants.

Data on Issuance Practices

Table 3–1 presents the available information on the various means of issuing food instruments by the States and ITOs as of 1998.

Table 3–1—Background statistics on issuance of food instruments

Practice	Percent of State agencies (including ITOs)
Use computer to print food instruments	92 ^a
Print food instruments on demand	69 ^b
Location of food instrument printing:	
All at clinic sites	40
Both State agencies and clinic sites	32
All at State agency site	22
Unspecified/do not print food instruments	6
Frequency of food instrument issuance:	
Monthly	27
Every 2 months	39
Every 3 months	18
Other cycle	11
Unspecified/do not print food instruments	5

^aU.S. General Accounting Office, *Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*, p. 42; figure is for States only.

^b USDA Food and Nutrition Service, *Profiles of WIC State Agency Information Systems, Fiscal Year 1997*, State Table 1; date reflect base of 48 States and District of Columbia.

All other data: USDA Food and Nutrition Service, *National State Agency Program Integrity Profile, 1998*. Responses were from 52 State agencies and 25 ITOs.

This table demonstrates the following general patterns:

- Nearly all States (92 percent) use computers to print food instruments.
- All food instruments are printed at local clinic sites in 40 percent of States; some or all food instruments are printed at a central State site in 54 percent of States.
- Bi-monthly issuance is most common cycle (used in 39 percent of States); monthly issuance is second most common cycle (used in 27 percent of States).

Some of these statistics represent standard practices that may be modified to meet special needs. Some agencies that use computers to print food instruments also use manually prepared food instruments in certain situations, such as for the issuance of therapeutic formula. An agency that uses bi-monthly or tri-monthly issuance as the standard practice may shorten the issuance cycle when a participant needs to be seen more frequently (e.g., high-risk pregnancies).

3.2 Overview of Controls for Benefit Issuance

Table 3–2 summarizes the principal controls for preventing and detecting fraud in issuing WIC benefits. The first column identifies the basic controls that are widely or universally used, including measures required by FNS. The second column identifies enhanced controls that can improve program integrity. Some of these enhanced controls are appropriate for most or all States, while in other cases there are multiple options for enhancing controls.

Table 3–2—Requirements and controls for benefit issuance

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Requirement: Uniform procedures for issuing food instruments		
Basic control: State agency establishes policy on who can issue food instruments and where and how they should be produced and issued	Require separation of duties for receipt of stock, assignment of food package, printing and issuance, voids, and other issuance procedures State agency authorizes specific staff to issue benefits after verifying training	Prevent one person from authorizing and issuing benefits or voiding and reissuing benefits; can be difficult to maintain in small offices or staff shortages. Requires controls in MIS, authorization procedure; limits flexibility of staffing.
Requirement: List authorized foods on food instrument; issue only prescribed benefits to certified participants		
Basic controls: Use computerized system to maintain certification data and print food instruments; verify participant	Print food instruments on demand at clinics using participant data from MIS	Eliminates vulnerability of preprinted instruments, voids for no-shows; requires on-site computer, printer and food instrument stock.

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
certification status before issuing	Provide MIS capacity to flag participant records and place hold to prevent issuance	Ensures that eligibility problems or complaints are resolved before additional benefits are issued; requires MIS programming, on-site access, and action to remove hold.
Requirement: Assure security of food instruments including locked storage. Store stock/instruments in locked cabinet or safe in locked cabinet		
Basic controls: Secure shipment and storage of food instruments; bill of lading used to verify receipt of shipments	Electronic transmission of shipping information Require activation of preprinted serial numbers before food instruments can be printed Assign limited range of serial numbers to each site	Prevents tampering with bill of lading; requires MIS capability. Prevents use of stock lost/stolen from shipments or inventory; requires MIS capability. Provides control over number of food instruments that each site can print.
Requirement: Food instrument stock with designated spaces for price of foods, identification of vendor, participant signature, and information necessary for redemption		
Basic controls: Preprinted stock with required spaces, name of State agency, and other redemption information; if checks are used, they meet banking standards	Use multiple security features in food instrument stock (watermarks, microline printing, color printing etc.) Rotate variable security features frequently Put 800 number for fraud reporting on food instrument	Prevents/detect counterfeiting and tampering; additional security features or messages on stock and rotation of features add modest cost.
Requirement: Unique serial number for each food instrument		
Basic controls: Preprinted serial number on food instrument stock; key in serial number to MIS before printing	Options: a) Print duplicate serial number on food instrument b) Scan serial number on instrument to synchronize with MIS c) Use unnumbered blank stock and print serial number at the time of issuance	All options reduce risk of mismatch between actual serial number and record in MIS; scanning requires software and wand/gun at issuance site. Printing serial number on blank checks eliminates need for tracking stock at item level; requires special ink and laser printer.
Requirement: Indicate valid dates for food instrument transaction and redemption		
Basic control: Standard dates for all food instruments issued for each month	Variable first-use and last-use dates set based on day of issuance, with first valid date for use of first set of instruments set to day of issuance	Provides flexibility in scheduling, enable immediate use of food instruments, prevent end-of-month rush; requires on-demand printing capability, programming to calculate dates
Requirement: Verify identity before issuance, obtain signature of participant, parent or proxy indicating receipt of benefits		

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
<p>Basic controls: Issue WIC ID folder with participant signature</p> <p>Signature log with serial numbers of food instruments</p>	<p>Issue serialized, tamper-resistant WIC family ID</p> <p>Issue tamper-resistant WIC ID to each participant and each alternate authorized to apply and receive services on behalf of recipient</p> <p>Options: a) Participant signs each food instrument and local office retains copy as receipt b) Dual logging for issuance of preprinted or manual vouchers: master log plus receipt form for each participant record</p>	<p>Prevents unauthorized or counterfeit ID; requires tracking system.</p> <p>Prevents unauthorized or counterfeit ID; allows participants and alternates to retain control over their own WIC IDs; requires extra supplies.</p> <p>a) Provides clearer proof of receipt for each instrument; consumes more time and paper b) Provides documentation at clinic level when master record is not available; consumes more time and paper.</p>
<p>Requirement: In-person pickup by participant or proxy when nutrition education is scheduled. Proxy procedure must ensure adequate nutrition education and health care referrals.</p>		
<p>Basic controls: Participant requests proxy issuance in writing; ensure that staff do not serve as proxies for participants</p> <p>Place the proxy's name and signature on the WIC ID folder</p> <p>Limit proxy issuance to a single month's benefits</p>	<p>At certification, ask participants to complete proxy authorization form; verify designated proxies at each appointment attended by the participant.</p> <p>Proxy signs authorization form</p> <p>Require proxy to provide a photographic ID before picking up food instruments</p> <p>Provide a separate WIC ID card for each regular proxy</p>	<p>In-person designation of proxy is more secure; minimal effort required.</p> <p>Provide record of signature and acknowledgment of responsibilities; minimal effort.</p> <p>Most secure means of identification; minimal effort; need procedure to deal with lack of ID.</p> <p>Allows participant to retain control over own WIC ID, provides proof of proxy authorization; increases ID cost.</p>
<p>Requirement: Prevent redemption of voided, lost, or stolen food instruments</p>		
<p>Basic control: Clear policy on verification of loss and replacement</p>	<p>Strongest: no replacements except in case of documented disaster Use of sample formula in lieu of replacement when infants' food instruments are lost/stolen Alternative: replacement with affidavit of loss, time lag to determine if food instruments have been redeemed, and ability to detect lost/stolen food instruments presented after replacement</p>	<p>Feasibility of secure replacement depends on timeliness of redemption information, ability to detect lost/stolen instruments for denial of payment or recovery of funds; appropriateness of no-replacement policy depends on balance between risk of fraud and risk of harm to participants if benefits are not replaced.</p>
<p>Requirement: Account for disposition of all food instruments through perpetual inventory, monthly physical inventory of food instruments or stock, and reconciliation</p>		
<p>Basic controls: Record voids on signature log; manual inventory records for bulk food instrument stock; MIS maintains issuance records; monthly reconciliation, reporting and investigation of discrepancies</p>	<p>Daily reporting and reconciliation of issuances, voids, and inventory at issuance sites</p> <p>Weekly reports on participants who do not pick up food instruments</p>	<p>Ensures timely detection of errors or theft; requires modest additional effort and automation.</p> <p>Ensures timely identification of no-shows for follow-up or investigation;</p>

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
	End-of-month site-level and State-level summary reports of issuances, voids, and changes in inventory	requires modest additional effort and automation. Enables State agency officials to monitor patterns of activity and indicators of potential fraud.

The remainder of the chapter discusses these controls in the context of the issuance process. We begin by considering the basic structure of the food instrument production and issuance process.

3.3 Fundamental Choices Shaping Food Instrument Production and Issuance

State agencies make a series of fundamental choices that shape the processes for producing and issuing food instruments and thereby affect the kinds of controls that can be used. In establishing procedures for producing and issuing food instruments, agencies must make the following choices:

- Where and by whom are food instruments produced?
- Are food instruments produced manually or by computer?
- Are food instruments produced in batches or on demand?

These choices are not mutually exclusive. As noted above, a third of all States use a combination of central and local production. States can combine manual and computerized printing, and the latter can be a combination of batch and on-demand production. Also, food instruments can be partially pre-printed at a central site (with prescription information, valid dates, serial numbers, and clinic identifiers) and personalized at the clinic site.

The choice of centralized versus local production is the most fundamental, because it shapes the flow of the issuance process and the nature of its vulnerabilities. Given the need to issue food instruments in-person at the clinic site, centralized production requires the agency to produce food instruments in batches, ship them to local clinics, and store them prior to participants' appointments. In all but the smallest States, centralized production is feasible only if done by computer. With local production, each local agency must have the data for each food instrument, the food instrument stock, and (for computerized printing) the equipment and software to prepare the instruments. These requirements can be particularly challenging for sites that are used infrequently or lack secure facilities for storing stock and equipment.

Computerized production of food instruments requires a computerized MIS and printing capability, but this method has become nearly universal because of its advantages for program integrity and efficiency. When the MIS controls the content of the food instruments, the person issuing the instruments cannot increase the prescription, and there is an automatic record of production for each instrument. The MIS can prevent the same person from certifying a participant and producing food instruments, and it can control when and where the food instruments are printed. Manual food instrument preparation is slow and labor-intensive. With

manual preparation, the issuance can be recorded via a carbon copy, but storing these copies and constructing a comprehensive record of issuances are cumbersome and unreliable.

Batch production at the State or local level is easier to implement than on-demand printing, because there is no need for installing equipment and training staff to use it. Use of preprinted instruments can speed up the issuance process by eliminating the time needed to print each set of instruments. This method also simplifies control over food instrument stock and printing capability.

On the other hand, the batch system has several important vulnerabilities. Food instruments produced in batches are easier for a thief to redeem and therefore more vulnerable to theft before they are issued than the blank stock used for on-demand printing. With a batch system, the agency must void and dispose of food instruments that have been prepared but not picked up. Also, batch systems cannot produce complete food instruments for new participants or for those whose prescriptions are changed at the time of their appointments, so food instruments must be manually prepared in these instances. Batch systems do not have the flexibility of on-demand systems, such as the capability to hold food instrument printing until the participant provides needed documentation.

Table 3–3 summarizes the controls available through each of the three principal methods used for producing WIC food instruments. As the table shows, the on-demand computer printing method is the most secure, while the manual preparation method is the least secure. The on-demand system eliminates the risks associated with handling preprinted instruments, which represent the biggest challenge for centralized batch production. The reduced level of security that comes with decentralized on-demand printing is offset by the ability to enforce the separation of duties through security profiles (e.g., staff authorized to certify can be prohibited from issuing food instruments).

The on-demand system is also more flexible than the centralized batch system, primarily because food instruments can be changed or canceled at the time of the participant’s visit. Lastly, the on-demand system eliminates the time-consuming process of voiding and accounting for preprinted food instruments that are not picked up by participants. These advantages explain why on-demand printing has been increasingly adopted by State agencies in recent years.

Table 3–3—Comparison of controls for principal food instrument production methods

Control	On-demand printing by computer at clinic	Batch production by computer at central location	Manual preparation of food instruments at clinic
No negotiable instruments exist until the time of issuance	☐		☐
Physical separation of certification and instrument production		☐	
Single location for production (easier to secure)		☐	
MIS prevents issuing benefits not authorized by	☐	☐	

CPA			
MIS can enforce separation of duties between certification and issuance	<input type="checkbox"/>		
MIS can control when instruments can be produced	<input type="checkbox"/>	<input type="checkbox"/>	
Uses most up-to-date participant information	<input type="checkbox"/>		<input type="checkbox"/>
Automatic master record of instrument data and production information (location, time and worker)	<input type="checkbox"/>	<input type="checkbox"/>	
No voids for no-shows and food package changes	<input type="checkbox"/>		<input type="checkbox"/>
Immediate recording of voids on MIS	<input type="checkbox"/>		
No manual issuances	<input type="checkbox"/>		

3.4 Food Instrument Security Controls

WIC regulations require all State agencies to maintain the security of food instruments and to ensure that they can account for the disposition of all food instruments. Furthermore, State agencies bear the costs when food instruments are stolen and used by unauthorized persons. State agencies can maintain the security and accountability of food instruments through several types of controls:

- physical controls on access to food instrument stock and to negotiable instruments
- procedural controls restricting the number and types of staff who have access to instruments
- record-keeping procedures that identify the location and status of unissued instruments, and help identify any instruments that may have been stolen or otherwise misappropriated
- MIS controls that prevent instruments from being issued and used without proper authorization.

Physical Access Controls

At the most basic level, food instruments need to be kept secure. This requirement applies to both blank stock and completed instruments ready to be issued. Completed instruments are the most vulnerable, but blank stock could potentially be used for unauthorized issuances. Voided instruments are less vulnerable, but they retain some potential for abuse. Physical access controls are needed at each point in the food instrument production process from initial procurement through issuance.

Basic controls to limit physical access to food instruments include:

- secure production facilities for blank stock or preprinted instruments
- locked storage for food instruments while in inventory at the clinic.

Security of food instrument shipments can be enhanced by using a shipper that allows each package to be identified and tracked, or by having trusted staff deliver the shipments by hand. Storage of food instruments while in inventory at the clinic level can be enhanced by establishing

a standard of two levels of security (such as keeping food instruments in a locked cabinet or safe within a room with a locked door or other access control). When food instrument stock is in use, it can be protected by keeping it in locked printer stands.

Another important form of physical control is the use of design features that prevent the duplication or counterfeiting of food instruments. State agencies can use a variety of security features for this purpose, including watermarks, color printing, microline printing, ultraviolet inks, and patterned paper. Some of these security features are basic to any system using checks, because of the requirements for processing by banks and the standard practices of check printers.

Enhanced solutions to reduce the risk of counterfeiting include the use of multiple security features and the frequent rotation of food instrument design (such as changes in color patterns or in text for watermarks or microline printing). A different sort of enhanced design feature is the printing of an anti-fraud message on the stock, such as a toll-free number to report fraud. Agencies have found that these enhanced security features can be used without a significant increase in cost.

Procedural Controls

Procedural controls on food instrument inventories serve to provide checks and balances, both to prevent insider fraud and to detect fraud or theft by outsiders. At the most basic level, agencies assure accountability by specifying who is responsible for food instruments at each step in the issuance process. It is particularly important to have designated local staff who receive and check shipments of food instruments. To the extent that staffing permits, program integrity can be enhanced by mandating that staff who control the stock of food instruments should not have the ability to print or issue them.

Good communications between State and local agencies can help detect any compromising of the security of food instruments in shipment and in local inventories. State agencies use the process of ordering food instruments to maintain control over the size of local agencies' inventories, thereby reducing the risk of losses. As a basic control, invoices or bills of lading generally accompany shipments of food instruments. A useful and inexpensive enhancement is to send a separate confirmation by electronic mail or facsimile, so that delayed shipments are promptly identified and thefts cannot be concealed by altering the documents accompanying the shipments. These practices are most relevant to shipments between State and local agencies (or between State contractors and local agencies), but they are also useful for large local agencies that distribute instruments to clinics from a centralized inventory.

In a sense, the centralized production of food instruments is a control that limits access to blank food instruments and to the capability to print negotiable instruments. On the other hand, it is not feasible for all food instruments to be centrally printed, because of new certifications and prescription changes. As a result, partially or completely blank food instruments must still be available at local offices, and these instruments require stronger controls because of their greater potential for abuse. In addition, the presence of preprinted, fully negotiable food instruments poses another significant security risk. Sound controls in this context include: use of blank instruments preprinted with standard prescriptions, direct shipment of preprinted instruments to

local agencies (minimizing the risk of interception) or hand delivery from a central office, strict accountability of individual staff for both fully preprinted and blank food instruments, and daily recording and reporting of issuance activity.

Recordkeeping Controls

Recordkeeping controls provide documentation procedures for handling food instruments have been followed and establish accountability for who has access to food instruments at different processing stages. Both manual and computerized records are needed, to ensure that if one set of records is lost or altered, the other can provide a back-up and cross-check.

Important records of food instrument status include:

- order forms or computerized requests with identifiable individuals requesting instruments and approving requests
- shipping documents indicating all pertinent information to establish a trail for audit or investigation purposes, as well as to verify that the shipment received matches what was sent
- logs showing receipt and release of food instruments
- records of periodic inventory counts, including identification of the responsible officials and explanations of any discrepancies.

The assignment of a unique serial number to each food instrument establishes the foundation for keeping records of food instrument production, shipments, inventories, and issuance. As discussed in the next section, MIS features provide basic and enhanced ways to assign serial numbers to food instruments and to synchronize these numbers with the issuance records in the WIC MIS.

MIS Controls

MIS controls can help to enforce procedural controls and support recordkeeping on food instruments, particularly in systems that print food instruments on demand. At the most basic level, computerized printing of food instruments provides a control by requiring MIS access in order to produce a valid food instrument.

Several MIS features can provide useful enhancements to the controls over food instrument inventories:

- Automated ordering of food instruments based on use
- Requirements to enter shipments when sent and received before the associated serial numbers can be used
- Capability to assign serial numbers for the sole use of a single issuance site

- Security profiles that limit authorization to ship and receive food instruments
- Requirement to activate serial numbers before food instruments can be used (e.g., when boxes of instruments are in inventory but individual instruments are not identified and therefore not available until the box is “expanded”).

If the MIS has the capability to print all information on the food instruments, including the serial number and the text and graphics that appear on every food instrument, it makes the paper stock less vulnerable to abuse. This control comes with a significant price: it requires more costly, less reliable, and slower printers than the more typical system of stock with preprinted serial numbers and formatting. On the other hand, using stock without a preprinted serial number ensures that the system-assigned serial number will always match the printed serial number.

Mismatches between these numbers when the serial number is preprinted are rare but time-consuming to resolve when they occur. In an on-demand printing system, the basic way to synchronize food instrument serial numbers with issuance records is to enter the serial number of the next available instrument when beginning to issue benefits for a participant. To prevent key errors, one enhanced solution is to enter the serial number of the first and last food instruments issued to a participant via a hand-held scanning device (provided that the serial number is bar-coded). Another enhanced solution is to have the MIS print a duplicate serial number on the food instrument, so that any mismatches can immediately be identified and corrected.

In systems where food instruments for continuing participants are printed centrally, the automated capability to print vouchers locally for new participants or those needing prescription changes provides a significant enhancement over the use of manually prepared food instruments for these purposes. This technology reduces the effort while ensuring that the food instruments are prepared by authorized persons and recorded in a reliable, tamper-resistant medium.

Each food instrument must have designated first and last dates for use. The basic approach is to have standard dates for all instruments issued during the month. This usually requires a system whereby food instruments issued during a given month are not valid until the beginning of the next month. As a result, participants sometimes attempt to transact instruments before they are valid, and there is sometimes a heavy volume of participants seeking to pick up food instruments around the end of the month. These problems can be prevented by an MIS enhancement that sets the first use date for the first month’s instruments to the day of the issuance pickup. For an on-demand system, this feature is easily incorporated, and it provides greater flexibility in scheduling appointments.

3.5 Post-Production Issuance Process

Once a participant has been certified and the food package has been prescribed, there are four distinct steps that must take place to issue benefits: producing the food instruments, verifying the identity of the participant, issuing the instruments to the participant, and obtaining the participant’s signature to document receipt. The controls for food instrument production were

described earlier in the context of the discussion of the different types of processes adopted by State agencies. In this section, we consider the controls applied after the instruments have been produced to ensure that participants get the correct instruments and that they acknowledge receipt of their issuances.

Physical Controls

Structuring the workspace for staff who issue food instruments poses a challenge. The issuance staff members need to be in a location that is readily accessible to participants, since many of them serve WIC participants in other ways, such as making appointments, answering phone calls, and checking in participants. Placing issuance staff in a high-traffic location also provides a measure of security against staff fraud, because the risk of being observed by other staff or participants serves as a deterrent. At the same time, the instruments, production equipment, and records need to be kept safe from damage or unauthorized access. Where possible, clinics are designed to provide controlled access to the issuance area through the placement of counters, windows, and doors. When physical means of access control cannot be built in, strategic placement of furniture can serve the same function, as can the placement of issuance staff in clusters where each can help watch for any attempts at inappropriate access.

Procedural Controls

At the most basic level, State agencies specify what kinds of staff may issue food instruments. Where staffing permits, accountability is enhanced by having designated staff responsible for printing and issuing food instruments, either on a daily basis or on more long-term assignments. Enhanced approaches to the separation of duties include the following:

- The person printing the food instruments does not actually issue them, but instead another staff member at the same workstation checks them and obtains the participant's signature.
- A support staff member prints the food instruments for a group of participants in a nutrition education class, and then the person leading the class distributes the food instruments and obtains signatures to acknowledge receipt.
- Local staff members are required to demonstrate competence in following issuance procedures and obtain authorization from State officials before they are allowed to issue the instruments.
- Staff members who are WIC participants do not print their own food instruments; the preferred procedure is to have a supervisor do this to ensure the integrity of the process.

Participants generally must provide identification when picking up food instruments, but a variety of approaches to identification are used. Perhaps the most common approach is to issue a WIC folder at the time of certification. This folder has the participant's name, individual and group numbers, and signature, and is stamped or otherwise authenticated by the local agency. The information on the folder is usually recorded by hand. The participant presents the folder as identification when checking in and when picking up food instruments. The folder has space to

hold the food instruments and useful information, such as appointment slips, approved food lists, and notices.

Some agencies use other forms of identification that provide better protection against issuing food instruments to the wrong person, either by error or because of deception. These enhanced controls include:

- Requiring a driver's license or other photographic ID for food instrument pick-up.
- Issuing a tamper-resistant laminated ID card for identification at the WIC clinic and at the store.

Because of its smaller size, a WIC ID may be less obvious to non-WIC shoppers and, therefore, cause less stigma than a WIC folder. The ID may be issued to a single family member (like the folder) or to each participant and each alternate authorized to apply for a participant and receive nutrition education on his or her behalf (such as when either of a child's parents may perform these activities).

WIC agencies need to provide procedures for participants to allow proxies to pick up their food instruments when the participant cannot do so because of illness or other legitimate constraints. (Here we do not refer to instances where an infant or child is always represented by a parent or guardian.) The procedures need to ensure also that nutrition education is delivered and that food instruments are issued only to proxies authorized by participants. The basic procedures typically include:

- Having the participant write a note requesting issuance to the proxy.
- Ensuring that staff do not serve as proxies for participants.
- Placing the proxy's name and signature on the WIC ID folder.
- Limiting proxy issuance to a single month's benefits, both to minimize risk of theft and to ensure that the participant gets the scheduled nutrition education (unless the proxy is authorized to receive nutrition education on behalf of the participant).

Enhanced controls to prevent theft or other abuse by proxies include:

- At the time of certification, asking participants to designate alternates on a form for this purpose and having the alternate sign the form.
- Verifying designated proxies at each appointment attended by the participant.
- Requiring proxies to provide a photographic ID before picking up food instruments.
- Providing a separate WIC ID card for each authorized shopper.

Recordkeeping

All WIC agencies must have a signed receipt or similar document of issuance indicating the participant's name, the date, and the serial numbers of the food instruments. Under the basic approach, the participant signs a log indicating the serial numbers of the food instruments. Greater assurance of the match between participant and instruments is provided when the participant signs a check stub retained by the agency or signs the instrument and leaves the agency a carbon copy. Enhanced receipt controls include: printing additional information on the stub (such as participant ID number, family ID number, clinic name/code, and worker ID number); and obtaining a signed copy or stub for each instrument.

Receipts may be kept together in batches or filed with individual participant records; the latter system may require more filing effort but can be helpful if automated participant records of issuance are not available at the clinic. The system of dual signatures provides proof of receipt for each instrument and provides a signature on the food instrument to be matched against the signature provided when the instrument is redeemed. However, this system makes it more complicated to transact food instruments when the person who picked up the instruments cannot do the shopping.

MIS Controls

Beyond the most basic role of assuring that all issuances are authorized and accurate, MIS capabilities can be used to provide the following controls for the issuance process:

- Enforcing the separation of duties through user profiles that restrict access to sensitive functions (e.g., prohibiting certification and food instrument printing under the same system ID, prohibiting administrators with access to security profiles from issuing food instruments).
- Enabling a worker to place a hold on issuances for a participant until the participant complies with a program requirement (documentation, immunization, etc.).
- Automatic proration of benefits when a participant picks up food instruments after the beginning of the month for which they are valid.
- Linking the ID check with the issuance process by using a scan of the ID to link the food instruments with the participant.
- Providing daily reports to reconcile data uploaded by the clinic with data posted by the host.

3.6 Void and Replacement Procedures

When a WIC food instrument must be voided, the process always carries the risk that the voided instrument may be redeemed, resulting in a loss to the Program. Anecdotal information suggests that redemption of unclaimed or returned instruments that were supposed to be voided has been one of the most common forms of staff fraud in the WIC Program. WIC agencies have used

sound controls to greatly reduce the incidence of these and other problems with voided food instruments.

The key elements of policy and procedures regarding voids include:

- Specifying when and how voided food instruments can be replaced.
- Specifying which staff have the authority to void.
- Developing procedures for marking food instruments as void and subsequent handling.
- Developing procedures for recording voids on the participant database and reconciling with voids in hand.

Food instruments may be voided for a variety of reasons. In many cases, there is no reason to consider replacement. These include: damaged or unusable stock, expired food instruments preprinted for no-shows, transfers out of the State, and suspension of benefits for individual participants. On the other hand, replacement of instruments presented for voiding is the usual and safe practice in cases involving changes of food package or damaged instruments (or, in some States, a change of the designated vendor for redemption).

The most sensitive void situation occurs when a participant reports that food instruments have been lost, stolen, or destroyed. The risk, of course, is that the original instruments may be fraudulently redeemed by the participant or some other person. This risk is particularly significant if the redemption process does not permit the State agency to block instruments from being redeemed once they have been issued. On the other hand, if a legitimate need is not addressed, the participant may not receive enough nutritious foods, particularly if the missing voucher is for infant formula.

Different States balance these competing needs in different ways.

- Some States prohibit replacement of missing food instruments. They may address emergency situations by providing referrals to food banks or by providing infant formula from on-hand inventories.
- Other States prohibit replacement except when the loss is the result of a verified household disaster or if the participant provides a valid police report.
- Some States permit replacement if the participant submits an affidavit of loss and waits for a specified time. The waiting period prevents frivolous claims (alleging loss when the participant forgot to bring the instruments on a shopping trip) and allows time to verify that the food instruments have not been redeemed. This policy is most viable if the agency has the capability to prevent food instruments from being redeemed in a timely fashion by transmitting void information to the bank or other entity processing redemptions.

Limiting the authority to void food instruments is important to prevent staff fraud, particularly when the food instruments will be replaced. If the same individual can void food instruments and issue replacements, there is an increased risk that the voided instruments will be redeemed. At a minimum, there needs to be a clear record of responsibility for each physically voided instrument and each void transaction on the MIS. Security is enhanced when the authority to void is limited to as few staff as possible at any given time, and when these staff do not simultaneously have the authority to produce or issue food instruments. A supervisor can be designated to perform this function, or the authority can be rotated periodically among the issuance staff.

The basic practice is to mark food instruments as void by stamping them. Vendors are instructed not to accept such voided instruments. This step is usually required by State procedures before in-hand food instruments are electronically voided on the MIS. If the local agency does not have MIS access, it must send the voided instruments to the central data entry site. Once these steps are accomplished, some agencies file voided food instruments for reconciliation purposes, but other agencies destroy them.

The former approach facilitates problem resolution, but the latter approach precludes the use of voided instruments and saves space. If voids are retained at least until the next reporting cycle on the MIS, the local agency can and should reconcile the void report against the voids in hand. This step is particularly important to detecting valid food instruments that have been accidentally voided on the MIS before those instruments are presented for redemption and improperly rejected.

The risk of voided instruments being redeemed is fairly low, but agencies need reliable ways of tracking this problem. For this purpose, the timeliness of the void information to the central database is important. A daily or real-time transmission of this information provides an enhanced control to prevent the redemption of voids and greatly facilitates the monitoring and reconciliation of void activity.

3.7 Reporting and Reconciliation of Issuance Activity

The other important aspect of issuance recordkeeping is the reporting and reconciliation of issuance activity. WIC requirements include perpetual inventory of preprinted instruments or stock, monthly physical inventory of instruments, and accounting for the disposition of all food instruments. To maintain proper accountability, these processes need to occur at both the clinic and agency levels.

Conducting a monthly physical inventory of each supply of instruments is a mandatory basic control used in all systems. In on-demand systems, the MIS internally maintains the data to meet the other requirements, but other systems require manual procedures to compile the data. For batch and manual issuance systems, clinic staff may need to compile issuance reports, maintain logs, enter issuance data to a computer, or ship documentation from the clinic to the site where the master database is maintained. If data entry is not done at the clinic level, it must be done at the local agency or State level to update the master database.

The frequency of reporting and information transfer to the State agency is critical to maintaining the integrity of the database and the controls that it provides. The most basic practice is a monthly reporting cycle. Some agencies perform this process weekly, while others do it daily. The former approach reduces effort and may be appropriate for low-volume or part-time sites, but the latter approach provides better accountability and enables the State agency to respond promptly to inquiries.

An important enhancement provided by on-demand systems is an automatic daily report of issuance activity at the clinic level, usually generated as part of an end-of-day closeout process. If the State uses a distributed MIS, this process includes the uploading of the day's activity to the master database. The daily report typically includes both item-level detail on each food instrument (including associated participant and worker IDs) and summary information.

Other beneficial enhancements to issuance reporting and reconciliation at the local level include:

- Transmitting the daily report to the local agency director or clinic supervisor for review.
- Balancing the daily issuance report against check stock and signature logs or receipts.
- Reviewing daily signature logs or receipts for proxy signatures and, for these instances, checking files for proxy authorization documentation.
- Providing daily reports on inventory usage and status to be reconciled with physical inventory and to monitor inventory levels.
- Balancing a daily report of voids against the voided vouchers in hand and other documentation.
- Providing weekly reports on participants who miss scheduled check pick-ups to local supervisors, to ensure follow-up and identify potential problems.
- Monthly summary reports at the site, local agency, and State levels to monitor patterns of activity and indicators of potential fraud.

If food instruments are preprinted, local agencies need to perform an end-of-month closeout process to void expired instruments and account for them. This process can be used as a prompt to follow up on no-shows.

At the State level, item-level issuance data are important to maintain audit trails and facilitate problem resolution, but summary data from reconciliation reports are more useful for monitoring and fraud detection. For example, a report of individual voids is important at the local level for reconciliation with physical documents, but data on the distribution of voids by reason are more useful for State monitoring. At the same time, the State agency's access to comprehensive data on all vouchers is important for resolving questions that may arise in the field.

The timeliness and reliability of database updates in on-demand issuance systems greatly facilitate effective oversight from the State agency. Through summary versions of the local agency reports, State agency staff can monitor food instrument inventories, fluctuation in participation, no-show rates, and voids and replacements. It is helpful to have this monitoring done by State agency staff with local agency experience, because these staff can anticipate common problems and communicate effectively with their peers at the local level.