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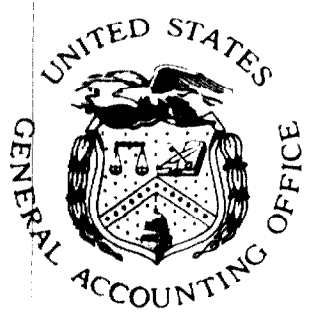
Report To The Secretary Of Agriculture

The Management System For Identifying And Correcting Problems In The Food Stamp Program Can Work Better

The Department of Agriculture's corrective action process is used to identify and secure states' corrective actions on major Food Stamp Program problems, such as those related to determining eligibility, issuing benefits, collecting overpayments, and pursuing fraud. By providing states with assistance in analyzing problems and developing plans and holding the states financially accountable for serious administrative problems, the Department has encouraged better program management, but GAO found that there is room for further improvement.

The Department approved some state corrective action plans which did not address all major problems or did not deal with them effectively. In addition, some states did not follow federal requirements to monitor and evaluate progress made in carrying out their plans. GAO found that the Department's requirements for state management evaluations of program operations were burdensome and had not been updated to cover all recent program changes.

In this report, GAO offers recommendations designed to improve the ways in which the Department and states identify Food Stamp Program problems and plan and carry out solutions to those problems.



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RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-214899

The Honorable John R. Block
The Secretary of Agriculture

Dear Mr. Secretary:

This report summarizes the results of our review of the Food and Nutrition Service's corrective action planning process to identify and secure state action to correct problems in the Food Stamp Program.

The report contains recommendations to you on pages 19, 29, 30, and 38. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations no later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the above committees; to other committees and members of the Congress; and to the Director, Office of Management and Budget. We are also sending copies to the Assistant Secretary for Food and Consumer Services; the Administrator, Food and Nutrition Service; and your Inspector General.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. Dexter Peach".

J. Dexter Peach
Director



D I G E S T

The Food Stamp Program has improved the nutrition of millions of poor Americans, but about \$1 billion a year is being lost because of such major problems as incorrect benefit determinations, lost or improperly issued coupons, minimal recovery of overissued program benefits, and limited pursuit of suspected fraud.

The Department of Agriculture's Food and Nutrition Service uses a corrective action process to encourage states to solve program problems. The states are required, as part of this process, to (1) make reviews to identify problems in state and local program operations and (2) develop and implement plans to correct all identified major program problems. (See pp. 1 to 3.)

GAO made this review to determine how well the Service was administering its corrective action process and how well states were identifying and correcting program problems. The review covered Service headquarters, three Service regional offices, and five states--Illinois, Maryland, New Mexico, Ohio, and Texas. According to Service information, the five states had experienced problems, similar to those of other states in the program, with such things as determining eligibility, collecting overpayments, and pursuing fraud.

The Service has taken some actions to help states develop and implement corrective action plans. Although these actions have resulted in some improvements, GAO found that

- some state plans did not cover, or propose adequate solutions to, all major problems;
- the Service did not ensure that states' plans were carried out in a timely manner or that the states monitored the effectiveness of planned actions; and

--Service requirements for state management evaluations of local program operations were burdensome and did not cover all recent program changes.

NEED FOR BETTER CORRECTIVE ACTION PLANS

GAO found that the Service regions had approved some state plans which did not cover all major problems or which proposed corrective actions inadequate for solving the problems that were identified. Also, the Service and the states did not always analyze and summarize all available data to insure that all identified problems were being addressed in the plans. Of the five states whose plans GAO reviewed, only Texas had developed corrective actions for solving most major problems. (See pp. 8 to 11.)

GAO believes that some state plans might have addressed more major problems if the Service had better criteria for determining which problems the plans should include. The Service requires states to develop plans to correct problems constituting a statewide trend. Regulations define major problems as those which exist in 25 percent of the state's project areas. However, this definition may result in overlooking some major problems that the plans should cover.

For example, in Baltimore, which had 53 percent of Maryland's food stamp recipients, as much as \$62,000 was lost monthly because the state issued duplicate benefits for some participants. Although the state subsequently identified the problem and took corrective action, the problem did not meet the 25-percent criterion and was not included in the state's plan. Adding criteria based on the dollar amount of losses or percent of cases affected could help identify this type of problem for inclusion in a state plan, thus helping to ensure expeditious resolution. (See p. 13.)

GAO found that even when corrective action plans included major problems, the planned solutions were not always adequate. For example, Ohio generally limited its corrective actions to proposing additional policy guidance and training packages because the state believed it lacked the resources to develop more comprehensive solutions and could not

always rely on local offices to carry out such solutions.

Also, Maryland focused primarily on problems contributing to its high error rates, associated with benefit overissuances, for which the Service can impose a financial penalty (sanction). While it developed corrective actions for those problems, it paid less attention to other major problems related to such things as establishing claims and collecting overpayments. Regional officials recognized that some proposed actions were not sufficient but said that they had approved the plans to assure some level of progress. (See pp. 14 and 15.)

To identify the extent and severity of any problems, the Service requires states to periodically evaluate local program operations. However, GAO found that the states and the Service regional offices it reviewed had not analyzed and summarized the results of all such evaluations. Therefore, they sometimes did not realize that some problems were occurring statewide and needed to be addressed in the states' plans.

For example, during its annual review of state operations in 1983, the Service's Mid-Atlantic Region found that Maryland's plan did not address two statewide problems that the state should have identified about 2 years earlier by routine analysis of management evaluations. These were (1) losses caused by inadequate reconciliation of issuance records with household eligibility records and (2) inadequate documentation that recipients had been properly notified of their benefit changes.

Regional officials said that they were not in a position to routinely identify statewide problems because they did not normally get copies of all management evaluation reports and, therefore, had to depend on states to identify statewide problems. (See pp. 12 and 13.)

Recommendations

GAO recommends that the Service revise its regulations to add criteria related to dollar losses and percent of cases affected to the definition of what constitutes major problems which must be addressed in state corrective

action plans. GAO also recommends that the Service make sure that states develop plans that include all major problems and propose solutions that are sufficient to eliminate or substantially reduce the problems. Also, the Service and states should routinely analyze management evaluation reports to ensure that major problems are not overlooked.

GAO also makes additional recommendations on ways the Service can better assist states to develop comprehensive and adequate corrective action plans. (See p. 19.)

THE SERVICE NEEDS TO MAKE
SURE THAT STATES CORRECT PROBLEMS

Service regulations require states to set target dates for carrying out the corrective actions in their plans. However, GAO found that the five states it reviewed had carried out some actions later than planned and were particularly slow to carry out complex actions. For example, New Mexico started wage matching activities 10 months later than its target date. (Wage matching is a way of detecting inaccurately issued benefits to program participants who do not correctly report their earned incomes.) Reasons for such slippages included placing a higher priority on other efforts, such as taking action to implement new regulations, and difficulties in obtaining cooperation from other state agencies that needed to help with the corrective action. (See pp. 22 and 23.)

Service regulations require states to monitor local implementation of corrective actions. However, GAO found that three of the five states either had inadequate procedures for monitoring corrective actions or improperly used such procedures. For example, Ohio officials did not always document the results of their monitoring of local offices' implementation of corrective actions. Also, a Service assessment of New Mexico's monitoring operations concluded that state efforts were not sufficiently detailed and therefore did not allow the state to determine the adequacy of local efforts.

Although states are not required to submit periodic reports on the status of corrective actions, Service officials believed that use of such a monitoring technique could improve both

Service and state program administration. GAO found that such reports were used successfully with states facing possible sanctions and believes that they should be considered for other major problems needing state action. Regional officials said that these reports kept the Service apprised of the states' progress, required states to carry out monitoring and evaluation, and helped focus the states' attention on the need to carry out corrective actions. Without adequate federal and state monitoring and evaluation, the extent of progress made in reducing or eliminating deficiencies may not be known until the Service or states make subsequent reviews or the state plans are updated. (See pp. 23 to 25.)

Holding states accountable for their Food Stamp Program deficiencies has made states put more emphasis on carrying out corrective actions. The Service had notified four of the states GAO reviewed of their potential liability for dollars lost because of errors in eligibility determinations and other aspects of program administration. Maryland, New Mexico, and Texas had faced or were facing possible sanctions for high error rates, and Ohio had been billed for late reviews to determine whether participating households should continue to receive benefits. In each case, the possibility of losing some federal funds prompted top level state and local officials to give increased attention to the Food Stamp Program. These officials said that they were motivated by the desire to avoid both losing dollars and the unfavorable publicity that can accompany a federal sanction. (See pp. 25 to 27.)

GAO found, however, that the regional offices, lacked clear-cut criteria for determining when to initiate the formal warning process for notifying states that some federal funds might be withheld. As a result, the regions had different criteria for initiating warnings and different inclinations to use this process. From 1980 through 1982, the Mid-Atlantic Region issued 17 warnings, the Midwest Region sent out about 15 warnings, and the Southwest Region did not use the warning process at all. Service headquarters officials said that these differences were not attributable to the magnitude of problems of the states in each region but rather to the regions' preferences. (See pp. 27 and 28.)

Recommendations

GAO recommends that the Service notify states to implement corrective actions in accordance with approved target dates, make sure that states adequately monitor and evaluate corrective actions, and consider requiring states to submit status reports on the progress made on particularly serious problems. The Service also should develop and issue policy guidance stressing more consistency in regional use of the formal warning process. This guidance should include a list of the problems that warrant issuing a warning. (See pp. 29 and 30.)

STATE MANAGEMENT EVALUATIONS CAN BE MORE USEFUL

Service regulations and manuals published in 1980 call for states to make comprehensive evaluations of their local program operations and administration. Service and state officials told GAO that states had difficulty meeting Service-required time frames because the evaluations were to cover all program functions in an in-depth manner.

The Service has offered states two approaches to reduce the effort needed to satisfy evaluation requirements. It has allowed states to consolidate geographic project areas into larger management units to facilitate making these evaluations. Four of the five states GAO reviewed had established such management units. However, GAO found that in one of these states, the consolidation had substantially reduced the number of local projects reviewed to the extent that identifying statewide problems would be difficult. (See pp. 33 and 34.)

The Service also has considered state-requested waivers to allow states to reduce the number of program functions and/or cases reviewed. These waivers are in effect for 1 year. The three regions GAO reviewed had granted five waivers. However, this approach is temporary and does not result in consistent treatment of states. Some states had not requested any waivers, and GAO noted variations in the types of waivers that others had been granted. The Service has recognized the need for a permanent management evaluation process, and it plans to revise the applicable regulations and manuals. (See pp. 34 to 36.)

Service evaluation requirements have not been updated to recognize recent legislative changes which require states to adopt more restrictive eligibility criteria, more intensively verify client-reported information on benefit application forms, and strengthen benefit-issuance procedures and overpayment recovery techniques. The Service plans to revise the requirements in 1984. (See pp. 36 and 37.)

Recommendations

GAO recommends that the Service withhold approval of changes regarding management units which would materially reduce a state's ability to identify statewide problems. In revising its management evaluation regulations and manuals, the Service should (1) streamline and target evaluation guidance to emphasize the identification of causes for and solutions to the more serious problems and (2) incorporate recent legislative changes. (See p. 38.)

AGENCY COMMENTS AND GAO EVALUATION

The Department of Agriculture agreed that the corrective action process could be improved and said that the Service would take the steps needed to do so. It said that the Service would (1) make maximum technical assistance efforts to help states develop better corrective action plans, (2) notify states that plans are to be implemented in accordance with approved dates, (3) revise management evaluation and corrective action regulations and manuals to streamline and update evaluation requirements, and (4) withhold approval of any state request to establish management units that would materially reduce the state's ability to identify statewide problems. (See app. I and pp. 19, 30, and 38.)

Agriculture expressed reservations about adding dollar losses or the percent of cases affected to the criteria used to determine which problems must be addressed in corrective action plans. It said that this could lead to additional administrative efforts without any additional payoff. GAO believes, however, that a gap exists in Service regulations to determine which problems must be addressed in corrective action plans and that this gap, which was also pointed out by a Service regional official, could be closed by adding the suggested criteria to that now used. By

adding these criteria, the Service would be in a position to better ensure that all major problems are identified. (See p. 20.)

Regarding obtaining and analyzing management evaluations, Agriculture said that the Service's regions reviewed all management evaluations while making onsite reviews of state agency operations. It agreed that periodic status reports proved useful under special situations but said that such reports should be used judiciously to avoid requiring states to make unjustifiable efforts. GAO believes that the Service should routinely obtain and review all management evaluations to be aware of the types and extent of existing problems. As Agriculture noted, periodic status reports had been used previously for monitoring corrective action on more serious problems. GAO believes that continued reporting on that basis is appropriate. (See pp. 20 and 30.)

Regarding use of formal warnings, Agriculture said that the Service preferred to allow its regions to issue formal warnings according to their best judgment. Although GAO recommends that the Service issue policy guidance to achieve a more uniform regional application of the formal warning process, it does not envision that such a policy would be interpreted so strictly as to prohibit consideration of an individual state's circumstances. (See pp. 30 and 31.)

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CHAPTER 1

INTRODUCTION

The corrective action process is an essential element in the Department of Agriculture's efforts to have states focus on problems they have in carrying out the Food Stamp Program. The Department's Food and Nutrition Service is responsible for overall program administration, including interacting with states to secure effective corrective action. The states are responsible for certifying applicant households and for controlling, issuing, and accounting for food coupons. Recent legislative changes and limitations in federal and state resources have prompted the Service to plan revisions to its procedures for identifying problems and planning needed managerial improvements. We made this review to evaluate the Service's policies and practices in administering the corrective action process. We did detailed work in five states to obtain examples of how well the Service and the states addressed program problems and to suggest changes that could be made in the corrective action process to enhance the federal role and improve state operations.

PROGRAM COST, PARTICIPATION, AND STATE PROGRAM ADMINISTRATIVE STRUCTURES

Effective Service oversight of Food Stamp Program operations is vital. The program has continued to provide food assistance to the nation's needy since it was established by the Food Stamp Act of 1964. It is now the largest and most widely used assistance program for helping households obtain food. In fiscal year 1983, 22 million people were receiving food stamp benefits. Federal outlays for fiscal year 1983 were about \$12 billion--\$11 billion for the benefits provided to recipients and \$800 million for the federal share of program administrative expenses. The federal government pays the total costs for recipient benefits and between 50 and 75 percent of the administrative costs. The actual percentage depends on the activity being funded and whether the state has qualified for an increased reimbursement rate by meeting specific criteria concerning low, or reduction of, error rates for benefit overpayments.

The Food Stamp Program is operated in the 50 states and in 3 jurisdictions (the District of Columbia, Guam, and the Virgin Islands). Administrative structures in these states or jurisdictions are usually designated as state-supervised or state-administered, depending on who runs the local food stamp offices which certify eligibility and disburse food coupons.

Under a state-supervised program, which exists in 15 states or jurisdictions, the local offices are run by county governments or other local entities, with the state agency setting statewide policy and providing management guidance and assistance to local offices in much the same manner that the Service carries out these functions with respect to state operations. The local offices in

a state-supervised program may exercise as much discretion in following state directives as the states do when responding to the Service. In state-administered programs, which are used in 38 states or jurisdictions, state employees operate the local offices, and the state therefore exercises more control over local food stamp agency operations.

CORRECTIVE ACTION PLANS ARE THE BASIS
FOR ADDRESSING PROGRAM PROBLEMS

The Food Stamp Program has helped many deserving households, but it also has been vulnerable to losses through applicants' inadvertent errors or intentional misstatements as well as oversights or improper administrative actions by caseworkers. Among the major problems are certification errors in determining eligibility and benefits which have contributed to losses of about \$1 billion annually over the past several years. An associated problem is that, historically, relatively little of the program's overissuances of benefits has been recovered and pursuit of suspected fraud has been limited. Not all losses are caused by problems in applying for and determining eligibility and in calculating monthly benefits, and not all problems involve loss of federal dollars. For example, in a February 1983 report,¹ we estimated that about \$32 million was lost annually as a result of problems in systems used to distribute food coupons to eligible persons. Also, applicants have not always received benefits on time.

Administrative problems in the Food Stamp Program are to be addressed through state corrective action plans approved by the Service. We reported in 1975² that these plans had not been carefully administered. We said that the Service needed to make sure that states' plans accurately identify underlying causes of problems and that the proposed solutions adequately address those root causes. The corrective action process has been revised since our 1975 report. However, many of the questions we raised in 1975 are still relevant.

The Food Stamp Act of 1977, as amended (7 U.S.C. 2011 note), requires the Secretary of Agriculture to establish standards for efficient and effective state administration of the program. This requirement is the basis for much of the Service's existing corrective action process. In 1980, the Service issued regulations for its Performance Reporting System which has three distinct elements. First, quality control reviews made by the states and validated by the Service are to identify the extent and type of errors made in determining applicants' eligibility and benefits.

¹Need for Greater Efforts To Recover Cost of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).

²Observations on the Food Stamp Program (RED-75-342, Feb. 28, 1975).

Second, the Service and the states make a series of management reviews to evaluate the adequacy of program operations at both state headquarters and local food stamp offices. Third, using the results of these reviews and any other program evaluations and assessments, states are to prepare and carry out corrective action plans approved by the Service to address all identified major problems.

Service regulations define major problems that must be included in state plans. These include errors the state caused by using incorrect manuals, training materials, or policy guidance. Statewide error trends, error patterns in large project areas, and widespread problems identified through Service reviews, Agriculture Inspector General audits, or state or project-level investigations also must be addressed.

Regulations also require that corrective action plans describe the geographic extent, size, and cause of each major problem and the action needed to solve it. A crucial element of this process is the analytical work needed to make sure that plans address all major problems and that the proposed actions will take care of those problems. For example, reported data from quality control reviews and other management evaluations must be analyzed to determine (1) the underlying reasons for identified problems and (2) what actions would resolve specific problems. For individual evaluations such as state-conducted management evaluations, which normally cover only part of a state, analyzing and compiling the results of individual evaluation reports is a prerequisite for establishing the scope of any problems and the necessary corrective action.

Implementing corrective actions involves the efforts of both state headquarters and local food stamp agency officials. Service regulations require states' corrective action plans to describe how the state will monitor and evaluate state and local progress in implementing corrective actions and remedying the problems being addressed. Through onsite visits, progress reports, and feedback from regularly scheduled state or federal management reviews, states are to determine whether problems have been reduced or eliminated and assess the effectiveness of the corrective actions used.

The Service has authority to hold states financially responsible for losses caused by management weaknesses and for carrying out specific corrective actions. The Omnibus Budget Reconciliation Act of 1982 (Public Law 97-253) requires each state to share the costs of its overissued benefits which exceed specified percentages of its annual issuances. If a state's total overissuances--defined as issuances to ineligible households and overissuances to eligible households--exceed 9 percent of the state's total issuances for fiscal year 1983, 7 percent for fiscal year 1984, and 5 percent for fiscal year 1985, the state will be held liable for a portion of these overissuances. Liability is based on the amount by which the state exceeds the above error rate targets.

In addition, the 1977 food stamp legislation authorizes the Service to use two other methods to encourage effective program operations. First, it allows the Service to charge states amounts equal to the losses caused by administrative problems such as not rechecking households' eligibility for continued benefits on a timely basis. Second, the 1977 act allows the Service to use the formal warning process to urge states to comply with federal regulations or its own state operating plans. The formal warning process entails (1) notifying a state that some of its administrative funding is being jeopardized by a problem in the state's operation of the Food Stamp Program and (2) delaying or withholding the federal share of administrative cost reimbursement if the state does not solve the specific problem on which the warning was based. Not fulfilling corrective action commitments could subject a state to such a monetary sanction.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of our review was to determine how well the Service was administering its corrective action process to improve state management of the Food Stamp Program. Our specific objectives were to

- obtain information on the adequacy of and need for the current network of federal and state reviews for identifying program problems at the state and local levels,
- determine whether corrective action plans in several states included measures to substantially reduce or eliminate existing problems,
- assess several states' progress and the Service's role in carrying out management improvements, and
- propose changes the Service could make to improve the usefulness of ongoing reviews and secure increased state action to implement effective corrective actions.

Our work was done at Service headquarters in Alexandria, Virginia; at three of its seven regional offices; and in five states. The three regional offices were the Mid-Atlantic in Robbinsville, New Jersey; the Midwest in Chicago, Illinois; and the Southwest in Dallas, Texas. The five states--Maryland, Illinois, Ohio, New Mexico, and Texas--accounted for 43 percent of the benefits issued in the three regions and 18 percent of the benefits issued nationwide in fiscal year 1982. We made our review between December 1982 and September 1983 and obtained supplemental information through March 1984.

In selecting states for review, we considered the value of benefits distributed, the type of management structure (state-supervised versus state-administered), and geographic dispersion.

Another selection factor was whether the state had (1) been notified of potential financial liabilities because of higher-than-allowed inaccurate issuance rates or (2) received increased administrative funding for having achieved low or lowered error rates. On this judgmental basis, we selected New Mexico and Maryland because their high error rates had subjected them to potential monetary penalties.

In January 1982, the Service notified New Mexico of a potential \$107,462 liability because of the state's 15.32-percent error rate. In August 1983, New Mexico was notified of an additional penalty of \$623,045 for a 15.82-percent error rate. Maryland was also notified that as a result of its 16.69-percent error rate, federal funding of the state's administrative costs might be reduced by \$580,594. In order to have these sanctions waived, the Service required both states to develop special corrective action plans to address the errors for which they faced sanctions. Texas, which we originally selected because of program size and geographic location, was in August 1983 also subject to a potential \$83,044 penalty for a 13.08-percent error rate. In contrast, Illinois had received \$698,267 as additional federal reimbursement of administrative costs because its quality control error rate had dropped by at least 25 percent. Ohio, with a state-supervised (locally operated) system, had reimbursed the federal government \$457,697 for losses incurred when its county offices had not confirmed households' eligibility for continued benefits on a timely basis.

Texas, Illinois, and Ohio had the third, fourth, and fifth highest annual benefit issuances, respectively. Maryland's program was moderately sized and New Mexico's was relatively small. We reviewed the three Service regional offices responsible for overseeing Food Stamp Program operations in these five states. These offices--the Mid-Atlantic, Midwest, and Southwest regions--account for 46 percent of the benefits issued nationwide.

In addition to reviewing operations at the state headquarters level, we visited two local program offices in each state. The states we reviewed had between 10 and 88 such local offices. In selecting these offices, we focused on those having large case-loads. On the basis of this criterion, we visited local offices in Baltimore City and Prince Georges County in Maryland; Cook County (Chicago) and East St. Louis in Illinois; Cuyahoga (Cleveland) and Franklin (Columbus) Counties in Ohio; Gallup and Albuquerque in New Mexico; and Dallas-Fort Worth and San Antonio in Texas.

We made our review in accordance with generally accepted government auditing standards. We reviewed applicable federal laws, regulations, and implementing instructions related to developing and carrying out corrective action plans, including the Service's authority and responsibility for imposing monetary sanctions. We also analyzed information on states' error rates and other losses to gain an overall perspective of the states' program problems.

We reviewed reports based on various federal and state management evaluations and other special reviews, studies, and audits, including those by Agriculture's Office of Inspector General. This information and other data on state performance served as our basis for determining whether states' corrective action plans contained initiatives to address serious and recurring problems.

We reviewed Service requirements and other guidance for state evaluations of local office performance. We examined the program elements that state evaluations were to cover as well as the review methods and number of individual cases to be covered in detail. We familiarized ourselves with criteria for determining how many local offices were to be reviewed and the frequency of such reviews. We also assessed how the Service had exercised its latitude to approve modifications in state review procedures. We gathered data on the approved changes to assess how waivers had been used to streamline and reduce review requirements.

We reviewed corrective action plans to find out whether the states we reviewed had addressed identified problems and to assess whether the specific actions contained in the plans, if adequately implemented, would reduce or eliminate the problems. We reviewed the states' monitoring and evaluation documents to assess their procedures for assuring that corrective action plans were carried out. We also interviewed state and federal officials to find out what they believed should be done to effectively address specific program problems.

We also identified actions that the Service can take and has taken to encourage states to improve performance. We concentrated on the Service's use of the formal warning process as a technique for improving states' performance in reducing recurring problems through the corrective action process. We gave consideration to how states we reviewed had reacted to potential and actual financial sanctions and interviewed federal and state officials to learn whether such Service initiatives had tended to foster or erode working relationships.

Statistical information that the Service accumulates on states' performance shows that states are experiencing similar problems in carrying out the Food Stamp Program. These statistics show that a number of program aspects, such as (1) obtaining from program applicants precise data used to calculate eligibility and benefits, (2) collecting overpayments, and (3) pursuing suspected fraud, are common problems that all states have been facing for an extended period. The states should have addressed these types of problems in their corrective action plans.

Our selection of Service regions, states, and local offices for review was not designed to provide a statistically representative sample of all jurisdictions that administer the Food Stamp Program. Rather, our objective was to determine for these five states whether there were any problems with the Food Stamp

Program's corrective action process that merited attention by the Service. We have not attempted to reach any conclusions regarding the adequacy of corrective action planning in states we did not visit.

CHAPTER 2

CORRECTIVE ACTION PLANS SHOULD INCLUDE

EFFECTIVE ACTIONS FOR ALL MAJOR PROBLEMS

Agriculture's statistics on Food Stamp Program operations show that the program is hampered by some of the same problems today that it has faced over the years. While many of these problems admittedly are not easy to solve, the corrective action plans offer a vehicle for identifying potential solutions and carrying them out. However, in the five states we reviewed, the Service and the states have not used this process as well as they could have. These states' corrective action plans did not include all serious program problems that should have been addressed, thus short-circuiting the corrective action process at the outset. Also, some proposed corrective actions were not adequate to solve problems addressed in the plans.

Better teamwork between the Service and the states in developing corrective action plans could improve the corrective action process. Beginning in early 1983, the Service increased its emphasis on sharing information on effective management techniques with the states. One source of potentially helpful problem-solving information that the Service could make better use of is the corrective action plans themselves. Analyzing, summarizing, and disseminating to all states helpful information from these plans could help the states develop effective corrective strategies and could provide useful feedback on the effectiveness and accomplishments of previously approved plans.

CORRECTIVE ACTION PLANS DO NOT ADDRESS ALL IDENTIFIED PROBLEMS

Plans for the five states we reviewed addressed many of the problems described in chapter 1 of this report, but some of these problems were neither included in the plans nor addressed outside the formal corrective action process.

Service regulations broadly require that corrective action be implemented for all identified problems which require action by either the state agency or the combined efforts of the state agency and the local food stamp office. The listed circumstances for which plans must be developed include those involving:

1. State-generated errors such as those caused by inadequate or incorrect state manuals, training materials, or policy guidance, or by inadequate staffing.
2. Problems causing at least 3 percentage points of the state's overpayment rate.

3. Statewide error trends (usually occurring in 25 percent of the local offices in a state), error patterns in large project areas, and other-than-isolated problems identified through Service reviews, Agriculture Inspector General audits, or state or project-level investigations.

Two major problems which met these criteria involved identifying and collecting overissued benefits and the pursuit of suspected fraud. However, only one of the states we reviewed addressed both of these problems in its plan.

Identifying and collecting overissued benefits

In February 1983, we reported (see footnote 1, p. 2) that the Food Stamp Program had a serious problem with the identification and collection of incorrectly issued benefits. According to projections of the most recent Agriculture data available, approximately \$2 billion in food stamp benefits--about 10 percent of all issuances--had been overissued in fiscal years 1980 and 1981. At the same time, eligible recipients had not received about \$470 million to which they were entitled. Neither the Service nor the states covered by that review had good information on how much of the incorrect issuances for those years had been identified with specific cases so benefit levels could be adjusted, underissuances restored, or collection of overissuances initiated. Indications were that the amounts identified were relatively small. Service data showed that from an overall perspective, states had established claims for about 6 cents of every overissued dollar and collected 1 cent of every dollar overpaid.

As the following table shows, the states we visited during this review experienced overissuance, claims, and collections problems of about the same magnitude as the levels described in our February 1983 report.

Status of States' Claims Administration
Fiscal Year 1982^a

(\$ amounts in thousands)

State	Overissuances ^b		Claims		Collections	
	Dollar amount	Percent of total benefits	Dollar amount	Percent of over-issuances	Dollar amount	Percent of over-issuances
Illinois	\$40,560	7.5	\$2,592	6.4	\$ 163	0.4
Maryland	10,800	12.0	394	2.0	113	0.6
New Mexico	10,346	12.6	791	7.6	97	0.9
Ohio	45,808	8.6	4,241	9.3	699	1.5
Texas	57,254	10.3	8,068	14.1	1,342	2.3

^aFiscal year 1982 was the latest year for which comparable figures were available for all three data categories.

^bOverissuances for the entire fiscal year were calculated by projecting Service data for the period October 1981 to March 1982.

None of the five states' corrective action plans included the identification of specific overissuance cases as a problem requiring corrective action. However, the plans of four states (Illinois, Maryland, New Mexico, and Texas) included some measures (primarily wage matching) to identify such cases as a remedy for income-related certification errors. Ohio officials told us that their plans did not include anything on identifying overissuances because they did not have sufficient resources to develop and carry out such sophisticated techniques as error prone profiles needed to do so. However, according to Ohio's Food Stamp Bureau Chief, the state initiated a wage matching process in January 1984.

Ohio, Texas, and New Mexico addressed claims and collections problems in their corrective action plans, but the other two states did not. Service regulations require states to establish claims and attempt to collect every identified overissuance. One of the reasons states gave for not planning action to improve claims establishment and collections is that states were placing a higher priority on preventing future losses than on recovering prior losses. Midwest Region officials had urged Illinois to develop a comprehensive corrective action strategy to address the state's low collection rate. In February 1983, the region had told Illinois that its ratio of collections to claims established was the lowest for the states in that region. In September 1983, a regional official told us that Illinois had not implemented a legislative requirement to recover overpayments by reducing the benefits of current participants who had been overissued benefits in the past. Service regulations required the states to have this offset process in place by April 1, 1983. Illinois officials did not agree to develop plans for improving collections. Instead, they said that they would make a special review of claims and

collections and develop correction actions to solve any problems found.

Service headquarters officials acknowledged that not identifying overissuances, establishing claims, and collecting overpayments is a serious drain on the Food Stamp Program. They explained that, in the past, the Service had not required states to address these issues in their corrective action plans because previous food stamp regulations inhibited claims and collection efforts by (1) requiring specific wording in demand letters, which in effect told overpaid recipients that they did not have to repay overissuances, (2) making it easy for states to justify suspending collection efforts, and (3) not providing states any incentive or effective means for pursuing aggressive collection efforts. These problems, as well as the provisions of the Omnibus Budget Reconciliation Act of 1981 which went a long way toward remedying them, are discussed in our February 1983 report and were described in our April 20, 1983, testimony before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, House Committee on Agriculture.

The Department of Agriculture advised us in a June 9, 1983, letter signed by its Inspector General that "claims activity is a priority this year." The letter stated that the Service would be closely monitoring and evaluating states' performance in establishing and collecting claims and that, to the extent appropriate, the Service would exercise its sanction authority against states performing poorly. Service headquarters and regional officials told us that they intended to require states to address inadequate claims and collections performances in future corrective action plans.

Pursuit of suspected fraud

We also reported in February 1983 that recipient fraud was a serious problem warranting specific management attention. Although Service data show that pursuit of potential food stamp fraud is increasing overall, more needs to be done. The table on the following page shows that of the five states we visited, only Texas had completed numerous fraud investigations and disqualified many persons from participating in the Food Stamp Program because of fraud in fiscal years 1981 and 1982. The table also shows that only three of these states addressed any aspects of fraud pursuit in their corrective action plans. Of the three, only Texas, which had the most completed fraud investigations and disqualifications, included a comprehensive corrective action strategy to improve fraud pursuit. Texas planned such actions as developing and using fraud-prone profiles, and completed such actions as focusing management reviews on potential fraud areas, preparing special reports to identify fraud, conducting teleconference hearings on fraud, and making greater use of the administrative hearing process in cases of alleged fraud.

Even though the Service is placing greater emphasis on fraud pursuit, states in general have not made fraud pursuit a high

priority. For example, Maryland officials told us that rather than emphasizing the investigation and adjudication of potential fraud, they had chosen to use their available resources to improve certification and verification procedures to prevent future losses. The state--most notably by hiring special fraud investigators and establishing a fraud hotline--has begun to increase its efforts to combat food stamp fraud. However, it is too early to assess the effect of these efforts.

Fraud Investigations and Disqualifications

State	Number of fraud investigations completed		Number of persons disqualified because of fraud		Is fraud pursuit addressed in corrective action plan?
	1981	1982	1981	1982	
Illinois	10	76	6	69	no
Maryland	50	51	0	0	yes
New Mexico	346	293	0	2	yes
Ohio	(a)	(a)	5	64	no
Texas	6,895	8,109	0	3,106	yes

^aData not available.

Other problems not covered in corrective action plans

An additional shortcoming in the corrective action process was that the five states we reviewed were not analyzing the results of all management evaluations of local agency operations as required by Service regulations. This step is necessary to identify any problems which might constitute a statewide trend or pattern of errors in large project areas. Service regulations require that such trends or patterns be addressed in a state's corrective action plan.

Service regional offices were not in a position to identify any such problems not included in states' plans. Officials in the three regions we visited told us that they requested copies of state management evaluations only for those areas for which they planned to independently verify state findings. They said that they did not get copies of management evaluations for other areas and therefore could not always analyze these reviews to detect problems meriting inclusion in state plans. Service officials also said that regional reviewers analyze all state management evaluations when making onsite assessments of state agency operations. However, officials in the three regions we visited told us that reductions in travel funds had limited the frequency with which these onsite reviews are made. They said that, as a

consequence, the regions' access to all management evaluations was also limited.

During a 1983 review of Maryland's state agency operations, the Service's Mid-Atlantic Regional Office analyzed Maryland's 1981 and 1982 management evaluations and found that 13 of the 22 local offices which manually issued food stamps had not reconciled food stamp benefit issuance records with eligibility records to insure that benefits had not been given to households no longer eligible for them. The management evaluations also showed that none of the state's 24 local food stamp offices had properly documented that program recipients had been given due process by being notified when the state determined that their benefit levels needed to be changed or they were no longer eligible for program benefits. A regional official said that Maryland had not identified these deficiencies as statewide problems to be included in the state corrective action plan because the state had not summarized and analyzed the results of its management evaluations. The region's Director of Family Nutrition Programs asked Maryland to address its reconciliation and documentation problems in its next corrective action plan, and the state agreed to do so.

In a May 13, 1983, letter to the Director of the Service's Program Planning, Development, and Support Division, the Service's Northeast Regional Director pointed out that the regulatory definition of a statewide trend as "occurring in a significant number (usually 25 percent) of the state's total project areas . . ." would not include some of the kinds of problem situations that need to be addressed in state corrective action plans. Service regulations use the 25-percent criterion to ensure that widespread problems receive the direct attention of the Service and the state agency. However, the Northeast Regional Director suggested additional criteria based on the dollar amount of losses or the percent of affected cases. We agree that whether or not a problem exists in 25 percent of a state's project areas is not necessarily the most important factor that should be considered. This is because extensive weaknesses in program operations in large cities can significantly influence measures of overall state performance. In some situations, dollar losses or cases affected could be more appropriate criteria for determining the need for action.

In Baltimore, Maryland, for example, which had about 53 percent of that state's food stamp recipients, about \$62,000 was lost in December 1981 because the state sent out more than one authorization-to-participate card to some recipients. These duplicate cards were then redeemed for coupons by the recipient or another party, thus resulting in the loss. Yet, this problem technically did not constitute a statewide trend or pattern of errors under the Service's 25-percent criterion and was not addressed in the state's corrective action plan. However, the Service's regional coupon use and redemption unit worked directly with the state to reduce the problem and, through implementation of a

photo identification system in July 1982, monthly losses were gradually reduced by almost two thirds.

OTHER LIMITATIONS OF CORRECTIVE ACTION PLANS

Two of the five states we reviewed--Ohio and Maryland--had placed limits on the kinds of corrective actions and/or problems they would consider for inclusion in their plans. Ohio's overall solution to deficiencies identified during quality control reviews was to propose additional policy guidance and a training package to correct a variety of benefit issuance errors caused by such things as misreporting and inadequate verification of applicants' earned and unearned income, resources, household size, and household composition.

Ohio's Management Evaluation Coordinator, who was responsible for developing the corrective action plan, told us that the plan contained admittedly inadequate corrective actions. He said that the plan would have been better if the state food stamp bureau had the resources needed to develop and carry out more comprehensive solutions involving such things as error-prone profiles (used to identify cases most likely to involve potential overissuances so additional verification of participant-reported information can be completed for such cases). The Coordinator also explained that Ohio operates a state-supervised food stamp program (see p. 1) in which the state Food Stamp Bureau sets statewide policy but has no direct control over how the 88 counties which run the local food stamp offices carry out these policies. This affects the corrective actions which the Bureau will consider including in its plan.

A Midwest regional official said that the Service recognized Ohio's difficulties in dealing with this situation and believed that the state's corrective action plan was the best that could be expected. He told us that the region's approval of the plan in February 1983 would allow Ohio to make at least some progress toward reducing the state's program deficiencies.

Maryland, on the other hand, had been successful in enlisting local commitment to the more important corrective actions, but its corrective action plan approved in March 1982 gave little attention to problems not affecting the state quality control error rate. A Maryland food stamp official said that at that time the state was facing a potential sanction for a high error rate and that the Service's waiver of the sanction depended on the state's ability to develop and implement a satisfactory plan to correct problems which were causing overissuances. He told us that consideration of other program problems would be deferred until 1984 or later because it would not be beneficial for the state to develop corrective actions that it would not act on in the near term.

Mid-Atlantic regional officials acknowledged that Maryland's corrective action plan was not adequate because it focused little

state effort on any problem not affecting the error rate, even though some of the omissions represented long-standing, serious problems. However, they said that they had approved Maryland's plan because the state faced an imminent sanction for a high error rate.

Two of three Service regional offices that we visited had expressed concern about the need for state analysis of available data to determine the basic causes of program problems. In a December 1982 policy memorandum, the Southwest Region's Director for Family Nutrition Programs told the states in that region that one of the reasons why a growing number of state plans were not being approved upon original submission was because the states were not doing the data analysis needed to identify the causes of problems. The region has had a continuing concern about the adequacy of New Mexico's analysis efforts. In May 1981, the Regional Director for Family Nutrition Programs pointed out that the state should, among other things, analyze program information to identify the root causes of problems and design effective steps to address those causes. The state subsequently accepted assistance offered by regional office staff to help analyze data and develop a workable corrective action plan. A New Mexico food stamp official acknowledged that the state had not done much analysis. She told us, however, that the state had started analyzing program data and that its most recent corrective action plan (approved September 1983) represented the first time the state had emphasized data analysis in preparation for developing its corrective action plan.

Similarly, the Chief of the Mid-Atlantic Region's Performance Reporting Section told us that states in that region needed to analyze available program information as a first step in preparing effective corrective action plans. In response to this concern, the Mid-Atlantic Region had implemented an error rate reduction analysis and research system in Maryland in 1982. This initiative was designed to identify causes of errors so that the state could determine corrective action priorities and develop solutions to the major problems. The region did this by sending a team of the region's analysts to the state where they spent several weeks reviewing the records of cases found to be incorrect during quality control reviews. The regional analysts looked for error sizes, trends, and causes and the steps that should be taken to alleviate identified problems. The region has since initiated this system in three other states.

SERVICE EFFORTS TO HELP STATES DEVELOP BETTER
CORRECTIVE ACTION PLANS ARE ENCOURAGING

Until recently, the Service's primary focus in interacting with states in the Food Stamp Program had been on working to increase state compliance with regulations, rather than offering technical assistance. However, we found the states we visited receptive to any assistance or information which the Service could provide. For example, officials in these states told us that they

would like to know which corrective actions would be most effective in solving particular problems and how to implement those actions. Accordingly, early in this review we discussed with Service headquarters and regional officials ways in which the Service could share helpful information with the states. These included developing lists of potentially effective corrective actions, sharing information among states on exemplary management initiatives, notifying states about the availability of assistance from the Service and other states, and compiling a list of organizations and individuals with expertise in various types of corrective action. Service officials indicated that they had already begun working on some of these projects. Since then, the Service has made encouraging progress in initiating such assistance.

In March 1983, the Service began an Operation Awareness Program to emphasize program accountability and strengthen public confidence in the Food Stamp Program. Operation Awareness is the cornerstone of Service efforts to help states identify and adopt effective corrective actions. It includes a number of promising initiatives such as (1) a state exchange project in which the Service pays travel expenses for officials from one state to visit those of another state to share information on successful corrective actions, (2) a periodic publication (State to State) designed to highlight effective corrective actions and heighten state awareness of Service assistance and interest in program integrity, (3) a catalog of effective corrective actions which the Service has distributed to each region and state, and (4) special projects aimed at solving recurring problems in program areas involving such things as benefit issuance systems, claims, collections, and fraud pursuit.

This growing interest and involvement in providing technical assistance has not been limited to Service headquarters. Earlier, the Mid-Atlantic Regional Office had initiated its error rate reduction analysis and research system for helping states identify causes of, and develop solutions for, their most pressing problems. The region is compiling a corrective action catalog based on the information found in its states' plans and is considering automating it.

The success of the Service's initiative to serve as a conduit for helpful ideas will require continuing publicity and promotion of the availability of such assistance because, in the past, some states had not looked to the Service for guidance on how to correct problems. For example, Texas officials told us that they had carried out a survey of corrective action techniques independently from the Service because the Service previously had not been a major source for this type of information and assistance. To obtain information on the corrective actions taken or planned to reduce certification errors in the Aid to Families With Dependent Children and Food Stamp Programs, the Texas Department of Human Resources funded two surveys. In 1982, it surveyed the corrective action techniques of 15 states. In May 1983, it expanded that initiative to a nationwide corrective action survey. Texas

officials acknowledged that the Service recently had shown an increased interest in sharing information and said that in the future the state may not need to act on its own in this regard. Sufficient distribution of the publication State to State should help inform the states that the Service is available to offer assistance and should minimize possibilities of duplicate data gathering efforts by the states.

One potential source of technical assistance data that the Service had not used was the corrective actions proposed in previously approved state corrective action plans. State plans for the past few years are on file at Service headquarters. However, according to a Service official, other priorities for increasing program accountability had prevented earlier review of these plans. Such an analysis, as part of an effort to establish the Service's management priorities for fiscal year 1985, was scheduled for completion by May 1984. After completing the analysis, the Service could use this information to augment its assistance to states on the types of corrective actions that are being suggested and approved.

Another important benefit to the Service of such an analysis would be gaining overall knowledge of the types of corrective actions that its regions approve. (Although the Omnibus Budget Reconciliation Act of 1982--Public Law 97-253, approved Sept. 8, 1982--deleted the legislative requirement that the Service approve state corrective action plans, the Service has continued its policy of having its regional offices approve state plans.) Analyzing these previously approved plans could serve as a basis for the Service to take steps to improve state and regional administration of the corrective action process.

The Mid-Atlantic Region's error rate reduction analysis and research initiative (see p. 15) is another example of the type of assistance the Service could routinely offer but so far had offered only on a limited, special-effort basis. Regional office staff had worked with four of the region's eight states or jurisdictions³ to analyze error cases identified through quality control reviews and identify causes of, and develop solutions for, major problems contributing to the overissuance error rate. The regional staff believed that these states needed and would be more receptive to such assistance.

It is too early to tell if the region's assistance has resulted in measurable improvements in the states' error rates. However, if this type of assistance proves beneficial, the Service should consider offering it to all states and jurisdictions operating the Food Stamp Program. Such an initiative could be expanded to include analyzing the results of state management

³The Mid-Atlantic Region includes Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, the Virgin Islands, and Washington, D.C.

evaluations. The region or state could also develop special reviews focusing on specific problems identified by analyzing the results of reviews.

CONCLUSIONS

The corrective action process presents a workable framework for developing effective strategies for solving states' problems in managing the Food Stamp Program. However, the value and effectiveness of this process could be improved through more teamwork between the Service and the states.

A first step should be to modify Service criteria for determining which problems must be addressed in state corrective action plans. Regulations which now require action on any problem which exists in at least 25 percent of a state's project areas do not offer adequate assurance that major problems will be addressed. Major problems in one large area could materially affect a state's error rate but not have to be included in the plan.

The regions need to assure that states analyze all major sources of information about existing program problems and effectively address such problems in state corrective action plans so that the plan can be used as the primary focus of program management improvement efforts. The states' inability to act effectively on all problems immediately, or the need for states to establish priorities for their remedial efforts, are not good reasons for developing and approving incomplete or inadequate plans. Such limitations should be explained in the plans and realistic time frames established for solving the problems involved. Consistent with this need for more comprehensive plans, the regions need to routinely obtain and review copies of all state evaluation reports and the results of states' analyses of those reports, as well as other sources of information that could help identify significant program problems. This could provide regions with a basis for discussing with states any additional corrective action initiatives that may be needed.

The Service and the states have shown a growing interest in sharing information on potentially effective corrective actions. Under its Operation Awareness Program, the Service has begun to aggressively market its orientation toward greater program integrity. Regional initiatives such as the Mid-Atlantic Region's error rate reduction analysis and research system also could be helpful in promoting state problem solving.

Another helpful initiative would be for the Service to analyze copies of approved corrective action plans to identify actions its regions had approved for addressing specific program weaknesses. This also could provide a basis for the Service to offer constructive feedback on matters needing additional attention by the states or the Service's regions.

RECOMMENDATIONS TO THE
SECRETARY OF AGRICULTURE

We recommend that the Secretary direct the Administrator, Food and Nutrition Service, to:

- Revise Service regulations to expand the definition of what constitutes a major program weakness that must be included in state corrective action plans. Dollar losses or the percent of affected cases could be a better benchmark in some situations than the number or percent of project areas involved, which is the present criterion.
- Notify Service regional offices and states that corrective action plans should be comprehensive. All major problems should be included in the plans, and proposed solutions should be sufficient to eliminate or substantially reduce the identified problems. Target dates for initiating and completing planned actions should reflect the relative priority for solving each problem.
- Obtain and review all state management evaluation reports and the states' analysis of those reports to make sure that states do not omit major problems from their corrective action plans. Doing this should insure that states follow regulatory requirements to analyze results of management evaluations to identify problems that should be addressed in state plans.
- Assist states to do the amount and type of analysis of program information needed to develop effective corrective action plans. One option might be to extend the Mid-Atlantic Region's error rate reduction analysis and research system to other Service regions and to expand that initiative to include the results of management evaluation reviews as well as quality control reviews.
- Analyze at the headquarters level all approved state corrective action plans. Such analyses could give the Service a national perspective on the adequacy of state corrective action plans, offer ideas for further technical assistance, and provide Service headquarters with the information needed to evaluate and guide regional approval of corrective action plans.

AGENCY COMMENTS AND OUR EVALUATION

Department of Agriculture

Agriculture agreed that the corrective action process can be improved and said that the Service would take the steps needed to do so. (See app. I.) It did, however, express some concerns about a few of our recommendations. These concerns do not represent major differences. The following elaborations should

lessen Agriculture's concerns about implementing these recommendations.

On our recommendation that the Service also use dollar losses or the percent of cases affected as a benchmark for determining which problems must be addressed in corrective action plans, Agriculture responded that using such criteria might cause additional administrative burden but no additional payoff.

As noted on page 13, current Service regulations do not necessarily require states to develop corrective action plans for all serious problems. Service regulations require states to develop plans for problems which constitute statewide trends or patterns of errors in large project areas. However, extensive weaknesses in one or two large projects can significantly affect a state's overall performance, yet not constitute a statewide trend or pattern of errors in large projects. This gap in Service regulations was also pointed out by a Service regional official. He noted that the amount of dollars lost or percent of cases affected should be added to the criteria for determining whether a problem should be addressed in a state's plan.

In response to our recommendation that the Service notify its regions that all major problems must be included in corrective action plans and that proposed actions must be sufficient to solve these problems, Agriculture noted that the Service's policy is to correct all errors but that not all problems are addressed through the corrective action process. As pointed out on page 3, our focus is on major problems which should be addressed through the corrective action process. We are aware of the Service's and states' procedures for correcting localized, small, or quickly solved problems which do not necessarily belong in the plans. Accordingly, our recommendation only refers to "major" problems.

Regarding our recommendation on obtaining and analyzing all management evaluations, Agriculture noted that the Service's regions review these documents when they are making onsite reviews of the state agencies. These onsite analyses of management evaluations produce useful information. For example, page 13 of this report refers to significant problems with the state benefit issuance system which the Mid-Atlantic Region found when it analyzed Maryland's management evaluations during onsite reviews. However, reductions in regions' travel fund allocations have restricted the number of opportunities for regional officials to insure adequate regional knowledge of state reviews solely by reviewing reports for the locations visited. We continue to believe that the Service regions should routinely obtain all management evaluations to make certain that they know which problems constitute statewide trends and thus have an adequate basis for knowing whether states have problems which must be addressed in corrective action plans.

Finally, Agriculture said that the Service plans to expand its ongoing technical assistance initiatives and in doing so make

greater use of the information contained in the corrective action plans. We commend the Service's effort to date but believe that both Service and state performance can be improved by adopting some of the suggestions we have proposed for providing further technical assistance. Corrective action plans offer a readily available source of information. Our recommendation is that, instead of following its currently stated practice of reviewing corrective action plans individually, the Service use the plans collectively to develop a body of knowledge on corrective actions and a national perspective on program operations. This information can then be used to evaluate and guide regional approval of corrective action plans as well as to help individual states improve their corrective action efforts. The Service's planned compilation of effective corrective actions is one of the efforts we recommended that it undertake.

State agency comments

We asked each of the five states covered by our review to comment on a draft of this report. Two states, Maryland and Ohio, provided written comments (see apps. II and III) and Texas gave us oral comments. These states basically agreed with our overall report findings. They also provided some additional information and suggested some clarifications and revisions which we have incorporated where appropriate. The other states, Illinois and New Mexico, did not respond to our initial or follow-up requests for comments.

CHAPTER 3

THE SERVICE NEEDS TO MAKE SURE THAT

STATES CORRECT PROBLEMS

The corrective action process will be effective only if states are committed to solving their problems and the Service is assertive about obtaining that commitment. However, such commitment or assertiveness was not always evident in the five states and three regions we visited. We found that corrective actions were not always timely and that there were weaknesses in the states' monitoring and evaluation of actions taken. Service procedures for holding states more accountable for their program problems are leading to better state efforts to improve their management, but more uniformity by the Service's regions in applying these procedures is needed.

TIMING OF CORRECTIVE ACTIONS

Service regulations require corrective action plans to contain target dates which specify by when (1) states will carry out promised corrective actions and (2) deficiencies will be substantially reduced or eliminated. Four of the five states we reviewed did not set targets for substantially reducing or eliminating deficiencies because state officials said that it was difficult to determine when problems would be resolved. They also said that there was no guarantee that promised actions would solve problems. However, these state officials said that it was reasonable to set target dates for carrying out individual actions.

Four of the five states we reviewed frequently missed their target dates for carrying out corrective actions. The fifth state, Illinois, did not consistently establish target dates. In general, slippage was greater when the planned action was more complex. This was the case with many of the corrective actions which New Mexico and Maryland, states which faced possible sanctions for excessively high error rates, developed for their plans. These plans were the Service's basis for waiving sanctions for these states' error rates.

Although New Mexico was late in carrying out most of its actions, its longest delay was in implementing wage matching. In New Mexico, this involved comparisons of recipient-reported income on food stamp applications with wage information maintained by the New Mexico Department of Employment Security. In its March 1982 corrective action plan, New Mexico had committed itself to begin wage matching by May 1982. Because the state was slow to implement wage matching, Agriculture's Inspector General recommended in January 1983 that the Assistant Secretary for Food and Consumer Services rescind the prior waiver and impose the above sanction on New Mexico. As noted in chapter 1, New Mexico faced a \$107,462 sanction for its 15.32-percent error rate.

On March 2, 1983, the Service warned the state that sanctions would be imposed if it did not promptly begin completing its promised matches. According to the Service, New Mexico had obtained external wage data for matching purposes for the first time during February 1983, almost 10 months later than planned and nearly 1 year after the corrective action plan was approved. The Secretary of New Mexico's Department of Human Services attributed the delay to difficulties in finalizing an agreement to obtain wage data from the state's Department of Employment Security.

Preliminary indications of the results of New Mexico's wage matching efforts are that 10 percent of the cases referred for local follow-up showed that households were either ineligible or had received more than they should have. Timely implementation of wage matching would have allowed the state to adjust these incorrect benefits earlier, thereby eliminating the need to try to recover overissuances uncovered in a later match. As our February 1983 report notes,⁴ states only recover 1 cent of every over-issued dollar. Therefore, taking timely action to stop the overpayments would have resulted in fewer losses of federal funds.

Maryland's March 1982 corrective action plan contained a target date of August 1982 for statewide implementation of a system of supervisory review of eligibility determinations for initial and continued food stamp benefits. However, Maryland did not implement the system statewide until March 3, 1983, 7 months later than planned and almost a year after the corrective action plan was approved. State and regional officials attributed part of this delay to the time required to implement changes in food stamp regulations affecting eligibility for benefits.

MONITORING AND EVALUATING CORRECTIVE ACTIONS

Without adequate federal and state monitoring and evaluation of corrective actions, the extent of progress made in reducing or eliminating problems may not be known until subsequent reviews are made or corrective action plans are updated--which might not be for 6 to 18 months or longer based on practices in the states we reviewed.

Service regulations require that states establish a system for monitoring and evaluating corrective action at the state and project area levels. Monitoring and evaluation is to be an on-going process to determine that problems are being reduced or eliminated in a prompt and effective manner. When action has not been effective, states are to reevaluate the problems, causes, and actions taken and develop and implement new corrective actions. Also, the states' corrective action plans are to describe how the

⁴Need for Greater Efforts To Recover Costs of Food Stamps
Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).

states will monitor or evaluate the effectiveness of corrective action.

Concern about the extent of Texas' monitoring and evaluation of corrective actions caused the Service's Southwest Region to withhold its approval of Texas' most recent corrective action plan submitted in February 1983. In a letter to the Commissioner of Texas' Department of Human Resources, which administers the state's Food Stamp Program, the Southwest Region's Director for Family Nutrition Programs requested that Texas take several steps to improve its monitoring and evaluation, including providing the region with calendars and reports used to monitor the implementation of corrective actions. Texas officials told Southwest Region officials that the results of program evaluations, such as quality control reviews, would show how successful state corrective action had been. However, regional officials pointed out that the state's error rate was near the threshold for sanctions and said that they believed more timely periodic evaluations were necessary. In September 1983, the region approved Texas' plan but still expressed some concerns about the states' planned monitoring and evaluation efforts.

Ohio and New Mexico have systems for monitoring local implementation of corrective actions, but the Service had noted some problems with both states' systems. In Ohio, a supervisor in each of the state's five districts was supposed to monitor implementation of corrective actions by routinely visiting each county in the district. These supervisors were required to follow up on each proposed corrective action every 90 days and document county progress in carrying out the action. District supervisors told us that they had not had time to document the results of visits to the two counties that we checked (Cuyahoga and Franklin Counties). Consequently, the state did not have information on the status of corrective actions in these areas. A report by the Midwest Region in January 1983 also noted problems in Ohio's monitoring. In August 1983, a Midwest Region official told us that Ohio had experienced monitoring problems previously and that the state would be required to again address this problem in its corrective action plan.

In its March 1982 corrective action plan, New Mexico said that the five district office managers who supervise county food stamp operations would visit their respective counties and review selected food stamp cases to determine whether the counties were carrying out state and local corrective action plans. The Southwest Region's February 1983 assessment of state operations showed that only 25 of 64 monitoring visits had included any reviews of food stamp cases and that, in many of these cases, only two or three case files were actually checked. Only five of the reviews had produced a discussion of corrective actions in enough detail to enable a determination of whether the county was complying with either its own or the state's corrective action plan.

Service regional officials agreed that monitoring and evaluating corrective actions are important, and the regions are beginning to urge states to do better. For example, in a December 1982 policy memorandum, the Southwest Region's Director for Family Nutrition Programs reminded all states in the region of the need to develop and use workable systems for tracking and evaluating the progress and effectiveness of corrective actions. He noted that "increasingly, plans are not being approved upon original submission because of problems with monitoring of corrective actions as well as methods of measuring the effectiveness of implemented actions," and urged states to do better in this regard. Mid-Atlantic Region officials also told us that they intended to place more emphasis on monitoring and evaluation problems. They said that on the basis of a 1983 review of Maryland's corrective action process, they would recommend that the state develop a monitoring and evaluation system.

Service headquarters and regional officials told us that requiring states to send the Service periodic status reports on corrective actions for the most serious problems could improve Service and state administration of the Food Stamp Program. They said that such reports could serve two purposes. First, the Service would be kept apprised of the progress of state corrective action efforts. Second, states would have to carry out required monitoring and evaluation duties to be able to prepare the status reports. Service headquarters officials said that periodic corrective action status reports had been used for states facing possible sanctions. According to Mid-Atlantic Region officials, these reports had helped spur the states to take the actions needed to avoid losing federal dollars.

THE SERVICE CAN HOLD STATES ACCOUNTABLE FOR THEIR PERFORMANCE

By placing greater emphasis on states' financial liability for the errors they make, the Service has encouraged states to improve their management of the Food Stamp Program. As described in chapter 1, the Service has three vehicles for holding states financially accountable: (1) the error liability program, (2) billings, and (3) the formal warning process. The Service's error liability program, under which states can be held accountable for errors in eligibility and benefit amounts has caused states to focus more attention on the importance of taking corrective actions to secure correct income and other information. The Service also has started making more frequent use of other available options for encouraging states to correct other problems leading to dollar losses. These include (1) billing states for losses caused by negligence in such things as storing or handling food coupons, as well as losses caused by problems such as not recertifying recipients' eligibility in a timely manner and (2) using the formal warning process to notify states that the reimbursement of the federal share of state administrative costs might be withheld because of noncompliance with Service regulations or state operating plans for achieving efficient and

effective program administration. These three types of actions appear to be spurring states to make better efforts to correct problems.

Four of the five states we visited had been notified by the Service that some of their program funds were being jeopardized by the errors they had committed. Maryland, New Mexico, and Texas either had faced or were facing sanctions under the Service's error liability program. Using the findings of an Office of Inspector General audit, the Service had billed Ohio for not recertifying the eligibility of food stamp households in Cuyahoga County (Cleveland) on a timely basis. Except for Texas, these states had planned and carried out significant corrective actions to address the problems for which they faced sanctions or billings. As a result, the Service had waived sanctions against Maryland and New Mexico. Ohio had paid the amount for which it was billed and had also corrected the problem involved, thereby avoiding further sanctions. At the time of our review, Texas had just recently been notified of its liability. As a result, it was too early for us to assess the state's response. However, Southwest Region officials told us that preliminary quality control data indicate that subsequent to the sanction, Texas lowered its error rate. They said that as a result, they expected that Texas' sanction also would be waived.

In the states we reviewed, sanctions or the possibility of sanctions has helped the Service get increased attention and commitment from top level state and local officials who wish to avoid the loss of funds as well as the unfavorable publicity that can result from an actual sanction. For example, Maryland was previously aware of the need to hire additional staff but did not do so until notified of its potential liability for errors in eligibility certification. According to the state Food Stamp Director, the state legislature would have been more reluctant to provide funds to hire 131 new eligibility workers if the state had not been potentially liable for over a half million dollars because of its high error rate. Also, the Director of Ohio's Food Stamp Bureau said that the state used the Service's sanction process to persuade Cuyahoga County to carry out corrective actions that otherwise would have been delayed. The county subsequently paid its caseworkers overtime to eliminate an extensive backlog of cases that needed to be reviewed to determine if the households were eligible for continued program benefits.

One concern we discussed with federal and state officials regarding sanctions is how they might affect the working relationships between the Service and the states. Most Service and state officials indicated that holding states liable for their errors had not eroded the states' relationship with the Service. According to Mid-Atlantic Region officials, the possibility of losing federal dollars had, in some states, provided the impetus to secure additional state resources needed to correct the problems. While Service and state officials agreed that resorting to sanctions too often or for questionable reasons could have a

negative effect on a state's performance, they said that they believed the Service had not used sanctions excessively.

We noted that after Maryland was notified of its potential liability for eligibility certification errors, the Service and the state took positive steps to reduce the state's error rate. The Secretary of Maryland's Department of Human Resources, which administers the state's Food Stamp Program, chaired weekly sessions of a corrective action panel to stress that correcting the problems causing the errors was his top priority. The Mid-Atlantic Regional Office initiated its error rate reduction analysis and research system (see p. 15) to help Maryland determine the causes of, and develop solutions for, its most pressing problems. Regional officials also made regular visits to Maryland to monitor its progress and to help with corrective actions.

REGIONS NEED BETTER GUIDANCE FOR APPLYING STATE ACCOUNTABILITY PROCEDURES

Service regulations offer guidance on (1) sanctioning states for high error rates, (2) billing states for problems such as coupon issuance losses, and (3) formally warning states for not complying with Service regulations and state plans of operation. These regulations set forth a formula for determining whether, and how much, a state should be penalized for its error rate. Regulations also clearly define the problems for which states should be billed and how large the billing should be. However, the Service gives its regions extensive latitude in determining what circumstances should start the formal warning process for withholding reimbursement of the federal share of state administrative funds. As noted above, regulations allow the regions to warn any state that does not comply with regulations or with the state's operating plan, but service headquarters has not told its regions how serious this noncompliance must be before a warning is justified. As a result, the Service regions we visited had different criteria for initiating warnings and different inclinations for using this process.

From 1980 through 1982, the Mid-Atlantic Region issued 17 advance warnings of sanctions; the Midwest Region estimated that it sent out 15 such warnings; and the Southwest Region did not use the warning process at all. Mid-Atlantic and Midwest Region officials said that they issued the warnings based on informal criteria developed within their respective regions. Factors considered included

- the potential dollar loss due to the deficiency,
- how easy it was to quantify that dollar loss,
- the effort the state was making to correct the deficiency,
- the possibility that the state could or would correct the deficiency if not held liable for it, and

--whether the state generally cooperated with the Service.

Mid-Atlantic Region officials noted that on the basis of these criteria, they probably should have issued additional warnings for problems such as inadequate fraud pursuit and inadequate collection of overpayments. These officials said that states were more likely to correct problems for which they were held liable. (See p. 26.) They also said that if the region had made greater use of the formal warning process, the states in their region would have been encouraged to pursue fraud more zealously and collect more overpayments. On the other hand, even though states in the Southwest Region had these and other problems, regional officials said that instead of initiating the formal warning process, they preferred to informally (orally) remind states that funds can be withheld for serious deficiencies.

In April 1983, Service headquarters officials said that they were aware of the differences in regional approaches to formal warnings. They characterized the Mid-Atlantic and Midwest Regions as moderate users of the process, the Western and Northeast Regions as the most frequent users, and the Mountain Plains and Southeast Regions as more sparing users. They noted that the Southwest Region had not used the formal warning process up to that point. Because the Service was concerned that states might not implement February 1983 regulations in a timely manner, the Deputy Administrator for Family Nutrition Programs sent the regions a memorandum requiring them to issue formal warnings to states that had not implemented the regulations on time. Subsequently, the Southwest Region issued nine such warnings.

Service headquarters officials said that beyond what the regulations offer, the above memorandum was the regions' only guidance concerning when to issue formal warnings. They noted that the memorandum cited only one situation that justified formal warnings. However, Service officials acknowledged the possibility of using the formal warning process to encourage states to correct other problems, such as those involving the corrective action process or recurring program problems. Examples include inadequate corrective action monitoring and evaluation, fraud pursuit, and deficient claims and collection efforts. The headquarters officials said that they preferred to give regions some flexibility to determine when to issue warnings. Therefore, headquarters had not emphasized use of formal warnings for these purposes, but the officials believed that doing so could provide states with an incentive to correct these problems.

CONCLUSIONS

Program problems have persisted partly because too little emphasis has been given to state implementation and oversight of corrective actions. States need to give more attention to meeting corrective action target dates and to establishing and implementing adequate systems for following up on their corrective action progress. The Service needs to ensure that state monitoring

and evaluation are carried out and documented so that it will know which elements of state plans need more attention.

Service regions were trying to promote better state efforts to monitor the progress and evaluate the success of state improvement strategies, but substantial progress will be needed before the regions can rely on states to inform them how well the state plans are working. A possible technique would be to require states to send the Service periodic status reports on the progress made in correcting the most serious problems.

The Service needs to impress upon the states that corrective actions should have a high priority--several procedures for establishing the states' accountability for their performance are available to the Service and have been used. In some cases, persuasion may be more useful than warnings or financial sanctions in obtaining improved state performance. However, where the Service sees relatively little state effort to reduce long-standing, serious problems, judicious use of the sanction process may be the only practicable course. Service headquarters has advocated increased use of the formal sanction warning process to the mutual benefit of the Service and the state agencies operating the Food Stamp Program. Holding states accountable for their errors has provided a stimulus for better program management and has motivated some states to increase the resources devoted to the integrity and efficiency of state operations. However, additional headquarters policy guidance is needed to achieve more consistency in the regions' application of the process and to expand the types of situations for which it is used.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary of Agriculture direct the Administrator, Food and Nutrition Service, to:

- Notify the states that corrective actions are to be implemented in accordance with approved dates.
- Make sure that states adequately monitor and evaluate corrective actions as required by Service regulations. For particularly serious problems, the Service should consider requiring states to send it periodic status reports on actions not yet completed. States not having adequate monitoring and evaluation techniques should be required to include these as problems in their corrective action plans and correct them just as they would any other program problems.
- Develop and issue policy guidance to regions on when to use the formal warning process. The policy guidance should include a list of the most appropriate program problems which the Service believes should be subject to this process.

--Use the formal sanction warning process as needed to improve states' administration of the corrective action process. It could be used to encourage states to develop comprehensive plans, carry them out in an effective and timely manner, and monitor and evaluate progress toward eliminating or substantially reducing major problems.

AGENCY COMMENTS AND OUR EVALUATION

According to Agriculture (see app. I), the Service will remind its regions to notify states that corrective actions are to be implemented in accordance with approved dates. Agriculture also said that as the Service learned more about efficient and effective ways to monitor the progress made in carrying out corrective actions, it would share this information with the states.

Agriculture also agreed that periodic status reports served a useful corrective action monitoring function in special situations but cautioned that requiring reporting for all problems could present states with an unjustifiable administrative burden. For this reason, our recommendation calls for periodic status reports only in the case of "particularly serious problems." Also, we modified the language on page 25 to emphasize this point. Our recommendation seems especially appropriate given the lack of travel funds available to the Service's regional offices. Since current Service regulations require states to monitor all corrective actions, such limited use of these reports should not present states with an undue administrative burden.

Regarding the formal warning process, Agriculture noted that the Service has had a consistent policy since 1976. It said that the regions should be given latitude in initiating the warning process rather than requiring them to follow a strict formula for determining when to initiate the process. Agriculture also noted that the Service has the authority to formally warn states for not complying with their corrective action responsibilities but that extensive reliance on formal warnings could strain the Service's relationship with the states.

We agree on the need for regional flexibility in initiating formal warnings. However, because we noted such large variations in the regions' inclinations to issue warnings, we believe that the regions need more guidance and direction so that the Service's policy can be carried out. It was not our intention to criticize any individual Service region for the degree to which it had used the formal warning process. We pointed out these differences to show that even though the Service may have had a consistent policy on formal warnings since 1976, the regions have not used this management tool consistently.

We believe that to carry out the formal warning process in a more uniform, but flexible manner, the Service should develop and issue policy guidance on when the regions should use the formal warning process, as we are recommending. This guidance could be

similar to the flexible criteria employed by the Mid-Atlantic and Midwest Regions. (See p. 27.) We also believe that it would be useful for the Service to compile and disseminate to the regions a list of the more serious problems which it believes are of the type that would merit warnings to facilitate or expedite completion of corrective actions. We believe that this step is necessary because we found that the regions we visited rarely used formal warnings for such common problems as (1) inadequate state monitoring of corrective action and (2) relatively low levels of fraud pursuit and claims and collection activity. Taking these actions could have the additional benefit of increasing the uniformity of regional administration of the formal warning process.

We agree with Agriculture that the Service has the authority to formally warn states for not complying with their corrective action responsibilities. However, during our review, we saw very few warnings that were issued for this purpose. Consequently, we believe that the Service should encourage its regions to make greater use of formal warnings to improve states' administration of the corrective action process. We did not envision that such a policy would be interpreted so strictly as to prohibit consideration of an individual state's circumstances.

We also share Agriculture's concern that the Service's relationship with the states could be strained if it relied extensively on formal warnings as a means of improving states' administration of the Food Stamp Program. However, as discussed on pages 26 and 27, program integrity can be improved by using formal warnings to spur state action on those problems the Service deems most important. Therefore, the objective of our recommendations on formal warnings is not to drastically increase the number of formal warnings, but rather to improve the consistency and effectiveness with which this management tool is used to effect improvements in state administration.

CHAPTER 4

MORE USEFUL RESULTS CAN BE OBTAINED

FROM STATE MANAGEMENT EVALUATIONS

State management evaluations of the Food Stamp Program could be more effective if the Service restructured and updated its evaluation requirements. Service regulations and handbooks published in 1980 call for states to make comprehensive reviews of their program operations and administration. Officials in the Service regions and states we visited noted that such evaluations were time consuming, had done little to surface new problems relating to program requirements, and often did little more than rehash problems with which the Service and states were already familiar.

To facilitate making management evaluations, the Service has allowed states to consolidate some of its smaller project areas, such as counties, into larger management units. The state may then review a larger single entity instead of sending reviewers to several different project areas. However, allowing states to establish larger management units for review purposes can result in inadequate review coverage of some local projects.

The Service is also trying to streamline and better target management evaluations, primarily by granting waivers to states to reduce the number of program issues and participant cases to be evaluated. Although granting waivers on a state-by-state basis offers a temporary, piecemeal solution, waivers are not a good substitute for restructuring and streamlining the evaluation process.

In addition, evaluation requirements have not kept pace with recent program legislation and with regulations which require states to adopt more restrictive eligibility criteria, more intensively verify client-reported information on benefit application forms, and strengthen benefit-issuance procedures and overpayment recovery techniques. As a result, the five states we reviewed were not systematically assessing local implementation of many of the recently imposed program requirements. Service officials realize that evaluation requirements need to be updated and plan to begin doing so in 1984.

SOME ACTION HAS BEEN TAKEN TO REDUCE EXTENSIVE REVIEW REQUIREMENTS

Service regulations for state management evaluations require states to assess the adequacy of about 130 separate program functions. This includes reviewing certification procedures such as verifying reported income and obtaining social security numbers and testing issuance procedures such as comparing authorized benefits with actual issuances and checking to detect or prevent households from getting multiple issuances monthly.

The regulations also establish how often each project area must be reviewed and set forth criteria for determining how many individual case records must be examined in each area. Service regulations require annual evaluations for all large project areas (more than 7,000 participating households), biennial evaluations of medium-size project areas (250 to 7,000 households), and triennial evaluations of small areas (less than 250 households). In large areas, 600 cases must be examined; in smaller areas, fewer cases must be examined. Service and state officials said that complying with these requirements could be time consuming because this review was originally designed to be an indepth, comprehensive program assessment for an organization not familiar with state administration of the Food Stamp Program.

Service allows states to consolidate areas for review purposes

To ease the requirements for making management evaluations, Service regulations allow states to consolidate project areas into larger management units for the purpose of making management evaluations. These actions enable some time savings because evaluations of management units do not have to cover all project areas comprising the unit. Therefore, the number of case records to be examined in each management unit can be considerably less than the number of records that would have been examined under a project area approach. However, according to Service regulations, the Service may approve management units only if they correspond to existing state administrative structures. Service regulations expressly prohibit establishing management units solely to reduce sampling requirements or the project areas to be evaluated.

Of the five states we reviewed, all but Maryland had established consolidated management units for evaluation purposes. Ohio and Texas had established 5 and 10 management units, respectively, corresponding to the number of districts or regions these states had set up for other management purposes such as supervising and monitoring program operations. New Mexico had organized its 32 project areas into 24 units to balance its review workload. In these three states, establishing management units did not decrease the number of local offices evaluated. In Illinois, however, the number of local offices evaluated each year dropped from 50 to 15 as a result of establishing two management units to cover the state. The following table compares the management evaluation coverage in Illinois with that in Ohio--both states operate similar-sized Food Stamp Programs with over 400,000 recipient households, about 100 project areas, and about 130 local offices.

Different Impacts of Establishing Management Units

<u>State</u>	<u>Number of management units</u>	<u>Number of management evaluations each year</u>	<u>Number of local offices evaluated each year</u>
Illinois	2	2	15
Ohio	5	50 ^a	65 ^a

^aOhio does a number of management evaluations in each management unit. Some of these evaluations cover more than one local office.

According to records of discussions between Midwest Region and Illinois officials about the extent of the state's management evaluation coverage, regional officials noted that some deficiencies uncovered during management evaluations may appear to be isolated cases but may in reality be statewide problems that should be covered in the state's corrective action plan. An official in Illinois recognized that statewide error trends might not be discerned from the state's management evaluation results and that major problems therefore might not be addressed in the state's corrective action plan. He said, however, that the state headquarters office worked closely with each local food stamp office and that program deficiencies were solved on a case-by-case basis.

States can apply for waivers to reduce coverage of reviews

In an attempt to promote more effective and useful state management evaluations, the Service in January 1983 authorized its regional offices to approve state requests for waivers of Service requirements for state management evaluations. Service officials told us that waivers were granted because states were finding it difficult to make management evaluations covering all program functions and meeting time frames required by the Service. We agree with the intent of the Service's effort to change the management evaluation process, but we also have some concerns about how the Service was making these changes through a waiver process.

Of the five states we reviewed, three--Maryland, Ohio, and New Mexico--had problems with completing management evaluations on time. Officials in every Service region and state we visited had concerns about whether the amount of time spent on across-the-board management evaluations was worth the results. They said that the evaluations tended to surface the same problems over and over again. They also said that Service regulations specifying how states were to evaluate about 130 separate program functions sometimes prevented states from making detailed evaluations of key program areas that needed particular attention. In response to these problems, regional offices were given authority to waive evaluation requirements dealing with the number of household cases

that had to be selected for review during a management evaluation and the program functions that had to be evaluated either in the individual case reviews or in the overall management evaluation effort. Between January and October 1983, the three Service regions we visited had received seven, and approved five, requests for waivers to reduce the number of program functions evaluated and/or cases reviewed during management evaluations.

The Service's Administrator said that the intent of waivers was to give the states flexibility to use limited resources as efficiently as possible. He said that waivers would allow states to stress evaluating the more serious program problems. To receive waivers, states had to (1) demonstrate that any program element proposed to receive less review emphasis was not a problem area, (2) describe a specific program improvement that could be accomplished because of the waiver, and (3) ensure that resources dedicated to evaluation would not be reduced.

Ohio had such a waiver approved but it was too early at the time of our review to assess its impact on the state's management evaluations. Prior to January 1983, Maryland and New Mexico had been given special permission to reduce the coverage of their management evaluations. Maryland and New Mexico praised the concept of the abbreviated evaluation and said that the abridged evaluation formats had enabled them to get back on schedule with their evaluations. The Executive Director of Maryland's Income Maintenance Administration, which administers the Food Stamp Program, said that the state had been able to get about the same level of information on how well local offices were administering the program as had been obtained through conventional evaluations. New Mexico officials said that they believed that flexibility to tailor evaluations to particular segments of the program could help achieve more accurate benefit determinations.

Waiving review requirements, however, does not offer a consistent and lasting basis for administering management evaluations. We observed notable differences in the management evaluations that various states were allowed to make. Ohio, for example, had been allowed to reduce the number of cases it reviews. New Mexico was permitted to narrow the number of specific issues they evaluated, but the number of cases to be reviewed remained unchanged. Maryland was given permission to reduce both the number of issues addressed and the number of cases reviewed. Service regional officials acknowledged that waiving review requirements was not necessarily related to how well states administered the Food Stamp Program. Instead, under the current arrangements, whether or not a state is considered for a waiver to reduce review efforts depends solely on the state's willingness to request a waiver.

Waivers also are temporary--they expire after 1 year and in no case later than December 1984. Officials in the states we visited said that this time frame caused them to be uncertain

about what the review requirements will be after that time. We believe that such waivers do not offer a good basis for developing lasting state review systems and capabilities. Handled improperly, waivers as well as the management unit concept can create inequitable differences in states' review requirements. Also, state requests for waivers, Service approval, and any intervening negotiations to arrive at a mutually satisfactory solution require administrative time. Restructuring and realigning the current process to make it usable in all states (and reducing the current review requirements) would appear to be a practical solution for the long term.

Service regions have narrowed their reviews

Just as the states have been allowed to reduce the number of cases and issues covered by management evaluations, the Service in January 1983 officially eased requirements for regional office reviews of state agency operations. The three regions we visited had already restructured their review efforts prior to obtaining headquarters approval. Because of inadequate staff and travel funds, regional reviews were targeted on those issues considered most important and the number of cases reviewed had been reduced.

The Mid-Atlantic Region, for example, has been reducing the scope of its own reviews of state operations since 1981. Regional officials told us, however, that this could not have been done without providing their reviewers with new guidelines detailing issues to be emphasized and methods for evaluating these issues. Accordingly, the region developed a special review package to assist its reviewers. Service headquarters and regional officials acknowledged that similar guidance would be helpful to state reviewers in making abbreviated management evaluations.

SERVICE INSTRUCTIONS ON THE CONTENT OF FEDERAL AND STATE REVIEWS NEED TO BE UPDATED

Service regulations and manuals offering guidance and pro forma worksheets for Service reviews and assessments and for state management evaluations have not been revised since they were issued in 1980. As a result, Service manuals do not require evaluation of the numerous legislative initiatives adopted since then to reduce program losses and strengthen program administration. Such initiatives include requirements for wage matching, for obtaining social security numbers for all participating household members, and for installing systems to detect or prevent individuals' or households' multiple participation in the program. Officials in the states we reviewed told us that they did not always cover these items during management evaluations. Other program aspects that had not been routinely covered but should be subject to review and evaluation in order to maximize the benefits of legislation meant to improve equity and stop losses include

- proration of monthly benefits according to application date,
- photo identification to avoid improper coupon issuances,
- reduction of households' benefits to recover previous overissuances,
- state retention of the correct share of the amounts collected,
- imposition of fraud disqualification penalties, and
- state liability for coupon losses.

An audit by the Office of Inspector General also noted that the manuals are out of date. Service officials said that they were aware of the problem and planned to update the manuals as soon as they revised its regulations concerning state management evaluations and corrective action plans. The original target date for revising those regulations had been October 1983 but, according to Service officials, intervening priorities to rewrite a major segment of the program's regulations will delay revisions to the management evaluation and corrective action planning regulations until 1984. Changes to the manuals would be completed sometime later.

CONCLUSIONS

Dividing states into management units may facilitate states' completion of management evaluations. However, in approving the establishment of such units, the Service needs to insure that doing so will not significantly reduce evaluation coverage to the extent that statewide problems might not be identified.

Waiving evaluation requirements to enable more efficient use of available review resources is a useful temporary step, but a more consistent and permanent solution is needed. Waiver authority, which has been continued through the end of calendar year 1984, will leave states uncertain about future requirements for management evaluations and presents the potential for large differences among states in the number of cases, project areas, and program functions that they are obligated to review. To give states a lasting and equitable management evaluation system, the Service needs to modify the review requirements in its regulations and handbooks. These modifications should be aimed at lessening the Service's and states' workloads to make more effective use of staff resources. However, the Service should safeguard the reliability of review results by insuring coverage adequate for identifying major problems and by continuing periodic review of local offices' operations.

Also, the Service's review requirements issued in 1980 have not kept pace with recent legislative changes which require states

to adopt more restrictive eligibility criteria, do more verification of recipient-provided data, and strengthen benefit-issuance procedures and overpayment recovery techniques. Consequently, these items have not received sufficient review coverage. This updating should be a part of the Service's plans for revising evaluation requirements during 1984.

RECOMMENDATIONS TO THE
SECRETARY OF AGRICULTURE

We recommend that the Secretary of Agriculture direct the Administrator, Food and Nutrition Service, to:

- Withhold approval of any state requests for establishing management units for review purposes which would materially reduce a state's ability to identify statewide problems.

- Revise regulations and manuals to streamline and restructure management evaluation requirements and update review coverage. This guidance should help states target their management evaluations on those program areas needing the most attention while ensuring adequate review coverage and consistent review efforts among the states. The Service should, as part of this revision to regulations and manuals, add any review requirements originating from legislative changes adopted since 1980 when the most recent regulations and handbooks were issued.

AGENCY COMMENTS

According to Agriculture (see app. I), the Service will prohibit states from establishing management units for review purposes when doing so would materially reduce a state's ability to identify statewide problems. Agriculture also said that the Service was revising management evaluation and corrective action regulations to streamline current review requirements and coverage. It said that the Service would include, as part of these revisions, any review requirements resulting from legislative changes since 1980. It added that the Service anticipates publishing these regulations in late fall 1984 and that manuals also will be revised accordingly.



United States
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MAR 6 1984

Mr. J. Dexter Peach
Director
Resource, Community and Economic
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Washington, D.C. 20448

Dear Mr. Peach:

This is in response to the General Accounting Office draft report to the Congress entitled "The Management System for Identifying and Correcting Problems in The Food Stamp Program Can Work Better."

Following are an introductory summary and the Departmental responses to each of the eleven recommendations contained in the report.

INTRODUCTION

This GAO report evaluates the Agency's policy and practices in administering the corrective action process. GAO finds that the Agency's headquarters has not enforced uniformly among the Regions' corrective action practices. It is also reported by GAO that expanded corrective action plans, more aggressive warning action and increased technical assistance will result in improved operations. As a result of their findings, GAO makes recommendations that are aimed at tightening controls and regulations.

[GAO COMMENT: Our recommendations are aimed at improving the effectiveness of the corrective action process by (1) clearly defining the states' corrective action responsibilities, (2) requiring the Service to make sure that states meet these responsibilities, and (3) increasing the technical assistance which the Service offers the states. This approach is consistent with, but also goes beyond, recommendations aimed at tightening controls and regulations. Also, the Service said that we found that the agency's headquarters had not enforced uniformity among the regions' corrective action practices. Our principal effort regarding the uniformity of the Service's administration of the program was limited to determining how the formal warning process was administered.]

From an Agency perspective, corrective action plans are long term commitments made by the State to correct recurring problems. The stakes for the State are high. Effective corrective action could possibly result in enhanced funding whereas ineffective strategies may result in a fiscal liability. While it is clear that the Agency is responsible for corrective action compliance, the Agency views its role as a corrective action facilitator. We have the opportunity to assist States to achieve the desired corrective action results, but the State's real commitment is to results, rather than to cooperation in any particular process towards that result. The GAO report stops short of recognizing this relationship and what it means to the overall process. Just as importantly, the reader is not sensitized to the political, economic and programmatic pressures that the State must deal with in carrying out the system.

[GAO COMMENT: We recognize that the corrective action process is a long-term endeavor and that the Service has a vital role to help states improve their program operations. We also realize that states face "political, economic, and programmatic pressures." However, the Service should not allow states to use these pressures to justify not addressing some serious problems and for proposing corrective actions inadequate for solving other problems. Many of the problems which states face have existed for a long time. Overissued benefits involve large dollar losses and, combined with low recovery rates and inadequate fraud pursuit, tend to compromise the Food Stamp Program's integrity.

We acknowledge that the Service has a responsibility to facilitate state corrective action efforts. However, as the federal agency charged with overseeing state operation of the Food Stamp Program, the Service is also responsible for ensuring that states act to correct pressing problems.]

Overall, GAO reports that the system provides a workable framework for corrective action but improvements can be made. The Agency does not dispute that the system can be refined, and will take the necessary steps to achieve that end.

Following are the recommendations and response.

1. Recommendation

Revise Service regulations to expand the definition of what constitutes a major program weakness that must be included in State corrective action plans. Dollar losses or the percent of affected cases could be a better benchmark in some situations than the number or percent of project areas involved, which is the present criterion.

Response

GAO states that a major problem may not be picked up if it does not occur in minimally 25 percent of the States' project areas. This is not accurate. As specified in the regulations and noted in the body of the report, significant errors or error patterns occurring in large project areas must be addressed in the corrective action plan. Also, it is our judgment that tacking on dollar losses or the percent of affected cases to the present criterion only stands to cause additional administrative efforts, but no additional payoff.

[GAO COMMENT: We did not intend to imply that states do not pick up problems which are not included in corrective action plans. We are aware of the Service's and states' procedures for correcting localized, small, or quickly solved problems which do not necessarily belong in corrective action plans. Our report does not focus on these problems but rather on those which should be included in states' plans. See our evaluation on p. 20.]

2. Recommendation

Notify Service Regional Offices and States that corrective action plans should be comprehensive. All major problems should be included in the plans, and proposed solutions should be sufficient to eliminate or substantially reduce the identified problems. Target dates for initiating and completing planned actions should reflect the relative priority for solving each problem.

Response

In general, the Agency believes that the Regions and States have taken major steps to achieve corrective action coverage, i.e., addressing all problems, proposing solution and including target dates. The Agency is concerned, however, that in the review GAO may not have been fully aware of the various ways in which corrective action may be pursued.

The Agency's policy is to correct all errors. Minor errors may be dealt with immediately by the State and not formally added to the plan. Other errors may not represent a statewide problem and are accordingly added to the project area level plan. Compliance problems which are found in special reviews and audits may be dealt with separately from the plans.

The corrective action requirement is clear. The method that is followed to document and follow-up on the corrective action is dependent on what is efficient for the State and Region. To the extent that slippage may be occurring, the Regions will be reminded of the corrective action requirements.

[GAO COMMENT: As noted in our comment on the first recommendation, we are aware of the procedures for correcting minor problems. However, our report focuses on major problems for which states must develop corrective action plans. On pages 9 through 12, we point out that corrective action plans in the states we visited did not always include serious problems involving such key program areas as claims, collections, and fraud pursuit. As we also noted, states have sometimes proposed corrective actions inadequate for solving these and other problems. See our evaluation on p. 20.]

3. Recommendation

Obtain and review all State management evaluation reports and the States' analysis of those reports to make sure that States do not omit major problems from their corrective action plans. Doing this should insure that States follow regulatory requirements to analyze results of management evaluations to identify problems that should be addressed in State plans.

Response

The management evaluation process was designed as a management tool for the State. With that comes a responsibility for the State to analyze, evaluate and develop corrective action that will reduce error and avoid fiscal liabilities. The Region has oversight responsibilities to ensure that management evaluation reviews and other related activities are done. Ultimately, the States' management evaluation review is the basis of the Federal management evaluation compliance review and other State level reviews. While the State findings are not routinely forwarded, they are routinely reviewed by the Regions when they are in the State agency. Regions may also obtain the findings upon request to the State agency. We agree that these documents are an invaluable resource to the Region and must be reviewed.

[GAO COMMENT: See our evaluation on p. 20.]

4. Recommendation

Assist States to do the amount and type of analysis of program information needed to develop effective corrective action plans. One option might be to extend the Mid-Atlantic Region's error rate reduction analysis and research system to other service regions and to expand that initiative to include the results of management evaluation reviews as well as quality control reviews.

Response

As stated in the report, the Agency has taken steps to provide corrective action technical assistance to States. Also, in our recent assessment of Regional offices, headquarters found a significant percentage of resources being devoted to providing States with corrective action assistance. With the work that is currently being done in headquarters, specifically under Operation Awareness and State Exchange funding, combined with the Regional endeavors, the Agency feels confident that maximum technical assistance efforts are and will continue to be made.

5. Recommendation

Analyze at the headquarters level all approved State corrective action plans. Such analyses could give the Service a national perspective on the adequacy of State corrective action plans, offer ideas for further technical assistance, and provide Service headquarters with the information needed to evaluate and guide regional approval of corrective action plans.

Response

The Agency presently operates under an open-ended corrective action system. As corrective actions are added or deleted, the National office is kept apprised. Corrective action updates are submitted from the Region/ State as review results are processed. The required action is removed from the plan once the effort has been satisfactorily implemented.

Headquarters reviews all corrective actions that are forwarded from the Region. These reviews often present opportunities to match need with technical assistance. Until recently there was no formal dissemination for corrective actions, from plans, that were held out as being particularly innovative and effective. Under a new initiative, the Agency has developed a process whereby exemplary corrective actions are shared with Regions and States. A compilation of good corrective action approaches is currently being prepared. After this is completed and disseminated, we will continue to select and share useful corrective actions on an ongoing basis.

We should also point out that the Agency has placed a tremendous emphasis on seeking out exemplary corrective actions through research and demonstration projects. Many of the results of these efforts have already been shared with States and Regions.

[GAO COMMENT: See our evaluation on p. 21.]

6. Recommendation

Notify the States that corrective actions are to be implemented in accordance with approved dates.

Response

As mentioned in an earlier response, all Regions will be reminded of their corrective action compliance responsibilities. Overseeing timely corrective action implementation dates fall under these requirements.

7. Recommendation

Make sure that States adequately monitor and evaluate corrective actions as required by Service regulations. For particularly serious problems, the Service should consider requiring States to send it periodic status reports on actions not yet completed. States not having adequate monitoring and evaluation techniques should be required to include these as problems in their corrective action plans and correct them just as they would any other program problems.

Response

Present regulatory guidelines require States to monitor and evaluate corrective actions taken by the State and project area. As a result of staff reductions and reduced travel dollars, State agencies have been forced to target their limited resources. As a result, many of the required reviews and monitoring efforts have been consolidated. As we learn more about effective and efficient strategies on monitoring and reviewing techniques we will share them among the States and Regions.

With regard to requiring reports on corrective actions not yet completed, we agree that the process served a useful purpose under the special corrective action plan conditions. Presently, States are required to report to the Region when target dates will not be met. We are concerned that the additional administrative burden that these reports would require would not be justifiable in view of our present requirement.

[GAO COMMENT: See our evaluation on p. 30.]

8. Recommendation

Develop and issue policy guidance to regions on when to use the formal warning process. The policy guidance should include a list of the most appropriate program problems which the Service believes should be subject to this process.

Response

Since 1976, the Agency has had a consistent policy on the warning process which includes the suspension and disallowance of States' administrative funds for failure to operate the program in conformance with applicable rules and regulations. Given the very nature and purpose of the warning sanction system, it has never been advisable to design a "formula" to determine specific action points for any given non-compliance issue, as circumstances surrounding the issue are unique to each State situation. The sanction actions are governed by the effect of the problem on the caseload, the degree of funds being jeopardized, the various mitigating circumstances and the level of commitment made by the State agency in each step of the process. The system was designed to take all these variables into account. It is our opinion that the Regions are the best judge of these circumstances and should be given adequate latitude in initiating the warning system.

[GAO COMMENT: See our evaluation on pp. 30 and 31.]

9. Recommendation

Use the formal sanction warning process as needed to improve States' administration of the corrective action process. It could be used to encourage States to develop comprehensive plans, carry them out in an effective and timely manner, and monitor and evaluate progress toward eliminating or substantially reducing major problems.

Response

Our regulations clearly allow the immediate issuance of a warning notification if a State fails to comply with an FNS approved corrective action plan. Using the sanction process to compel a State's administration of its corrective action process responsibilities may be appropriate, we believe, especially when the situation of non-compliance does not improve. If on the other hand the Agency adopts specific guidelines, regardless of circumstances, the issuance of warnings becomes inevitable. This situation would quickly strain any cooperative State relationships and put the Region in a needlessly adversary role.

As discussed in the preceding response, the warning process is not an exact science. The Agency does not consider or view the number of warnings issued as a measure of good management. To fault a region for infrequent use of the system may be unjustified. To illustrate this point, we looked at the national quality control error rate averages for all States. The Southwest Region, a relatively infrequent user of the warning system, had a greater percentage of States falling below the National error rate mean than some other Regions which are more frequent users.

[GAO COMMENT: See our evaluation on pp. 30 and 31.]

10. Recommendation

Withhold approval of any state request for establishing management units for review purposes which would materially reduce a State's ability to identify statewide problems.

Response

We agree and will follow the advice of the report recommendation.

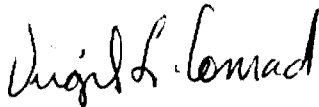
11. Recommendation

Revise regulations and manuals to streamline and restructure management evaluation requirements and update review coverage. This guidance should help a State target their management evaluations on those program areas needing the most attention, while ensuring adequate review coverage and consistent review efforts among the States. As part of this revision to the regulations and manuals, the Service should add any review requirements originating from legislative changes adopted since 1980 when the most recent regulations and handbooks were issued.

Response

As noted in the report, the Agency is in the process of revising management evaluation and corrective action regulations to streamline the current requirements and review coverage. Respective manuals will also be revised. As part of these revisions the Agency will include, as recommended, any review requirements resulting from legislative changes since 1980. Publication of these regulations is anticipated for late Fall 1984.

If you have any question on the responses, please advise.



VIRGIL L. CONRAD
Deputy Administrator
for Family nutrition Programs



DEPARTMENT OF HUMAN RESOURCES

STATE OF MARYLAND

300 WEST PRESTON STREET

BALTIMORE, MARYLAND 21201

INCOME MAINTENANCE ADMINISTRATION

TELEPHONE:

February 27, 1984

Brian B. Crowley
U.S. General Accounting Office
South Agriculture Building
14th & Independence Avenue S.W.
Room 1369
Washington, D. C. 20250

Dear Mr. Crowley:

Maryland appreciates the opportunity to comment on the draft of the report you sent to us titled "The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better". Before commenting on each section of the report, we wish to make two general comments.

- o We support your effort to seek improvement in the Food Stamp Program. We believe the report presents a fair and balanced review of the formal corrective action planning process in which the states and federal government participate. However, by concentrating on the formal aspects of the relationship between FNS and state agencies the report tends to be too process oriented. Maryland's corrective action effort has resulted in a dramatic decrease in our error rate. This was the goal that both we and FNS were working toward. Frankly, it has not been a top priority for us to make sure that the formal corrective action plan we have on file with FNS kept pace with our dynamic corrective action effort nor did the FNS regional office seem to be that concerned with this issue. On a very frequent informal basis FNS was kept apprized of the progress we were achieving and any changes in direction we were making. If I may use a schoolroom analogy, we have earned an "A" for the effort we put forth to lower the error rate but your report gives us only a "C" in our compliance with corrective action procedures.

[GAO COMMENT: Our report acknowledges Maryland's efforts and progress in reducing erroneous issuances of benefits. This problem area merits the highest level of program emphasis. However, there are concurrent needs for improvements in other very important areas such as collection of overpayments and pursuit of suspected fraud which the report also discusses.]

Also, some page references in Maryland's letter may not be the same as those in the final report.]

- o Your report reinforces a problem we have in dealing with FNS. We cannot isolate the food stamp from our other income maintenance programs to the extent that the federal government thinks we can and should. Other programs impact on what FNS perceives as a food stamp corrective action effort. I hasten to say that if we could concentrate strictly on food stamp matters, our FNS corrective action plan would be much easier to manage.

As to the specific section of the report we offer the following:

Chapter I

- o page 2 - The report finds fault with the collection of overissuances and pursuit of suspected fraud. We do not argue that these areas need improvement but it is important to point out that QC data does not provide an accurate calculation of how many overissuances or suspected fraud cases the state agency will encounter in carrying out its certification and issuance responsibilities. If indepth QC reviews indicate that there is a 5% overissuance rate the state agency may only detect a rate of 2%. In fairness to state agencies, this correlation between the error rate and actual discovery rate should be pointed out in your report.

[GAO COMMENT: The Service and the states do not have any information on the exact amount of overissued food stamp benefits which the states discover. As noted in our report, Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983), states had established claims for only about 5.7 percent of the estimated overpayments for fiscal years 1980 and 1981. We do not know of any precise way to determine how much of this is attributable to states (1) not identifying the specific cases in which participants received more than they were entitled to or (2) not establishing claims even though specific overpayment cases had been identified.]

- o The report indicates that Maryland was selected for inclusion in the study because our high error rate had subjected us to potential fiscal sanctions. There should be more elaboration here on the impact of the sanction on the corrective action process. FNS required Maryland to develop a Special Corrective Action plan to address the error rate problems. As far as we are concerned the special plan suspended our regular corrective action routine. The special plan required periodic written reports and on-site monitoring by FNS which are not part of the normal routine. Your report should point out this important change in the corrective action process.

[GAO COMMENT: To have their sanctions waived, Maryland and other states had to develop special corrective action plans satisfactory to the Department of Agriculture's Assistant Secretary for Food and Consumer Services. This information has been added to our report. (See p. 5.) However, Service officials told us that the special corrective action plan was not intended to suspend the regular corrective action routine. Rather, the special plan increased the states' regular corrective action duties by adding such tasks as those described above.]

Chapter 2

- o We do not believe that all identified problems should be addressed in the corrective action plan. We had this discussion with FNS when we were developing our Special Corrective Action Plan. It dilutes the importance of the corrective action effort to analyze and plan for the solution to both major and minor problems on a formal basis. As an example, FNS told us we had to include an analysis of all errors and technical deficiencies in our corrective action plan. This meant that while we were planning sweeping changes to reduce our error rate we were also required to do something about the insignificant number of unsigned applications that were found during the QC process and to improve our closed case filing system. We believe, and the regional office seems to agree with us, that the formal corrective action process should be limited to major problems in program administration.

[GAO COMMENT: Service regulations specify the types of problems which must be addressed in corrective action plans. We found several major problems meeting the Service's criteria which were not included in Maryland's plan. For example, officials in the Service's Mid-Atlantic Regional Office told us that Maryland's corrective action plan focused little effort on problems not affecting the error rate even though some of the omissions represented long-standing serious problems. These included establishing claims, collecting overpayments, and reconciling manually issued food stamps. (See pp. 10 to 14.)]

- o page 12 - The statement is made that "Maryland officials told us that rather than emphasizing the investigation and adjudication of potential fraud they had chosen to use available resources to improve certification and verification procedures to prevent future losses". This is not quite accurate. Maryland did not chose but was forced to concentrate on certification functions. Pressure came from the federal courts and FNS to issue benefits on time and reduce the error rate. Staff and resources were needed at the front end of the system if we were to comply with the federal court order which required us to issue benefits in a timely fashion in 97% of all cases and if we were to avoid the error rate sanction. It is important also to indicate that we did not neglect the fraud area when we were improving the certification operations. We added staff to the Division of Special Investigation, established Fraud Referral Hotline and began negotiating Food Stamp Fraud Prosecution agreements with Maryland's State's Attorneys. We believe the report should be modified to more accurately reflect the decision we had to make in allocating our resources.

[GAO COMMENT:] It was not our intention to imply that Maryland did not have other high priority problems. We also realize that the state is beginning to take steps to upgrade its efforts to pursue food stamp fraud. It is too early to evaluate these efforts, but we have referred to the state's effort to hire additional fraud investigators and establish a fraud hotline on page 12.]

- o We agree that FNS should be encouraged to do more in the areas of technology transfer and dissemination of useful information from other states. Maryland has felt that FNS has done a very poor job in this area in the past. Even when we requested specific information or assistance it was not always provided in a timely or useful fashion. Currently FNS seems to have a better realization of their responsibilities in this area and we hope such efforts as the state to state exchange continue.
- o We agree with your observation that national analysis of the corrective action effort could result in information that would be useful to all states.

Chapter 3

- o In this section the report is critical of the states' ability to meet time frames established during the corrective action process. This is often unavoidable. As mentioned previously, activity and changes in other income maintenance programs impact on the overall corrective action effort. In the example you cited of Maryland having to delay implementation of our Statewide Supervisory Review System it is important to comment that FNS was informed on a regular basis of the progress we were making and any delays we encountered were thoroughly explained and documented.

[GAO COMMENT: Our report contains a discussion on the major reason that state and Service officials cited for delays in statewide implementation of Maryland's supervisory review system. (See p. 23.)]

- o The report overstates the relationship between the threat of the QC fiscal sanctions and our addition of 131 food stamp workers in the Spring of 1982. The QC sanction was one of several indicators of our need for additional staff. Our work measurement system told us before the sanction letter was issued that we needed more staff. The report, since it is written from the Federal perspective, describes the utility and effectiveness of the sanction system. Maryland, and most if not all other states, are opposed to the sanction system both in concept and as to the techniques established to enforce the penalties. The sanction concept is not compatible with the concept that the Food Stamp Program is operated as a joint federal/state partnership. Now that the threats of sanction are being carried out in other states and more unreasonable tolerance limits are being proposed we will see the sanction issue become more divisive and counter to the best interest of the program. Contrary to what the report says on page 26, the sanction system will erode our relationship with FNS.

[GAO COMMENT: On page 26, we have added information explaining that before Maryland was sanctioned for its high error rate, it was aware of the need to hire additional staff. Also, we have not tried to project how sanctions will affect the relationship between the Service and the states in the future. Rather, we have discussed how sanctions have affected these relationships to date.]

Chapter 4

- o The report is critical of the approach some states have taken towards the Management Evaluation Review requirements. Maryland has reinforced, even enhanced, the integrity and purpose of the ME Review system. We review each jurisdiction as required and have expanded the ME reports to include an analysis of the local QC error rate. We now have the capacity to follow up on recommended corrective action through our Office of Corrective Action and an expanded Division of Field Operations. Returning to the schoolroom analogy, Maryland also deserves very high marks in the area of monitoring local corrective action efforts.

[GAO COMMENT: Maryland was not monitoring local implementation of food stamp corrective actions at the time of our review. However, we did not use this information as an example in our report.]

I hope these comments prove helpful as you finalize the report. We anticipate that this letter will be distributed as attachment to the published report.

Sincerely,



Ernestine F. Jones
Executive Director

EFJ:q



Ohio Department of Public Welfare

30 East Broad Street
Columbus, Ohio 43215

February 24, 1984

Mr. Brian P. Crowley, Associate Director
U.S. General Accounting Office
Room 1369
South Agriculture Building
14th and Independence Avenue, SW
Washington, DC 20250

Dear Mr. Crowley:

This is in response to your February 17, 1984 letter (attached) which was received by us on February 21, 1984.

Attached are our comments regarding that letter and the accompanying draft of a proposed report entitled The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better.

We hope our comments will be incorporated into the final draft, but if not, we ask that you provide us with an explanation as to why they were omitted.

Very truly yours,

Tom McDowell, Chief
Bureau of Food Stamps

TMCD/sch
Attachments

cc: Tim Ferguson, ME Coordinator
Bureau of Food Stamps

[GAO COMMENT: Some page and paragraph references in Ohio's letter may not agree with those in the final report.]

1. Ref: Page 10, paragraph 1

As Reads: Ohio officials told us that their plans did not include anything on identifying overissuances because they did not have sufficient resources to develop and carry out the wage matches, error-prone profiles, and other sophisticated techniques needed to do so.

SHOULD READ: Ohio officials told us that their plans did not include anything on identifying overissuances because they did not have sufficient resources to develop and carry out the wage matches; error-prone profiles and other sophisticated techniques needed to do so. THEY HAD NOT IMPLEMENTED A WAGE MATCH DURING THE REVIEW PERIOD BUT DID INITIATE THE PROCESS DURING JANUARY, 1984.

COMMENT: The unedited text is misleading in that it implies we did not intend to implement wage matching, which is untrue.

[GAO COMMENT: Ohio had no wage match procedures at the time of our review. However, this updated information has been added to our report.]

2. Ref: Page 12, Table

<u>As Reads:</u>	Number of fraud <u>investigations completed</u>
	<u>1982</u>
	0
<u>SHOULD READ:</u>	Number of fraud <u>investigations completed</u>
	<u>1982</u>
	UNKNOWN

COMMENT: We cannot identify the source of the zero entry, and wish to point out that literally hundreds of fraud investigations have always been completed each year in Ohio, as that many cases are referred to local prosecutors for investigation and review. We believe the zero entry may be caused by some reporting vagary that does not account for what is really happening at the local level. A more realistic analysis would result if you were to review the number of fraud claims established in 1982, and assume that this is the minimum number of fraud investigations completed. The maximum number of fraud investigations would obviously be a greater number, since the investigation could result in no claim being filed or a non-fraud claim being filed.

[GAO COMMENT: The Service had provided us with information which showed that Ohio had not completed any fraud investigations in 1982. However, Service officials subsequently noted that this information might not be accurate. We have revised our report accordingly.]

3. Ref: Page 14, paragraph 3

As Reads: He said the plan would have been better if the state food stamp bureau had the resources needed to develop and carry out more comprehensive solutions involving such things as supervisory review systems (in which local office supervisors verify the eligibility determinations made by case workers) and error-prone profiles (used to identify cases most likely to involve potential overissuances so additional verification of participant-reported information can be completed for such cases). The Coordinator also explained that Ohio operates a state-supervised food stamp program (see p. 2) in which the state Food Stamp Bureau sets statewide policy, but has little control over how the 88 counties which run the local food stamp offices carry out these policies. Because the state is obligated to carry out the corrective actions in its plan but does not have direct control over the local offices' actions, it generally considers only those corrective actions which the bureau itself can carry out.

SHOULD READ: He said the plan would have been better if the state food stamp bureau had the resources to develop and carry out more comprehensive solutions involving such things as ~~supervisory review systems-(in-which-local-office-supervisors-verify-the-eligibility-determinations-made-by-case-workers)-and~~ error-prone profiles (used to . . . cases). The Coordinator also explained that Ohio operates a state-supervised food stamp program (see p. 2) in which the state Food Stamp Bureau sets statewide policy but has NO DIRECT ~~little~~ control over how the 88 counties which run the local food stamp offices carry out these policies.

[GAO COMMENT: We have made the changes requested by Ohio.]

HOWEVER, OHIO AND [REDACTED] HAVE SYSTEMS FOR MONITORING LOCAL IMPLEMENTATION OF CORRECTIVE ACTIONS, BUT THE SERVICE HAS NOTED SOME PROBLEMS WITH BOTH STATES' SYSTEMS. IN OHIO A SUPERVISOR IN EACH OF THE STATE'S FIVE DISTRICTS WAS SUPPOSED TO MONITOR IMPLEMENTATION OF CORRECTIVE ACTIONS BY ROUTINELY VISITING EACH COUNTY IN THE DISTRICT. THESE SUPERVISORS WERE REQUIRED TO FOLLOW UP ON EACH PROPOSED CORRECTIVE ACTION EVERY 90 DAYS AND DOCUMENT COUNTY PROGRESS IN CARRYING OUT THE ACTION. DISTRICT SUPERVISORS TOLD US THAT THEY HAD NOT HAD TIME TO DOCUMENT THE RESULTS OF VISITS TO THE TWO COUNTIES THAT WE CHECKED (CUYAHOGA AND FRANKLIN COUNTIES). CONSEQUENTLY, THE STATE DID NOT HAVE INFORMATION ON THE STATUS OF CORRECTIVE ACTIONS IN THESE AREAS. A REPORT BY THE MIDWEST REGION IN JANUARY 1983 ALSO NOTED PROBLEMS IN OHIO'S MONITORING. IN AUGUST 1983, A REGION OFFICIAL TOLD US THAT OHIO HAS EXPERIENCED MONITORING PROBLEMS PREVIOUSLY AND THAT THE STATE WOULD BE REQUIRED TO AGAIN ADDRESS THIS PROBLEM IN ITS CORRECTIVE ACTION PLAN.

[GAO COMMENT: This paragraph, which appears on page 24, deals with implementation and monitoring of corrective actions. We believe it would be confusing to place it in a chapter which focuses on plan development.]

COMMENT: We have inserted verbatim a paragraph from page 23 of your report to ensure the reader will understand that the Bureau of Food Stamps develops policy and the District Offices implements and monitors that policy at the local level.

Also, the Bureau of Food Stamps takes full responsibility for implementing corrective actions "which the Bureau itself can carry out," Obviously, that Bureau cannot take full (or partial) responsibility for corrective action implementation at the local level, since this is solely the responsibility of the District Offices.

[GAO COMMENT: The tone of this sentence has been modified somewhat.]

4. Ref: Page 26, paragraph 1

As Reads: Also, the Director of Ohio's Food Stamp Bureau said that the state used the Service's sanction billing to persuade Cuyahoga County to take corrective action that otherwise might not have been taken.

SHOULD READ: Also, the Director of Ohio's Food Stamp Bureau said that the state used the Service's sanction billing PROCESS to persuade Cuyahoga County to take BRING TO FRUITION PLANNED CORRECTION ACTIONS IN Cuyahoga County, corrective action that otherwise might not have been taken DELAYED.

COMMENT: Cuyahoga County had been working to correct this problem for some time, but due to computer programming problems which they encountered, a total solution to the problem has been delayed. The sanction process increased the tempo of corrective action activity, but with or without the sanction process, the appropriate corrective actions would have eventually been taken.

[GAO COMMENT: This sentence has been revised to make it consistent with Ohio's modification of information originally provided by the state.]

5. Ref: Page 26, paragraph 2

As Reads: Our discussions with Service and state officials indicated that holding states liable for their errors has not eroded the states' relationship with the Service.

SHOULD READ: Our discussions with Service and state officials (EXCEPT OHIO) indicated with the Service.

COMMENTS: We do not agree with the proposed statement noted above and feel that holding states liable for errors, especially client caused errors which constitute 60% of the total Quality Control errors (and over which the states have little or no control), is unrealistic, constitutes blind "buck-passing" and promotes distrust between the two agencies.

[GAO COMMENT: This sentence has been revised.]

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