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**SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)**

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**State Project/Program:** SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

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**U. S. Department of Agriculture**

**Federal Authorization:** The WIC Program is authorized in section 17 of the National School Lunch Act (42 United States Code 1761), as amended. Program regulations are issued by the U. S. Department of Agriculture (USDA) and codified at 7 Code of Federal Regulations, part 246

**State Authorization:** N/A

**N. C. Department of Health and Human Services  
Division of Public Health**

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**N. C. DHHS Confirmation Reports:**

SFY 2008 audit confirmation reports for payments made to Counties, Area Programs, Boards of Education, Councils of Government, District Health Departments, DCD State Level Contractors and HRSA Bioterrorism Grant Subrecipients will be available by around late August to early September at the following web address: <http://www.dhhs.state.nc.us/control/>

At this site, page down to “Letters/reports/forms for ALL Agencies” and click on “Audit Confirmation Reports (State Fiscal Year 2007-2008)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from the DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2006-2008)”.

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The auditor should **not** consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor **can** consider the Supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

*The N. C. Office of State Auditor has identified this program to be audited as a major by certain counties and area public health authorities in North Carolina in order to satisfy new federal requirements on testing eligibility. The Local Government Commission has notified the local government and their auditor. Please refer to LGC Memo #993, April 23, 2003. In addition to auditing the program as major, the auditor is required to complete a Letter of Representation to the State Auditor of N.C. and a Turnaround Document and submit both to the LGC with the audit package.*

## **I. PROGRAM OBJECTIVES**

The objective of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is to provide Supplemental nutritious foods, nutrition education, and referrals to health care for low-income persons during critical periods of growth and development. Such persons include low-income pregnant women, breast-feeding women up to one year postpartum, non-breast-feeding women up to six months postpartum, infants (persons under one year of age), and children under age five determined to be at nutritional risk. Intervention during the prenatal period improves fetal development and reduces the incidence of low birth weight, short gestation, and anemia.

## **II. PROGRAM PROCEDURES**

The U. S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers this program through grants to State Agencies. State Agencies are awarded the grant on an annual basis after receipt and approval of the State Plan of Operation. The State Agencies, in turn, enter into agreements with local agencies for the operation of the program.

### **Administration**

FNS administers the WIC program through grants awarded to State health departments or comparable State Agencies, Indian tribal governments, bands or intertribal councils, or groups recognized by the Bureau of Indian Affairs, U. S. Department of the Interior, or the Indian Health Service (IHS) of the U. S. Department of Health and Human Services. These WIC State agencies, in turn, award subgrants to local agencies to certify applicants' eligibility for WIC program benefits and deliver such benefits to eligible persons. Organizations eligible to serve as WIC local agencies include public or private non-profit health agencies, human service agencies that provide health services, and IHS health units. In North Carolina, the Department of Health and Human Services, Division of Public Health, Women's and Children's Health Section administers the WIC Program. Program services are delivered at the local level by public or private non profit health or human services agencies. Local agencies are selected based on their ability to offer services to the target population. Local health departments enter into a Consolidated Agreement with the Department. The WIC Activity Budget is an integral part of the Consolidated Agreement along with the Agreement Addendum, which outlines programmatic performance requirements. Measurement of the performance is made on an annual basis by the Department of Health and Human Services (DHHS) central and regional office staff. Local agency funding in the succeeding years may be adjusted based on performance.

### **Funding of WIC Program Costs**

The WIC program is a grant program that is 100 percent federally funded (7 CFR sections 246.16(a), (b), and (c)). No State matching requirement exists. Funds are awarded by FNS on the basis of funding formulas prescribed in the WIC program regulations.

FNS allocates federally appropriated funds to WIC State agencies as grants which are divided into two parts: (1) a grant for food costs and (2) a grant for nutrition services and administrative (NSA) costs. The objectives of the food grant funding formula are to provide program stability by maintaining each State agency's prior year operating level and to encourage program growth by providing a greater share of funds to those State agencies receiving comparatively less than their fair share of funds based on their WIC eligible population. The NSA funding formula strives to preserve a reasonable measure of funding stability, while promoting funding levels that provide equivalent service to participants, and to promote incentives for reducing food costs so that more persons may be served.

Any funds recovered from participants are returned to the North Carolina Department of Health and Human Services and not the local agency.

### **State Funding**

Although the Federal financial participation (FFP) for WIC is 100 percent, some States voluntarily appropriate funds from their own revenues to extend WIC services beyond the level that could be supported by Federal funding alone. North Carolina has appropriated a small sum of State funds; these funds are administered by the State Agency and primarily used for food costs.

### **Certification**

Applicants for WIC program benefits are screened at WIC clinic sites to determine whether they meet the eligibility criteria in the following categories: categorical, residency, income, and nutritional risk (7 CFR 246.7(c), (d), (e), and (g)). A WIC clinic site is a site designated by the local agency as the location where program services are offered. The only requirement for a WIC clinic site is that the clinic must have an announced public policy against smoking in any area where WIC Program functions are performed (PL 103-111).

### **Benefits**

The WIC program provides participants with specific nutritious supplemental foods, nutrition education, and health service referrals at no cost. The authorized Supplemental foods are prescribed from standard food packages according to the category and nutritional need of the participant. The seven food packages available are described in detail in WIC program regulations (7 CFR section 246.10). In general, infants receive iron-fortified formula, iron-fortified infant cereal, and fruit juices high in vitamin C. Participating women and children receive fortified milk and/or cheese, eggs, hot or cold cereals high in iron, fruit and vegetable juices high in vitamin C, and either peanut butter or dry beans/peas. In addition to these foods, certain breast-feeding women also receive tuna, carrots, and peanut butter and/or dry beans/peas.

About 75 percent of the WIC program's annual appropriation are used to provide WIC participants with monthly food package benefits. The remainder is used to provide additional benefits and to manage the program. Additional benefits provided to WIC participants include nutrition education, breast-feeding promotion and support activities, and client services, such as

diet and health assessments, referral services for other health care and social services, and coordination activities.

### **Food Benefit Delivery**

Supplemental foods are provided to participants in any one of the following three ways (7 CFR section 246.12(b)):

Direct Distribution (used only in Mississippi and parts of Illinois)

Home Delivery (used in Vermont and parts of Ohio)

Retail Purchase System (used in most states including North Carolina)

Negotiable food instruments (FIs) are issued directly to individual participants and the participants exchange them for authorized Supplemental foods at retail stores. A participant must use an FI within 30 days of its issuance date, and the vendor must submit the FI for payment within 60 days of the issuance.

North Carolina uses a retail delivery system. Once a WIC applicant has been determined eligible, food instruments are issued. All local agencies print the food instruments on site. The State agency issues blank laser check stock to local agencies for on site printing. Participants sign for receipt of the food instruments on a signature receipt form which the local agency is required to maintain for audit purposes. The printing is linked to the WIC component of the Health Services Information System (HSIS). HSIS functions as an on line system and is managed by the State's Information Technology Services (ITS). All client eligibility and food instrument issuance is documented in HSIS. Local agencies are responsible for the printing and distribution of food instruments, secure storage and inventory of the blank check stock.

All local agencies are required to maintain on site the original food instrument receipts and original Issuance Logs for Preprinted Manual Food Instruments.

WIC participants redeem the food instruments at contracting vendors (grocery stores and pharmacies). North Carolina Department of Health and Human Services has a three party agreement with the vendor. The third party is the local agency. Local agencies are responsible for on-site monitoring for all new vendors and to monitor a minimum of a third of the vendors on an annual basis. Any deficiencies must be followed up within 14 days of the visit. A State required form (DHHS 2925 – Vendor Monitoring Form) is used. Local agencies are required to send the original reports to the State agency, keep a copy on file, and provide the vendor with a copy.

Local agencies receive a monthly report of unmatched redemptions (NA475-1). This report represents FIs that appear to have been validly issued and redeemed, but nevertheless fail to match existing issuance records. Staff (other than staff who routinely issue) are required to research the unmatched items and note if the issuance was in fact valid. A copy of the report must be signed and returned to the State Office. A copy is on file at the local agency.

## **III. COMPLIANCE REQUIREMENTS**

### **A. ACTIVITIES ALLOWED OR UNALLOWED**

Funds allocated for NSA must be used for the costs incurred by the State or local agency to provide participants with nutrition education, breast-feeding promotion and support, and referrals to other social and medical service providers and to conduct participant certification, caseload management, food benefit delivery, vendor management, voter registration and program management (7 CFR sections 246.14(a) through (d)).

Under no circumstances may the WIC grant be charged for costs that are demonstrably outside the scope of the WIC program. The cost for some screening (exclusive of laboratory tests), referrals for other medical/social services, such as immunizations, prenatal (before birth)/perinatal (near the time of birth from the 28th week of pregnancy through 28 days following birth) care, well child care and/or family planning, and follow-up on participants referred for such services, may be charged to the Federal WIC grant. However, the cost of the services performed by other health care/social service providers to which the participant has been referred shall not be charged to the WIC grant. For example, the cost to screen, refer, and follow-up on immunizations for WIC participants may be charged to the WIC grant; but, the cost to administer the shot, the vaccine, and vaccine-related equipment may not be charged to the WIC grant.

## **B. ALLOWABLE COSTS/COST PRINCIPLES**

Local Agencies are required to follow Office of Management and Budget, Circular A-87 Cost Principles Applicable to Grants and Contracts or A-122 Cost Principles for Non-profit Organizations. An annual agreement between North Carolina (NC) DHHS and the agency outlines other programmatic and fiscal requirements. The WIC Program Manual (available from the local agency) contains specific program guidance in this area.

## **C. CASH MANAGEMENT**

This is a requirement in the OMB Circular A-133 federal supplement. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

## **E. ELIGIBILITY**

### **Eligibility for Individuals**

Applicants for WIC Program benefits are screened at WIC clinic sites to determine whether they meet the following eligibility criteria (7 CFR sections 246.7(c), (d), (e) and (g)). Applicants must fulfill all of the following to participate in the WIC Program:

- Proof of identity
- Proof that they reside in North Carolina
- Proof of income or participation in the adjunctive eligibility programs
- Have a demonstrated nutrition risk

The requirements are described below:

**Categorical** – Eligibility is restricted to pregnant, postpartum, and breast-feeding women, infants, and children up to their fifth birthday (7 CFR sections 246.2 (definition of each category) and 246.7(c)).

**Residency** – An applicant must meet the State agency’s residency requirement. Except in the case of Indian State agencies, the applicant must reside in the jurisdiction of the State. Indian State agencies may require applicants to reside within their jurisdiction. All State agencies may designate service areas for any local agency, and may require that applicants reside within the service area (7 CFR section 246.7(c)(1)). North Carolina requires that the applicant reside in the health service delivery area of the local agency. The local agency defines the health service delivery area. This generally means the geographic area for which the local agency provides health services. Applicants must present positive proof of identity and proof of physical address at certification.

**Income** – An applicant must meet an income standard established by the State agency or be determined to be automatically income-eligible based on documentation of his/her eligibility, or certain family members’ eligibility, for the following Federal programs: (1) Temporary Assistance for Needy Families (formerly Aid To Families With Dependent Children); (2) Medicaid; or (3) Food Stamps, i.e., adjunctive income-eligible. State agencies may also determine an individual automatically income-eligible based on his/her eligibility for certain State-administered programs (7 CFR sections 246.2 (definition of "family"), 246.7(c), and 246.7(d)).

Income Guidelines: The income standard established by the State agency may be up to 185 percent of the income poverty guidelines issued annually by the Department of Health and Human Services or State or local income guidelines used for free and reduced-price health care.

The income standard in North Carolina is 185% of poverty. All local agencies are required to use this guideline, or the above-described adjunct income method.

Income Determination: Except for applicants determined automatically income-eligible, income is based on gross income and other cash readily available to the family or economic unit. Certain Federal payments and benefits are excluded from the computation of income. In addition, the State agency may exclude the value of military families’ off-base housing allowances but must implement such exclusion uniformly for all military families (7 CFR section 246.7(d)(2)(iv)). North Carolina excludes the value of military families off base housing when determining income eligibility. At a minimum, in-stream (away from home base) migrant farm workers and their families with expired Verification of Certification cards shall meet the State agency’s income standard provided that the income of the family is determined at least once every 12 months (7 CFR section 246.7(d)(2)(viii)).

Local agencies must consider family income over the preceding 12 months or the family’s current rate of income, whichever indicator more accurately reflects the family’s income status. However, applicants in which an adult member is unemployed shall have income determined based on the period of unemployment. A State or local agency must require documentation of participation in the adjunctive income eligible programs or documentation of the income and household size. Income eligibility is documented in DHHS 3785 – Income/Signature Card and HSIS. DHHS 3785 should be on file in the local agency. The procedures are described in the WIC Program Manual, Chapter 6.

**Nutritional Risk** – A competent professional authority (e.g., physician, nutritionist, registered nurse, or other health professional) must determine that the applicant is at nutritional risk. Nutritional risk is defined by the State agency within broad guidelines set forth in WIC legislation and regulations. The specific nutrition risk criteria are in the WIC Manual. At a minimum, this determination must be based on measurement of height or length and weight, and on a hematological test for anemia. Such anemia testing is required of all applicants except infants under six months of age and, at the State or local agency's discretion, children who are determined to be within the normal range at their last certification. The test for pregnant women may be completed within 60 days of program certification. The determination of nutritional risk may be based on referral data provided by a competent professional authority who is not on the WIC staff (7 CFR sections 246.2 (definitions of competent professional authority and nutritional risk) and 246.7(e)).

When an applicant meets all eligibility criteria, he/she is determined by WIC clinic staff to be eligible for program benefits. Certification periods are assigned to each participant based on categorical status for women, infants, and children (7 CFR section 246.7(g)).

A WIC local agency assigns each eligible person a priority classification according to the classification system described in 7 CFR section 246.7(e)(4). A person's priority assignment reflects the severity of his/her nutritional risk. If the local agency cannot immediately place the person on the program for lack of an available caseload slot, the person is placed on a waiting list. Caseload vacancies are filled from the waiting list in priority classification order. Local agencies are expected to target program outreach and caseload management efforts toward persons at greatest nutritional risk (i.e., those in the highest priority classifications).

Pregnant women are certified for the duration of their pregnancy and for up to six weeks postpartum. Breast-feeding women may be certified for six-month intervals ending with the breast-fed infant's first birthday. Infants are certified at intervals of approximately six months, except that infants under six months of age may be certified for a period extending up to the child's first birthday, provided the quality and accessibility of health care services are not diminished. Children are certified for six-month intervals ending with the month in which the child reaches the fifth birthday. Non-breast-feeding women are certified for up to six months postpartum.

Nutrition risk eligibility is documented in HSIS and/or the WIC participant medical/administration record.

## **F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Local agencies must receive prior approval from the State Agency for the purchase or lease of equipment with a value greater than \$2,500. (*FY2006-2007 Consolidated Agreement Sec.B.14.b.i*). The Equipment is noted on the NC DHHS Fixed Assets System. The equipment should have a DHHS property tag affixed. (*FY2006-07 Consolidated Agreement Sec.B.14.a.ii*)

Local Agencies must receive prior approval for all medical equipment, computer equipment and accessories regardless of cost. (*FY2006-07 Consolidated Agreement Sec.B.14.b.ii*)

## **H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS**

This is a requirement in the OMB Circular A-133 federal supplement. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

## **I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

### Procurement

FNS requires prior written authorization for WIC State and local agencies to purchase non-equipment items valued at \$25,000 or more. This policy does not apply to purchases of automated data processing (ADP) equipment with a unit cost less than \$25,000 if the equipment is related to a multi-unit procurement with a total project cost (including equipment, software and/or contracted services costs) of \$25,000 or more, such as a statewide automation system or a large replacement plan. Such purchases continue to require prior approval from FNS (see ADP Projects). (May 1, 1998 SFP Regional Letter No. 240-14: Procurement and Property Management – Non-Computer Equipment Purchases less than \$25,000, WIC Policy Memorandum #98-3)

### **ADP Projects**

Local agencies are not authorized to make ADP acquisitions.

Purchases of other capital assets, such as buildings, land and improvements to buildings or land that materially increase their value or useful life, costing more than \$5000, continue to require prior approval from FNS. (May 1, 1998 SFP Regional Letter No. 240-14: Procurement and Property Management – Non-Computer Equipment Purchases less than \$25,000 WIC Policy Memorandum #98-3)

## **J. PROGRAM INCOME**

This is a requirement in the OMB Circular A-133 federal supplement. However, the State retains responsibility for this requirement and thus chooses not to pass it along to any of its subrecipients.

## **L. REPORTING**

### Financial Reporting

Local agencies are required to submit a monthly report of expenditures and incurred obligations (DHHS2949). The monthly report of expenditures and obligations is required to be submitted in accordance with the published DHHS Controller's Office Schedule (*FY2006-07 Consolidated Agreement Sec. C.4.b*). The report should represent actual expenditures and incurred costs for the reporting month. (*FY2006-07 Consolidated Agreement Sec.C.4*)

## M. SUBRECIPIENT MONITORING

Not applicable at the local level. See page 4, 4th paragraph for the monitoring of contracting vendors.

## N. SPECIAL TESTS AND PROVISIONS

### 1. Compliance Requirement

**Management Evaluations** – State agencies must establish an ongoing management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans, the monitoring of the implementation of corrective action plans, and on-site visits. Monitoring of the local agencies shall include evaluation of management, certification, nutrition education, civil rights compliance, accountability, financial management systems, and food delivery systems. These reviews must be conducted on each local agency at least once every two years, including on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater (7 CFR section 246.19(b)).

#### Suggested Audit Procedures:

Review the most recent local agency management review (Monitoring Report) conducted by the State agency, determine if the local agency has implemented the “funding conditions” (Items requiring corrective action).

### 2. Compliance Requirement

**Consolidated Agreements with Local Health Departments/Districts** – The DHHS Division of Public Health is made up of five major sections: Chronic Disease & Injury, Epidemiology, Women’s and Children’s Health Services, Oral Health, and Administrative, Local, and Community Support. The Division utilizes a single written agreement to manage all funds, that is, State, federal, or private grant funds that the Division allocates to local health departments across the State. This document, as amended, is called the Consolidated Agreement.

The Agreement sets forth the more general requirements of the funding relationship between the State and local public health agencies. The respective requirements are detailed under the headings: Responsibilities of the Department (Local Public Health Unit); Funding Stipulations; Fiscal Control; Personnel Policies; Confidentiality; Civil Rights; Responsibilities of the State; Disbursement of Funds; and Compliance. More specific information related to program activity is set out in a document called the Agreement Addenda, which detail outcome objectives (which may or may not be negotiable at the beginning of each fiscal year) that each health department must achieve in exchange for the funding. A third part of the system is the Funding Authorization which is sent annually from each of the Sections or Branches of the Division to all health departments being allocated funds from specific sources, i.e., State appropriations or other federal grant funds for specific activities. This Estimate indicates the amount of the allocated funds and their respective sources. Each health department should be able to provide an auditor with a copy of the Consolidated Agreement for the particular year being audited, as well as copies of the Funding Authorization and any revisions, Agreement Addenda, expenditure reports and any

activity reports for each source of money received. If the health department cannot provide these documents, they may contact the State Division of Public Health Budget Office for assistance.

Suggested Audit Procedures

It is suggested that the auditor review Section B. FUNDING STIPULATIONS of the Consolidated Agreement before beginning an audit. The fifteen items of this Section, as applicable, describe much of the detailed information the auditor may be seeking during a review of these programs.

**3. Compliance Requirement**

**Vendor Monitoring** – WIC participants transact the food instruments at contracting vendors (grocery stores and pharmacies). North Carolina Department of Health and Human Services has a three party agreement with the vendor. The third party is the local agency. Local agencies are responsible for on-site monitoring for all new vendors and must monitor a minimum of a third of vendors on an annual basis. A State Vendor Monitoring Form (DHHS 2925) is required for the documentation of the monitoring. Any deficiencies must be followed up within 14 days of the visit. Local agencies are required to send the original reports to the state agency and keep a copy on file.

Suggested Audit Procedures

The auditor should review the local agency vendor monitoring files to determine if a third of the contracting vendors have been monitored on an annual basis. The reviewer should check to see if the Vendor Monitoring Form (DHHS 2925) was completed, recommended follow-up on corrective action was completed and that the signature of the authorized vendor representative and the WIC Monitor was entered on the form.

**4. Compliance Requirement**

**Conflicts of Interest and Certification Regarding No Overdue Tax Debts**

All non-State entities (except those entities subject to the audit and other reporting requirements of the Local Government Commission) that receive, use or expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of G. S. 143C-6-23 for fiscal years beginning on or after July 1, 2007. These requirements include the submission of a Notarized Conflict of Interest Policy (see G. S. 143C-6-23(b)) and a written statement (if applicable) completed by the grantee's board of directors or other governing body that the entity does not have any overdue tax debts as defined by G. S. 105-243.1 at the federal, State or local level (see G. S. 143C-6-23(c)). All non-State entities that provide State funding to a non-State entity (except any non-State entity subject to the audit and other reporting requirements of the Local Government Commission) must hold the subgrantee accountable for the legal and appropriate expenditure of those State grant funds.