

**DEPARTMENT OF HEALTH
PUERTO RICO WIC PROGRAM
POLICIES AND PROCEDURES MANUAL**

**POLICY AND PROCEDURE: 6.22
EFFECTIVE DATE: MAY, 2017**

VENDOR MANAGEMENT DIVISION

VENDOR'S OVERCHARGE

POLICY:

Pursuant to Federal Regulation 246.12(K)(1)-(4) the Puerto Rico WIC program must design and implement a system to review food instruments and cash-value vouchers submitted by vendors for redemption to ensure compliance with the applicable price limitations and to detect questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors. The State agency must take follow up action within 120 days of detecting any questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors and must implement procedures to reduce the number of errors when possible. The State agency may delay payment or establish a claim in the amount of the full purchase price of each food instrument or cash-value voucher that contained the vendor overcharge or other error. When payment for a food instrument or cash-value voucher is delayed or a claim is established, the State agency must provide the vendor with an opportunity to justify or correct the vendor overcharge or other error. If satisfied with the justification or correction, the State agency must provide payment or adjust the proposed claim accordingly.

The Puerto Rico WIC program defines an **overcharge** when the vendor intentionally or unintentionally charges the WIC Program more than the vendor's authorized shelf price established for authorized supplemental foods as defined by the vendor agreement. Overcharges will be determined by the Management Information System (MIS) from the latest vendor's competitive prices calculated and agreed to from prices submitted on the semiannual vendor price surveys. The program must disqualify a vendor for three (3) years due to a pattern of overcharging, as stated in WIC Program Federal Regulation CFR 246.12 (l)(1)(iii)(C).

PROCEDURE:

A. Determination of Potential Overcharges

1. The Puerto Rico WIC will implement an overcharge identification system including determining a percentage of the vendor's maximum price (using the shelf price after adjustment for competitive price) that will be added to the vendor's maximum price to identify the checks assessed for overcharges.
2. The PR WIC program will flag any check including a potential overcharge and will place it on hold for further determination of payment, to be made once the vendor applies the expected price.
3. The PR WIC program will allow any vendor identified with potential overcharges or other error to correct the food instrument (FI) amount within the overcharge identification system, avoiding the determination of overcharges for the corrected FI's.
4. The program will place the check on hold to ensure integrity of funds until the corrective action is taken by the vendor or a final determination about the overcharge is made.
 - a. The program will provide the vendor thirty (30) days after the end of the month when occurred, to accept and correct the amount within the overcharge identification system, and resubmit it for redemption. If the vendor disagrees with the overcharge determination, the vendor will have the opportunity to request an abbreviated hearing within the 30 days available to correct the amount.
5. An Overcharge Notification Letter will be sent to the vendor to notify the determination taken by the Program when the FI amount is not corrected by the vendor within the 30 days given after the end of the month when occurred, and the program confirms the overcharge.
6. The vendor will have an additional fifteen (15) days to request a hearing from the date of the notice of the overcharge letter.
7. The program will place an overcharge sanction on vendor's file if there is no request for a hearing within the given timeframe.

B. Determination of a Pattern of Overcharges

1. The Puerto Rico WIC Program will define a pattern of overcharges when a program files more than one incidence of overcharge within the vendor agreement period. This determination implies that the vendor, in more than one occasion, did not correct an identified potential overcharge or other error within the expected timeframe, or did not request a hearing to justify it.