

2. California Site Visit Summary Report

I. Background

The WIC State agency in Sacramento, CA, was visited the week of October 2, 2000. The local agencies visited were: the Community Resource Project (CRP), a nonprofit local agency serving parts of Sacramento County, with three sites serving a caseload of 11,000; and Public Health Foundation Enterprises (PHFE), the largest local agency in Los Angeles and in the State.

The California WIC Program serves about 1.25 million participants, making it the largest in the Nation. About 70 percent of participants are Hispanic, 9 percent are African-American, and 6 percent are Asian or Pacific Islander. Children are 53 percent of participants; the rest are evenly split between infants and women. California's participation grew almost 15 percent from 1996 to 1998, in part because of innovative rebate contracts. The Federal WIC grants for California total about \$739 million a year (including food and Nutrition Services and Administration funds). California receives an additional \$200 million for food from rebates.

California's WIC Program is not only the largest in the Nation but also one of the most diverse. The program serves large numbers of immigrants from Latin America, Asia, and Europe. There are also about 14,000 migrant farm worker participants in California. The geography ranges from the several major metropolitan areas to remote rural areas. One local agency, the PHFE WIC Program in Los Angeles, has 305,000 participants, which is more than most States do.

WIC Program Organization

In California, the WIC Program is administered by the Department of Health Services (DHS), WIC Supplemental Nutrition Branch. DHS also administers the Medicaid program (known as Medi Cal) and a wide variety of public health programs. The major components of the branch are: the Automated Management Section, the Program Promotion and Development Section, the Training and Education Services Section, the Nutrition Policy and Operations Section, the Financial Management and Reporting Section, the Food Management and Integrity Section, and the Program Operations and Support Section.

The main entities involved with fraud prevention, detection, and sanctions are the Automated Management Section (which supports the WIC MIS), the Nutrition Policy and Operations Section (which disseminates policy and reviews local operations in all areas, including certification and issuance), and the Food Management and Integrity Section (which is responsible for vendor authorization and monitoring, redemption oversight, fraud investigations, and recovery of funds).

Of particular note is the creation of the Program Integrity Unit (PIU), which is dedicated to preventing, detecting and responding to fraud by participants and staff. The unit's seven staff members have both reactive and proactive roles. In their reactive roles, they receive and investigate complaints about fraud by participants and staff, and they provide guidance to local staff regarding situations that may involve fraud. These staff members also initiate collections for benefits received improperly by participants. In their proactive roles, the program integrity staff

members assess local office procedures and provide technical assistance to strengthen local agency capabilities to prevent and detect fraud.

The Department of Health Services contracts with 82 local agencies to operate the WIC Program. These agencies include city or county health departments, hospitals and other healthcare systems, and community-based organizations. Each local agency has a designated service area and a designated caseload. WIC services are delivered through more than 650 local clinics.

Local WIC agencies in California typically employ three primary types of staff to deliver WIC services. Competent professional authorities (CPAs) in California include nutritionists and nutrition program assistants (NPAs), who are paraprofessionals certified according to the state's competency-based standards. Nutritionists handle certification and counseling for high-risk participants, while NPAs perform these services for low-risk participants and teach nutrition education classes. Clerical staff schedule appointments, check participants in at the front desk, take demographic and eligibility information, and print checks.

Local agencies also employ breast-feeding consultants and outreach workers. The PHFE WIC Program has an integrated statewide information system (ISIS) support unit, which provides both technical and policy support to clinic staff. This unit also handles all incoming phone calls from applicants and participants. Each local agency has a director, and agencies with more than one location have a supervisor (usually a nutritionist) at each site. PHFE also has area managers who each oversee five sites, in part because the clinic supervisors must see participants as well as manage their sites.

The California WIC Program provides food benefits, nutrition education and counseling, breast-feeding promotion and support, and referral to health and human services. The program relies on outside medical providers for blood work, immunizations and other program-related health services. The California DHS also operates the Farmers' Market Nutrition Program.

The Commodity Supplemental Foods Program (CSFP) is operated in California by the Department of Education. The CSFP operates on a small scale in four sites.

Operational Challenges

For many years, California's share of WIC funding was small relative to the eligible population. As a result, the program focused on serving women and infants. With the advent of additional resources through increased funding and the use of rebates, California has greatly expanded its capability to serve children in the WIC Program.

The size of the WIC Program in California has a real impact on the way the program operates. Senior managers are very conscious of the program's visibility, both within the State as one of the largest DHS programs and as the largest WIC Program in the Nation. California's governor has made integrity in public programs one of his top priorities. As a result, State agency staff take a highly proactive approach to preventing and detecting fraud.

California's WIC population includes a large number of linguistic and cultural communities. From the fraud control perspective, one of the biggest challenges has been that in some

communities, cultural factors affect attitudes toward program compliance. In the past, some grocers in tight-knit ethnic communities have ignored WIC Program redemption rules, but the state's vendor management program has removed many of these stores. A more subtle problem in immigrant communities is that participants sometimes give away or sell foods that are not part of their usual diet, such as cheese. This issue is addressed through education about the value of the foods, including provision of recipes. Another challenge is that in some communities (not just immigrants but others as well), women do not have access to information on their partners' income. California is home to large numbers of undocumented immigrants, but State agency staff believe that these numbers have diminished as controls on border access and employment have increased. California also has large number of migrant farm workers. The biggest challenge with this population is not dual participation but getting them to WIC clinics to apply.

Management Information System

California's WIC MIS, the integrated statewide information system (ISIS), is an online, centralized database system that has operated statewide since 1997. ISIS supports the following local program functions:

- Applicant screening
- Scheduling appointments
- Enrolling applicants and recertifying participants
- Establishing/updating family profiles
- Prescribing food packages
- Nutrition education planning, scheduling and tracking
- Preparing food packages and issuing checks
- Transferring participants

Unlike many States, California chose to have both clerical and nutrition staff perform their work online. To facilitate this process, ISIS screens provide the proper wording for questions when gathering data. ISIS eliminates much of the need for paperwork and frees up staff time to provide more nutrition counseling and other services. At the same time, ISIS provides an audit trail of each worker's actions that is accessible to State and local managers.

An equally important feature of ISIS is that the statewide database is updated in real time and accessible (with appropriate restrictions) to all local and State users. When a user attempts to register an applicant whose personal data match a current participant anywhere in the State, ISIS immediately notifies the user of a potential duplicate enrollment. The record can be flagged right away with a comment, so that anywhere the participant goes, the information will be available.

ISIS shares the mainframe transaction processors and telecommunications infrastructure used for the Medicaid MIS (MEDS), thereby reducing MIS costs. Local agencies must still, however, have dedicated high-speed transmission lines to local nodes of the MEDS network, as well as workstations and other hardware in the local office. The architecture enables ISIS to provide an online link to the Medi Cal database for verification of coverage and adjunctive eligibility.

On the other hand, ISIS downtime requires cumbersome backup procedures in the increasingly rare instances when it occurs. There are also broader cost-effectiveness tradeoffs in the choice of an online mainframe system. For example, the terminals are less expensive than PCs, but the

high-speed dedicated telecommunications lines are relatively expensive, particularly when considered on a per participant basis for low volume clinics. The infrastructure requirements of ISIS also constrain local agencies in their choice of sites for clinics, although some sites use laptop computers with dial-up connections for part-time or remote locations. Nevertheless, recent assessments have validated the overall cost-effectiveness of ISIS and identified ways to reduce costs.

II. WIC Program Operations and Processes

A. Certification

Applicants can request certification appointments in person or by telephone. Local agencies try to serve walk-ins on the day they appear if possible. Larger local agencies, such as PHFE and CRP, have clerical staff assigned to receive calls and schedule appointments. The worker taking the applicant's call obtains personal data, does a preliminary income screening, schedules a certification appointment, and explains the documentation requirements. The local agency mails a letter to the participant confirming the appointment, reiterating the documentation requirements, and providing information on the program. If the letter is returned, a worker will investigate and place a note in the case record.

Online System for Screening and Certification

California's ISIS system supports online screening and certification/recertification of applicants. Each module includes all of the questions that front-line workers must ask and all of the necessary data elements. The screening module includes questions on adjunctive eligibility, income and household size, as well as basic applicant demographics. This module is used to screen potential applicants by telephone, but all callers are given the option to apply. The certification module captures information on income eligibility, residence, documentation provided, medical referral (i.e., anthropometry and blood work) and nutritional assessment.

Online Verification of Adjunctive Eligibility.

ISIS permits online queries to the Medicaid MIS (MEDS) to verify adjunctive eligibility for participants in Medicaid, Food Stamps and TANF, using either SSN or Medicaid number. This query is a mandatory step in the WIC enrollment process when an applicant's income eligibility is based on adjunctive eligibility for one of these programs. This link can also be used to determine whether a participant has followed through on a referral to Medicaid. If the participant reports very low income but does not show up on Medicaid, this is a potential reason for concern about the accuracy of the income information.

Documentation of Identity, Residence and Income

All participants must document identity, residence and income at each certification. Under specific conditions when documentation is not feasible, a participant may sign a form in lieu of providing documentation. (A common instance is when a person is paid in cash.) The type of documentation (or specific waiver) is recorded in ISIS. The State's policy is to require documentation but to explore all possible methods of documentation consistent with USDA policy. For example, the list of acceptable identity documents includes library cards and signed medical referral forms. More strict documentation requirements are used when fraud is suspected (e.g., requesting tax forms if unreported income is suspected) and when staff members apply to

participate. Noncritical documentation, such as a Social Security card when identity has already been established, is not required for certification, but an agency staff member will typically place a hold on the case so that a participant can be asked for the documentation at the next visit before checks are issued.

Staff use their judgment and experience to identify instances when suspicious circumstances indicate the need to probe for more documentation. For example, when a small, slender woman claims to have recently given birth to triplets, the certifying worker might insist on seeing original birth certificates instead of copies. The worker might also call the hospital where the children were allegedly born to ask if any triplets were recently born. Staff are careful to document custody when the adult applying on behalf of a child is not the child's parent.

The health questions asked by CPAs during certification can serve as an additional test for the credibility of an application. If the adult applying on behalf of a child has trouble answering questions about illness, hospitalization and routine care, the worker is likely to become suspicious. At a minimum, one must build a good story to fraudulently enroll a participant.

Statement of Rights and Responsibilities

At each certification, the applicant is asked to sign the WIC Program Information Statement, which explains participants' rights and responsibilities, including the penalties for false statements and other program abuse. The CPA will usually read the statement to the applicant or summarize it and have the applicant read it. This statement is printed in many languages to ensure that all applicants understand it.

WIC Authorization Folder

Upon initial certification, a participant is given a WIC authorization folder (WAF), which serves as proof of identity for subsequent visits and for redeeming WIC checks. Both the family ID and the participant ID are recorded on the WAF, along with the participant's signature and the stamp of the agency. Appointments are recorded in the WAF, as are instructions when a participant must bring blood test results or other documentation to the next appointment. The WAF also has space for medical referral information, in case the provider does not have the medical referral form. The WAF is not treated as a controlled document with respect to security of storage and inventory, presumably because it has little value by itself.

Online Dual Participation Check

The enrollment function in ISIS has an automatic real-time check for dual participation against a statewide database. Any worker (clerical or CPA) screening or enrolling a participant with information that matches an existing participant on the database gets a message of a match. The worker has the option to terminate enrollment, hold pending further information, or override the warning. Matches are made based on Social Security number (SSN), Medicaid identification number, California driver's license number, or the combination of first and last name, date of birth and mother's first name. SSN is not required, but staff make repeated attempts to obtain a documented SSN if the participant has one. Thus, the simplest attempts at dual participation are prevented, and the time-consuming process of reviewing match reports is eliminated.

The limitations of this system for detecting dual participation are: (1) potential pressure on front-line staff to override matches so as to avoid extra effort to investigate and to speed up

enrollment, (2) the requirement for an exact match, and (3) no automatic supervisor involvement in investigating matches. Also, there is no record of the override function and no batch report to verify that matches are handled properly. The worker can, however, print out the match screen for review by a supervisor or support unit. To address some of these limitations, DHS has provided more specific instructions to local agencies regarding the actions to be taken when WIC match screens appear. These procedures are intended to allow DHS to more effectively monitor the identification, investigation and resolution of potential dual participation attempts.

The roles of the program integrity unit (PIU) at the state level and, at PHFE, the local ISIS support unit, provide backup for investigating potential dual participation and offset the front-end limitations. (CRP may have the more typical approach: staff can refer a potential match to a supervising nutritionist or the agency director.) Furthermore, program staff at the State and local levels assert that most matches are merely the result of people transferring without contacting their prior local agencies, so the interpretation and handling are straightforward.

Separation of Duties/Controls on Certification Authority

Income, identity and residency documentation may be checked and entered by a clerk (as at CRP), but they must be reviewed and approved by a competent professional authority (CPA) during the face-to-face certification interview. In both CRP and PHFE, telephone screening is separate from check-in, and check-in is separate from check printing. Both local agencies have clear and strong policies in accordance with the State agency's policy that permits only a clinic supervisor or manager to certify employees as participants. PHFE mandates monthly issuance with updates on residence, income and household composition.

Specialized Staff for Investigating Dual Participation

Local agency staff can call the State agency's Program Integrity Unit (PIU) if they encounter a match indicating potential dual participation. PIU staff have the experience and training to investigate these matches efficiently and thoroughly. In addition, they can play the "bad cop" role of communicating enrollment denial to the applicant, so that local staff can focus on more positive aspects of customer service.

At PHFE, the first line of support for dealing with matches is the ISIS support unit, which offers similar resources. Clinic staff are instructed to call the unit if they encounter an incidence of potential dual participation. The unit staff researches the family information in ISIS and, if necessary, places a confidential hold to prevent further issuance and issues a recertification notice. The participant then must provide clinic staff with proof of identity, residence and income, plus a recent medical referral form.

If this process leads to the conclusion that duplicate participation has occurred, the ISIS support staff gather evidence from ISIS and clinic signature logs to determine the extent of the violation. The area manager overseeing the clinic must authorize the suspension letter, and a senior nutritionist or deputy director reviews the case before it is referred to PIU for collections. When the ISIS support unit learns of someone who is making repeated attempts to enroll fraudulently, it puts out a bulletin describing the situation to all clinics. PIU also sends alerts of purported fraud schemes to other local agencies bordering PHFE or even statewide when appropriate.

Reliance on Outside Providers for Blood Work and Measurements

For each certification, the participant must obtain a medical referral from a licensed healthcare provider with measurements and, when required, blood test results. For children and women, measurements can be taken at the WIC clinic.

One of the most common fraud issues in certification is falsification of medical referrals, but most often this is merely because the participant fails to get the referral completed by the physician during the office visit, or because the participant has other difficulties in completing the referral process. Most falsified medical referrals are easy to spot (e.g, written in pencil or unsigned). On the other hand, some sophisticated instances of fraud have been perpetrated using bogus or stolen stamps from doctors' offices, and some doctors have falsified blood work results to ensure that their patients can qualify for WIC. (This was an issue when low-risk participants were denied benefits due to funding limitations.) The physical presence requirement has reduced this vulnerability. The State agency has also educated physicians about the importance of clear and accurate referral information, and local agencies devote more attention to quality control on this information.

State agency staff note that the use of referrals is a convenience to participants who already receive routine primary care, and that managed care has reduced the role of the county health departments that used to take the measurements and blood work for many WIC participants. Years ago, California chose not to mandate that local agencies be healthcare providers because otherwise it would have been much more difficult to accommodate the program's expansion and current level of access.

Automated Tracking of Nutrition Education

ISIS permits online scheduling and recording of nutrition education. For example, ISIS has the schedule for group training sessions with their topics, so participants can choose a group when scheduling a clinic visit.

Video for Participant Training

DHS has produced a video for use in training new participants about program rules. The video describes the benefits of WIC, the eligible foods, and the procedures for using checks. The video also includes a quiz at the end to reinforce the key points. It is often shown while certification staff are reviewing participant information and entering data in ISIS.

B. Food Instrument Issuance and Management

Automated Food Package Assignment

ISIS assigns a standard food package based on the certification data for the participant. ISIS prompts for the choices regarding juice and peanut butter/beans in selecting food packages for women and children. For participants with special dietary needs, the nutritionist can choose an alternative food packet. Noncontract formula must be justified with a doctor's prescription. For the more expensive metabolic formulas, WIC staff make sure that, whenever possible, the participant's insurance bears the cost. If not, the State WIC agency must approve the prescription, order the formula and ship it to the local agency.

On-Demand Check Printing

All WIC checks are printed on-demand at the clinic using the prescription information in ISIS. ISIS security controls restrict access to check printing functionality and also restrict the printers that can be used to print checks.

Separation of Duties

ISIS security controls whether a staff member has the authority to perform the following steps: check stock inventory, perform certification, prepare food packages to print, print food instruments, void check stock/food instrument, change issued food package, food prescription exceptions, immunization, unlock records, local administration browse, and local administration additions/changes. No staff member is supposed to routinely print food packages that she has prepared to print or vice versa, but qualified backup staff may have the authority to do both. PHFE's operating procedures separate check printing from obtaining signatures.

Only clinic supervisory staff (who do not routinely print checks) have the authority to receive check stock and issue it to the staff assigned to print checks. These supervisors also maintain the check stock inventory logs. Usually one or two persons have void authority on a given day in each office, and those individuals do not have authority to print checks at the same time. Local administrators can modify profiles as needed to maintain separation of duties and to accommodate special situations when exceptions to separation of duties have been authorized by the State agency because of staffing limitations. Before the State agency grants such exceptions, the local agency must demonstrate that it can ensure that the potential for abuse will be minimized. As a further precaution, these administrators' profiles do not allow them to print checks.

Use of Serialized, MICR-encoded Check Stock

California uses serialized, MICR-encoded check stock for WIC checks. This system provides accountability for all check stock throughout shipment and handling, and it facilitates the redemption process. ISIS is used to record the status of check stock shipments from the State to the local agency and, where applicable, from the local agency headquarters to individual clinics. When a shipment is sent, a separate electronic bill of lading is sent to be checked against the boxes received. Check stock must be recorded in ISIS as received and activated before it can be issued.

By using stock with a preprinted MICR line, California is able to use impact printers that (according to State staff) are faster, more reliable, and less expensive than the laser printers used in Tennessee. ISIS prints the serial number on the check, so workers can verify that the physical check number is the same as the system-assigned check number. This mechanism appears slightly less reliable than the scanning system used in Texas, but mismatches are rare. The check stock also has several physical security features to detect duplication and counterfeiting, but it is quite inexpensive. The physical record of check issuance is a signed signature log retained at the clinic.

Vendor-Specific Checks

The California WIC check currently is made payable to one vendor selected by the participant. This feature facilitates check redemption and can make it more difficult to commit fraud with WIC checks. On the other hand, staff must take the time to help each participant select a vendor,

and they must void and reissue checks if a participant requests a change of vendor. Because of these problems and other considerations, the State WIC agency is planning to eliminate the vendor-specific feature, although the time line for this change has not been specified.

Non-Replacement Policy

California WIC checks are not replaced if they are lost or stolen. Replacement checks are issued only if the original checks are presented and voided (to change prescription or vendor), if food or checks are destroyed in a documented household disaster, or if checks have been mailed and have not been received within a certain number of days. It is relatively easy to use lost/stolen WIC checks, because the only signature check is against the WIC folder, which anyone can sign as an alternate. The WIC Program does have information on alternates in ISIS, so it is feasible for a vendor to check before allowing an unknown person to use someone else's checks, but this is rarely done.

Alternate Representatives or Proxies

A participant can designate an alternate to pick up checks, receive nutrition education and redeem checks. The alternate must sign the WIC authorization folder (WAF) in the presence of clinic staff. Once an alternate is designated, he or she presents the WAF and personal photo identification to pick up checks. A participant also can send a person with a proxy note and the WAF to pick up checks in an emergency situation. The proxy must show photo identification to pick up the checks. If staff are suspicious, they may ask some questions about the participant to see whether the proxy is legitimate. DHS policy prohibits WIC staff from acting as alternates or proxies to pick up WIC checks for participants.

Daily Report and Reconciliation

At the end of the day, local staff print out a check issuance report and a void report. The check issuance report is balanced against the check stock against the check issuance log. The void report is balanced against the voided checks in hand. Supervisory staff are notified if there are any discrepancies, especially if voided checks are missing. At PHFE, voids are stored in a locked cabinet until the end of the month, when they are sent to the central office for audit by the area manager.

C. Food Instrument Redemption

Check Acceptance Procedures

As noted, California WIC checks are vendor-specific, so the participant can only shop at the vendor selected at the time of check issuance. The participant presents the WIC authorization folder as identification and signs the check after the cashier enters the total. The cashier is required to compare the signature in the WIC authorization folder with the signature on the check, and also to verify that the check is being redeemed within its valid dates.

Check Processing

Vendors deposit WIC checks at their banks for payment, and the banks submit them to the State Treasurer's office (STO). After nightly processing to identify new checks, voided checks, expired checks, and redeemed checks, DHS sends a file of checks valid for payment to the STO. Checks not on this file are rejected by the STO and reviewed. If there is a simple processing

error by the vendor's bank, the STO will correct it and resubmit the check. Otherwise, the check goes to DHS for review.

If a check has been rejected in error (e.g., an incorrect void), it can be represented after the status is corrected. Only designated State agency staff can reverse a void, but this can be done as soon as the local agency detects the error, preferably before the check is submitted. The STO also rejects checks with tender amounts exceeding the maximum value for the check, as indicated in the file from ISIS. Rejected checks are subject to a fee imposed by the vendor's bank.

The California State controller's office (via an interagency agreement with DHS) randomly pulls 1,500 to 2,000 checks each week for physical examination, as required by USDA regulations. Most commonly, these reviews find missing signatures or vendor endorsements. Missing signatures are usually detected by the vendor's bank. In such cases, the vendor contacts the local agency, which asks the participant to return to the store and sign the check.

The vendor-specific method of issuing checks eliminates the need for the vendor to put identification on the check and simplifies processing, but there is a problem. There is no test in the redemption process to make sure that the vendor is currently authorized. Once a check has been issued with an assigned vendor, the vendor can redeem it, even if the vendor has been terminated. This problem is one reason that State agency staff want to move to a system where checks can be transacted at any authorized vendor. In the meantime, however, a vendor can be removed from the ISIS authorization file to immediately prevent additional checks from being issued with that vendor's name.

Price Monitoring

DHS sets the maximum value for each WIC check based on regularly updated price information from the California Department of Agriculture. Maximum values are set near but below the top of the range of prices, not only to prevent overcharging but to encourage WIC participants to make economical purchasing choices. For checks that provide milk, maximum values are based on regularly updated price information from the California Department of Agriculture. The recent volatility of milk prices has forced DHS to eliminate the printed maximum value on checks that include milk. Instead, DHS determines a maximum price on a monthly basis and inserts this information in the file of authorized checks sent to the State Treasurer's office. Vendors are advised of the changed maximum values each time they are updated.

Vendor Management

Food retailers must submit an application and a price survey to DHS for authorization to accept WIC checks. DHS vendor management staff review the application and visits the store to determine whether it qualifies. The retailer must attend a group education session and demonstrate knowledge of WIC Program rules governing eligible foods, check transaction and redemption procedures, and other requirements. The vendor must then sign a contract with the State agency agreeing to abide by program rules. Vendors must repeat this cycle every 2 years and can be denied contract renewal if they have a history of noncompliance or if their prices are too high.

DHS uses both statistical monitoring and tips to target stores for undercover compliance investigations. Local agencies are required to report information about alleged abuse to the

State's vendor management unit. State agency staff conduct monitoring visits or obtain the assistance of local staff for this purpose if needed. DHS has an active and effective program to identify and remove problem vendors from the Program.

The California WIC Program has established a Grocer's Advisory Committee (GAC), with representatives from the grocery industry, local agencies, WIC participants and DHS staff. This group brings together stakeholders to improve mutual understanding of WIC Program operations. DHS believes that the GAC has strengthened ties between grocers and WIC program officials to cooperate in the prevention of program abuse.

WIC-Only Stores

California has perhaps the largest number of WIC-only stores: retail outlets (often adjacent to WIC clinics) that stock only WIC items and accept only WIC food instruments for payment. According to WIC staff, this business is quite lucrative and a real convenience for participants. Although the food costs to the State are high, the high profit margins and the visibility of these stores may tend to make their owners very careful about fraud, according to State and local staff.

D. Fraud Investigation/Sanctions

Specialized Investigative Units

The Program Integrity Unit (PIU) is a specialized staff at the State agency level responsible for investigating allegations of fraud by participants and staff. PIU handles all calls regarding WIC fraud made to various toll-free numbers, including a pager number for anonymous "whistle-blower" tips from local staff. Standard forms are used to record and track complaints. PIU investigates dual participation matches and attempts to collect overpayments. PIU also conducts training and on-site reviews to promote security through staff awareness and adherence to procedures. PIU staff are not criminal investigators, so they rely on the department's Audits and Investigations Division when such resources are needed. The Audits and Investigations Division has limited resources for WIC investigations, but the WIC branch is working on ways to obtain additional investigative services.

PHFE has a centralized program integrity function through its ISIS support unit, which also provides help-desk support for technical and policy questions. Clinic staff refer dual participation matches and other evidence of fraud to this unit for investigation. This resource frees up clinic staff time, reduces confrontations between clinic staff and participants, and promotes a more professional and methodical approach to investigations.

Promotion of Fraud Control Agenda

Senior State agency staff have always made fraud control a priority but have increased the emphasis in the aftermath of adverse publicity regarding Medicaid fraud and a general mandate to fight fraud from the current governor. The State agency has devoted considerable resources and ingenuity to establishing a solid set of preventive measures. The State WIC agency has encouraged the local agencies to make fraud a priority through education at conferences (using peer experience) and through a combination of reviews and technical assistance.

At the same time, the WIC director takes the stance that, within the regulations and policy established by USDA, public health is the first mission of WIC. In deciding how to allocate

resources, State agency staff members clearly distinguish between high-priority fraud cases (those involving multiple violations by participants or any violations by vendors or staff) and low-priority cases (e.g., unreported household income, particularly among women and children with relatively low-cost food packages). As a practical matter, the options for investigating and sanctioning low-level fraud are very limited. The major external resources-the State's Audits and Investigations staff and, for criminal cases, the local district attorneys-have been hard to enlist because of competing priorities and the low dollar amounts involved in most cases.

E. Local Agency Oversight

Local Agency Contracts

DHS contracts with local agencies on a 3-year cycle. Caseload levels and service areas are assigned by contract. The contract brings together the requirements of Federal laws and regulations, State laws and regulations, and State WIC policies and procedures, which include staff qualifications and staff-to-caseload ratios. Local agency compliance is reviewed when contracts are renewed, based on a variety of performance indicators including management evaluation reviews and audits. DHS maintains a contract support unit to provide information and assistance with contractual issues.

Communications with Local Agencies

DHS uses a variety of channels to communicate with local agencies. Regional meetings are held on a quarterly or monthly basis. At these meetings, DHS provides information and education through both State staff and local staff, who are sometimes seen as more credible and more effective at persuading their peers. DHS also has an annual conference for all local agencies and an advisory task force representing local agencies and their trade group, the California WIC Association.

In its efforts to promote local agency attention to program integrity issues, DHS relies more on technical assistance, guidelines and outreach than on mandates. Several DHS units provide training at local agencies in different areas, including program integrity, nutrition, and customer service. Staff members in these units also provide consultation by telephone or in person when local agencies request assistance. DHS also offers certification training for nutrition program assistants. Members of the PIU staff have provided presentations on program integrity at USDA and California WIC Association conferences.

DHS has some reports that are used to monitor program integrity at the local level, and staff are continuing to develop new indicators. For example, one report compares the clinic location to the locations of vendors selected by participants. If a large number of participants seem to be going out of their way, the State agency will investigate further to determine the reason for the situation. When reports are developed to identify possible problems at local agencies, the reports are presented to the local agencies as a management tool, not in a confrontational way. DHS is increasing its emphasis on these tools, and the State agency plans to create some additional high risk indicator reports, drawing on models developed by other states.

Staff Qualifications and Hiring Criteria

DHS does not set hiring criteria for local agency staff, other than the professional qualifications for nutritionists and the competency standards for nutrition program assistants. Many local

agencies are part of city or county government and therefore subject to local personnel policies, which may include drug tests, background checks or motor vehicle records' checks. PHFE's parent organization uses a contractor to conduct criminal background checks, and PHFE always checks the last two references for applicants. These reference checks rarely turn up any information about past performance, however, because most employers are reluctant to give out this information. But knowing that references are being checked may deter some applicants with a poor work history. The Community Resource Project (CRP) does not do background checks, but the director poses ethical issues in interviews to test applicants' reactions.

DHS allows local agencies to use volunteers, but they do not have access to confidential information or negotiable documents.

Local Agency Quality Assurance

At PHFE, both clinic supervisors and centrally based area managers perform quality assurance reviews of the work of CPAs and clerks. The clinic supervisors review a sample of participant records each quarter to determine whether the record is complete, who processed each step, whether documentation procedures were followed, and whether the food package and counseling were appropriate. When the workload is heavy, however, clinic supervisors sometimes find it difficult to complete these reviews on time. Area managers do random audits of clinic files throughout the year and also observe CPAs as they conduct assessment and counseling sessions. If there are signs of suspicious activity by a staff member, the manager can obtain reports of the person's activity on ISIS.

CRP has an ongoing quality assurance process focused primarily on the work of nutrition assistants and dietitians. In the past, most of these reviews were done by senior staff members, but the agency has recently implemented a peer-review system. For each nutrition assistant, five cases are reviewed each month. Typical problems involve not the core data but details such as when to place a hold on a record for return of a breast pump or when to insert comments. Problems also arise when new policies are implemented. CRP's peer review process has not been extended to the work of clerical staff, in part because of the more fluid nature of the work.

F. Management Evaluations

DHS conducts management evaluation (ME) reviews of each local agency every 2 years, using traveling staff from the central office of the Nutrition Policy and Operations Section. The topics include: staffing and organization, certification and eligibility, voucher use/distribution/security, nutrition education, and civil rights compliance. The local agency gets notice of its review 60 days in advance. During this period, the State and local staff hold advance teleconferences and the local agency conducts a self-evaluation. State staff review a sample of ISIS records in advance to assess completeness, compliance, and appropriateness of nutritional assessment and counseling. The onsite review takes 2 to 3 days and includes observation of operations, inspection of facilities, and review of paper records.

Feedback on ME reviews is provided by an exit conference and a followup letter to the parent agency's director. If needed, the State and local agency establish a corrective action plan to address the findings. The State agency staff conduct at least one followup visit four months after the review and may conduct several more over the next 12 to 18 months to make sure that issues

have been resolved. The ME reviewers may request a site visit from the PIU if there is a possible integrity problem.

Program Integrity Reviews

The PIU conducts specialized local agency reviews, to supplement its role in providing training, technical assistance, guidelines and outreach. In these reviews, PIU focuses on internal controls for storage, issuance, and tracking of WIC checks. PIU also uses the reviews to identify any weaknesses in controls that would allow fraudulent activity to occur, or to follow up on issues identified by other sources such as ME reviews.

Local Agency Audits

DHS requires each local agency to have an annual independent financial audit. The state audits each local agency every three years. Although much of the focus of these audits is on administrative expenses and related controls, voucher security and computer security are also addressed. If there is a finding in these latter areas, the Program Integrity Unit follows up.

III. Summary of Site Visit Results

The key practices that promote staff and participant integrity in the California WIC Program include the following:

- Comprehensive use of ISIS to automate information flow, validate information and streamline
- Separation of duties for scheduling, certification, and check issuance
- Role of nutritionist or nutrition assistant in reviewing eligibility documentation in the context of health and nutritional assessment
- On-demand check printing with serialized, MICR-encoded stock and computerized inventory tracking
- Tight controls on payment of redeemed checks to catch excessive claims and invalid checks
- Aggressive vendor screening, monitoring and investigation to reduce vendor and participant fraud
- Role of State agency's Program Integrity Unit and local ISIS support unit (at PHFE) in investigating dual registration matches and other potential fraud, and in initiating request for repayment of improperly obtained or abused benefits
- Multiple sources of motivation, technical assistance and training to improve integrity and compliance
- Management evaluation and quality assurance processes meeting program requirements while providing local flexibility

It is important to recognize that California's anti-fraud regime reflects a unique combination of circumstances: a very large, diverse state with a tradition of local autonomy; a very large and experienced State agency staff that can perform specialized roles; a heterogeneous array of local agencies assembled by the State to support rapid expansion as the traditional role of county health departments declined; and a State WIC agency with close ties to the management of the Medicaid program, thereby facilitating the critical access to the Medicaid MIS and its infrastructure. Thus, many of California's best practices might be difficult, impossible, or unnecessary in other States with fewer resources or less complex management challenges.

Nevertheless, many of these practices (or at least their underlying logic) could be applied elsewhere, particularly as advances in automation and communication provide more options. In addition, the fraud problems experienced by California can be seen as a bellwether for other State agencies, because of the increasing diversity of the population and because many illegal practices first seen in California or similar large States will later appear in other, smaller States.

At its best, the California system strikes a careful balance between program integrity and maximizing participation. The State agency has invested a considerable amount of funds in automation that improves program integrity while streamlining operations. State agency staff vigorously promote awareness of fraud at all levels, build collaborative relationships to combat fraud, and are the "eyes and ears" of the program. At the same time, State and local managers send a strong message that WIC needs to be as open as possible within the law and regulations, in order to serve its public health mission.