United States Department of Agriculture
Office of Inspector General

Recovery Act Impacts on the Supplemental Nutrition Assistance Program



Audit Report 27703-0002-AT

June 2012

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

DATE: June 1, 2012

AUDIT NUMBER: 27703-0002-AT

TO: Audrey Rowe
Administrator
Food and Nutrition Service

ATTN: Edward Pauley
Acting Director
Office of Internal Controls, Audits, and Investigations

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Recovery Act Impacts on the Supplemental Nutrition Assistance Program

This report presents the results of our audit of the Food and Nutrition Service's implementation of the provisions of the American Recovery and Reinvestment Act of 2009 applicable to the Supplemental Nutrition Assistance Program. Your written response to the official draft is included in its entirety at the end of the report. Excerpts of your April 12, 2012, response and the Office of Inspector General's (OIG) position are incorporated into the relevant sections of the report. Based on your responses, we were able to accept management decision on all recommendations in the report, and no further response to us is necessary.

In accordance with Departmental Regulation 1720-1, final action is required to be taken within 1 year of each management decision to prevent being listed in the Department's annual Performance and Accountability Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer, Director, Planning and Accountability Division.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions.

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Recovery Act Impacts on the Supplemental Nutrition Assistance Program

Executive Summary

The Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, is the Department of Agriculture's (USDA) largest program in terms of dollars spent and number of participants. SNAP, which is administered by the Food and Nutrition Service (FNS), helps low-income individuals and families by supplementing their income to purchase eligible foods at participating retail stores. The American Recovery and Reinvestment Act of 2009 (Recovery Act) initially provided USDA with nearly $28 billion in supplemental funding, of which $19.8 billion was allocated for SNAP benefits for use through 2013 to strengthen food assistance during the economic recession. The Recovery Act instructed Federal agencies to expend the funds as quickly as possible, consistent with prudent management, in order to help those in need and stimulate the economy. The numbers of Americans applying for SNAP benefits have continued to rise. During fiscal year (FY) 2011, SNAP provided benefits to an average of 44.7 million participants at a cost of $71.8 billion.[1] The Recovery Act provided approximately $12 billion of that amount. Recent estimates indicate that SNAP participation continues its upward trend, with some 46.3 million people participating in September 2011—a 7.8 percent increase from September 2010.[2]

The Office of Inspector General (OIG) performed an audit of FNS' and State agencies' initial planning to implement the Recovery Act's provisions for SNAP. We reviewed the internal controls FNS established to determine whether those controls ensured that States provided Recovery Act SNAP benefits timely and effectively to eligible SNAP participants.

Overall, we concluded that FNS took timely actions to implement the Recovery Act provisions for SNAP. As soon as the Recovery Act became law, FNS provided States instructions in April 2009 on how to implement the Recovery Act for SNAP and the new maximum Thrifty Food Plan allotment amounts to be provided to SNAP households. FNS also made Recovery Act administrative funds available timely so that States could begin to draw the funds on the first day the funds were available for FYs 2009 and 2010.

However, FNS should take additional steps to fully comply with the Recovery Act's goals and objectives. We found FNS did not address three known SNAP program access weaknesses in its Recovery Act risk assessment, and as a result, did not identify comprehensive risk mitigation plans to address them. These weaknesses affect regular SNAP program benefits as well as Recovery Act SNAP benefits. Specifically, in September 2009, FNS did not properly prepare a

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[1] A total of $20.1 billion in Recovery Act funds was initially allocated to SNAP for use through 2013: $19.8 billion for SNAP benefit increases to program participants, $290.5 million for State administrative expenses, and $4.5 million for FNS management expenses to oversee the Act's program changes. Due to the extended impact of the recession, FNS received considerably more SNAP applications than initially anticipated. For FY 2011, the total cost of SNAP was $75.3 billion: $71.8 billion for SNAP benefits and $3.5 billion for program administration.

[2] "SNAP Current Participation – Persons," initial data for September 2011 as of December 1, 2011, http://www.fns.usda.gov/pd/29SNAPcurrPP.htm.

risk assessment, required by USDA and the Office of Management and Budget[3] (OMB), to identify and take actions to mitigate existing program weaknesses that could impact SNAP's success in achieving the Recovery Act's economic goals. The weaknesses included long waits for application processing; inappropriate decisions on the denial, suspension, or termination of benefits; and issues with some States' development of online application systems.

FNS did not include these known program weaknesses in its risk assessment plan in accordance with OMB guidance because officials believed that existing SNAP internal controls and Improper Payments Information Act (IPIA)[4] corrective action plans were adequate to address the substantial expansion of applications for SNAP benefits caused by the recession. However, these omissions may have hampered FNS' efforts to accomplish the goals of the Recovery Act of timely and fully assisting eligible participants. In fact, the known program weaknesses that existed before the Recovery Act were exacerbated by the significant increases in SNAP applications in FYs 2009 and 2010.

FNS measures States' effectiveness as the timely processing of 95 percent of their SNAP applications for benefits.[5] In FY 2010, 47 States' performance ratings did not meet the 95 percent timeliness performance standard. The lack of timely processing SNAP applications had been a persistent and continuing problem for the States prior to the Recovery Act, and the timeliness problem was further aggravated by the increase of applications during the recession. For example, for FYs 2008 and 2009, 45 and 43 States, respectively, had not met the 95-percent processing standard. As a result, these States' SNAP benefit delivery systems did not timely provide essential SNAP benefits to those applicants who were eligible to receive the benefits.

FNS officials responded that beyond their general oversight, guidance and technical assistance to the States, they took additional actions to address the timeliness and program access issues, even though the issues had not been included in their Recovery Act risk assessment plan. For example, FNS officials stated they increased the scope and frequency of their financial management reviews and strengthened their oversight and technical assistance to States to improve program access. Also, the officials indicated they conducted a national survey and inventory of all States' online application systems, as well as intensive case studies in 14 States. Subsequently, FNS issued policy guidance to the States to assist them in bringing their online

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[3] *OMB Circular A-123* "Management's Responsibility for Internal Control," effective FY 2006, Section II, B., "Risk Assessment" states that "Management should identify internal and external risks that may prevent the organization from meeting its objectives. When identifying risks, management should take into account relevant interactions within the organization as well as with outside organizations. Management should also consider previous findings; e.g., auditor identified, internal management reviews, or noncompliance with laws and regulations when identifying risks. Identified risks should then be analyzed for their potential effect or impact on the agency."

[4] The IPIA of 2002 (Public Law 107-300) required executive agencies to identify programs susceptible to significant improper payments, estimate the annual amount of improper payments, and submit the estimates to Congress. The IPIA of 2002 was updated in July 2010. It is now the Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204, enacted July 22, 2010. Improper payments are payments in the wrong amount, to the wrong person, or for the wrong reason. Agencies are to determine the causes of the improper payments, assess program risks for improper payments, and develop corrective action plans with established targets for reducing the improper payments.

[5] According to FNS regulations, a timely processed application is one that provides an eligible applicant the opportunity to participate in SNAP within 30 days for normal processing (7 *Code of Federal Regulations* (CFR) 273.2(g)(1)) or 7 days for expedited processing (7 CFR 273.2(i)(3)(i)).

application systems into compliance with SNAP program regulations. The officials cited their efforts to encourage States to use community-based organizations to provide referrals to the State agencies and assist in completing and submitting SNAP applications. Finally, they encouraged policy simplification measures such as adoption of Broad-based Categorical Eligibility (BBCE)[6] and postponing interviews in expedited cases.

In addition to timeliness problems, the States experienced ongoing program access issues in SNAP benefit systems that caused inappropriate denials of new SNAP applications and inaccurate suspensions and terminations of active SNAP participants from benefits (known as negative errors). To gauge States' effectiveness, FNS established a goal of 1 percent for these kinds of errors. Negative errors lessen the States' ability to achieve the Recovery Act goals of helping those most impacted by the recession. States' benefit delivery systems that inappropriately deny and inaccurately suspend and terminate active SNAP participants unfairly impact SNAP participants. These participants are delayed in receiving and potentially denied access to the essential SNAP food subsidies for which they are eligible.

The problem with negative errors had existed for several years prior to the Recovery Act. Between FYs 2004 and 2008, the States' average rates for negative case errors rose from 6.52 percent to 10.96 percent. The negative error rates reported decreased from 9.41 to 8.43 percent during FYs 2009 and 2010. However, the 2 years continued to be well above the FNS established goal of 1 percent for these kinds of errors related to program access.

In response to the heightened negative error rates, FNS indicated it developed a National Payment Accuracy Work Group that performed reviews in the five largest SNAP States to identify the primary causes of the high negative errors and provide tools to minimize these errors. The work group's reviews resulted in two reports and a multimedia presentation in October and November of 2010 identifying causes of the negative errors, possible solutions, and strategies to reduce them. FNS officials stated they posted this guidance on the agency website to advise States on how to address and eliminate this weakness.

While we recognize that FNS did take actions to meet the challenges of SNAP's significantly expanding program, we conclude that FNS' lack of development of a Recovery Act risk assessment, as required, resulted in less than a comprehensive strategic and tactical plan geared to sufficiently mitigate the risks brought about from the significant increase in program participants. Accordingly, SNAP's program access weaknesses that have persisted for several years continued to deter SNAP's effectiveness in timely providing benefits to all eligible recipients in accordance with the Recovery Act goals. FNS needs to strengthen its risk assessment and strategic planning process to more effectively address the causes of SNAP's existing weaknesses and develop a more effective strategic and tactical plan to ensure that SNAP benefits are timely provided to all eligible recipients.

We also found that reporting requirements for SNAP funds were not met. Specifically, OMB required Recovery Act funds to be reported separately in State annual financial reports. FNS developed a special weighted average methodology for allocating SNAP benefit expenditures to

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[6] BBCE is a policy that makes many households categorically eligible for SNAP because they qualify for other State programs including the non-cash Temporary Assistance for Needy Families.

the Recovery Act funds that needed explanation in these reports, and provided reporting instructions to the States.[7] However, some States did not follow FNS' instructions for disclosing the weighted average methodology used to allocate SNAP benefit expenditures to Recovery Act funds. Four of the five States we reviewed did not appropriately disclose the use of Recovery Act funds for SNAP. Clear, accurate, and timely reporting is a Recovery Act objective that was negatively affected by these issues. In May 2010, we discussed the need for additional guidance in reporting Recovery Act funds with FNS and OMB. In July 2010, FNS issued further reporting instructions to States, and OMB updated its FY 2010 audit compliance supplement[8] to clarify Recovery Act reporting requirements for SNAP.

We previously reported that FNS did not timely report significant changes to Recovery Act budget estimates on its website, or on the Governmentwide website tracking Recovery Act funds. On March 5, 2010, we issued a Fast Report to the Office of the Chief Financial Officer reporting this issue.[9] The Acting Chief Financial Officer agreed with our finding, but said that USDA agencies could not alter their estimates because OMB and the Recovery Accountability and Transparency Board[10] had not yet issued Governmentwide guidance on the proper way to report. On August 19, 2010, OMB provided clarification regarding the reporting of changes to agencies' Recovery Act implementation plans.[11] OMB advised the agencies that transparency is essential to the implementation of the Recovery Act and agencies should make it clear to the public when they have made changes to their program implementation plans.

In August 2011, we reviewed the FNS Recovery Act SNAP information on both the FNS agency website and the Governmentwide website at www.recovery.gov. We found that the FNS budgetary estimates on the two sites were either outdated, inconsistent, or both. FNS' June 2010 plan on Recovery.gov states that $65.8 billion over 10 years will be required to fund the Recovery Act increases to SNAP; while FNS' agency website, which was last modified in March 2011, states that SNAP will use an estimated $53 billion to fund Recovery Act benefit increases in coming years. Neither site reflected revised budgetary estimates or estimated savings of $14.4 billion mandated by two recently passed laws[12] that terminate funding for the additional SNAP Recovery Act benefits at the end of October 2013. FNS needs to update both websites to reflect current information in accordance with the Recovery Act's transparency and accountability goals.

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[7] Individual households' SNAP benefits vary with changes to the Thrifty Food Plan and differences in their income and assets. Therefore, FNS and the States could not accurately report a specific total of SNAP benefit expenditures provided by the Recovery Act. Alternatively, FNS developed a weighted average methodology for allocating SNAP benefit expenditures to the Recovery Act funds at the national level and provided reporting instructions to the States.
[8] *OMB Circular A-133* "Compliance Supplement 2010," June 2010, Part 4, "USDA, SNAP Cluster," 4.10.551.12.
[9] OIG provided an interim Fast Report to the USDA Office of Chief Financial Officer on March 5, 2010, regarding the Recovery Act's impacts on SNAP. The report dealt with the processes in place for disclosing changes in budgetary estimates of Recovery Act funds needed to implement the Act's provisions for USDA programs in future years in accordance with the Act's requirements for transparency and accountability.
[10] The Recovery Accountability and Transparency Board was created by the Recovery Act with two goals: (1) To provide transparency of Recovery-related funds and (2) to detect and prevent fraud, waste, and mismanagement.
[11] OMB "Frequently Asked Questions – American Recovery and Reinvestment Act of 2009" with new question and/or section as of August 19, 2010," "Clarification of M-10-14 Guidance (March 22, 2010)."
[12] Public Law 111-226, dated August 10, 2010, terminated additional Recovery Act SNAP benefits on March 31, 2014. Public Law 111-296, dated December 13, 2010, accelerated the date to October 31, 2013. The Congressional Budget Office projects savings of $11.9 and $2.5 billion, respectively, due to these two laws.

Recommendation Summary

Develop a comprehensive risk assessment of SNAP's existing program weaknesses to better develop effective strategic and tactical plans that ensure that SNAP benefits are timely provided to all eligible recipients in accordance with the Recovery Act goals.

Ensure the States report on Recovery Act SNAP benefits in their FY 2011 and future yearly audit reports in accordance with OMB and FNS requirements.

Post on the FNS agency Recovery Act website and the Governmentwide Recovery.gov website, the current budgetary estimates reflecting the new legislation which ends the additional Recovery Act SNAP benefits in October 2013.

Agency Response

FNS stated that the issues raised in the report are ongoing issues that FNS has been working with the States to improve. FNS believes that its current practices, oversight and monitoring processes adequately address the concerns raised regarding application processing timeliness, negative reviews, and online application.

FNS has provided guidance to the States regarding the proper reporting of Recovery Act funds in States' annual audit reports. FNS will review a sample of the FY 2011 single audit reports to determine if the States are reporting Recovery Act funds properly. If FNS determines the States are not properly reporting the funds, the agency will issue additional guidance.

On April 3, 2012, FNS updated its Recovery Act website to reflect a revised estimate of $45.2 billion of Recovery Act funds to be used to increase SNAP benefits and the October 31, 2013, sunset date for the end of the SNAP benefit increases funded by the Recovery Act. FNS stated that OMB confirmed that updates to the Governmentwide Recovery.gov website cannot be made.

OIG Position

Based on FNS' response, we have accepted management decision on all four recommendations.

Background and Objectives

Background

The Food and Nutrition Service (FNS) administers the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program.[13] SNAP is an entitlement program, which means that Congress sets aside funds to allow every eligible individual to participate in the program. SNAP has become a basic nutritional safety net for the working poor and newly unemployed. During the recent recession, the program helped feed one in seven Americans; half of SNAP participants were children.

SNAP received funding of $37.6 billion for fiscal year (FY) 2008, $53.6 billion for FY 2009, $68.3 billion for FY 2010 and $75.3 billion for FY 2011.[14] As the economic recession worsened and unemployment increased, the number of people applying for SNAP benefits increased dramatically. In FY 2009, an average of 33.5 million people participated monthly in SNAP, representing an increase of 19 percent over FY 2008. By FY 2011, an average of 44.7 million people participated in SNAP, representing an increase of 11 percent over FY 2010. Recent estimates indicate that SNAP participation continues to rise, with some 46.3 million people participating in September 2011—a 7.8 percent increase from September 2010.[15]

FNS administers SNAP through its national office and seven regional offices. Program operations are performed by State and local welfare offices.[16] FNS funds the full cost of food benefits, and generally reimburses States for 50 percent of their direct and indirect administrative costs. The States determine whether households meet the SNAP eligibility requirements, calculate monthly benefits for qualified households, and issue benefits to households via electronic benefit transfer cards.[17] The monthly amount of SNAP benefits provided to recipients is based on the Department of Agriculture (USDA) Thrifty Food Plan, which estimates the weekly cost of food needed to prepare nutritious, low-cost meals for a household of four. The estimate is updated every year to keep pace with changing food prices.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) initially provided USDA with nearly $28 billion in additional funding, of which $19.8 billion[18] was allocated to SNAP

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[13] The Food Stamp Act of 1964 established distribution of food stamps as a permanent Federal program. The Food, Conservation, and Energy Act of 2008 changed the Food Stamp Program name to SNAP, partly to help alleviate the social stigma associated with food stamps.

[14] For FY 2011, the total cost of SNAP was $75.3 billion: $71.8 billion for benefits and $3.5 billion for program administration. Of the $71.8 billion in benefits, the Recovery Act provided approximately $12 billion.

[15] "SNAP Current Participation – Persons," initial data for September 2011 as of December 1, 2011, http://www.fns.usda.gov/pd/29SNAPcurrPP.htm.

[16] SNAP programs exist in the 50 States, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands.

[17] As of July 2004, all 50 States, the District of Columbia, Puerto Rico, U.S. Virgin Islands, and Guam operated the electronic benefit transfer card systems to issue food stamp benefits.

[18] A total of $20.1 billion in Recovery Act funds was initially allocated to SNAP for use through 2013: $19.8 billion for SNAP benefit increases to program participants, $290.5 million for State administrative expenses, and $4.5 million for FNS management expenses to oversee Recovery Act program changes. This audit reviewed FNS' implementation of Recovery Act SNAP benefit increases. The Office of Inspector General (OIG) is currently planning an audit to review States' uses of the $290.5 million in administrative funds.

benefits for use through FY 2013. While SNAP's normal Thrifty Food Plan benefit rate is funded as an entitlement program in the yearly Federal budget, Recovery Act funds gave a temporary boost to the regular benefits — providing an additional 13.6 percent increase to the June 2008 Thrifty Food Plan benefit rate. In FY 2011, the average monthly benefit, including supplemental benefits provided by the Recovery Act, was $284 per household.[19] The Recovery Act included additional funds to assist States in administering SNAP and funds to help defray FNS' expenses to manage and oversee the Recovery Act's program changes.[20]

The Recovery Act required an unprecedented level of transparency, oversight, and accountability. Recovery Act funds provided for SNAP must be reported separately from other SNAP funds, which are provided through routine yearly appropriations. In accordance with Recovery Act requirements, FNS provides information to the Federal Government's Recovery Act website, www.recovery.gov, on how States have spent SNAP Recovery Act funds.

In February and April of 2009, the Office of Management and Budget (OMB) issued guidance requiring Federal agencies to establish rigorous internal controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Recovery Act.[21] In May 2009, FNS issued its Recovery Act plan, which outlined the internal controls it already had in place to monitor the States' operation of SNAP. FNS planned to rely on these same controls to oversee the additional SNAP funding provided by the Recovery Act. These controls included, among other measures, a quality control process to sample and review household eligibility and benefit determinations made by State agencies;[22] management evaluations;[23] financial management reviews;[24] and program access reviews.[25] In June 2009, FNS updated its financial management review guide to include a mandatory review of the Recovery Act funds. FNS also increased its schedule of planned reviews to ensure that half of the State agencies in each FNS region received financial management reviews by the end of FY 2010.

In addition to its goals of transparency and accountability, the Recovery Act instructed Federal agencies to expend funds as quickly as possible, consistent with prudent management, in order to help those in need and stimulate the economy. As soon as the Recovery Act became law, FNS took timely actions to implement its SNAP provisions. The day after the Recovery Act became law, on February 18, 2009, FNS provided States with the new maximum Thrifty Food Plan allotment amounts to be provided to SNAP households in April 2009. On February 23, 2009,

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[19] FNS SNAP data for FY 2011 as of December 1, 2011.

[20] The Recovery Act also made changes to SNAP's eligibility criteria. Able-bodied adults without dependents between the ages of 18 and 50 can generally receive SNAP benefits for only 3 months in a 36-month period, provided they do not work or participate in an employment or training program. The Recovery Act temporarily eliminated the time limit from April 1, 2009, through September 30, 2010, unless a State chose to offer a qualifying work activity.

[21] OMB memoranda M-09-10, dated February 18, 2009, and M-09-15, dated April 3, 2009.

[22] Each year States review about 48,000 active cases and 33,000 closed cases to determine the validity of payment levels and denials. Federal staff validates a sample of the State reviews.

[23] The management evaluation reviews are performed by both the FNS regional offices and the States. This process reviews specific target areas determined by the FNS national office in order to measure compliance with policies and procedures as mandated by program regulations.

[24] Financial management reviews are an FNS onsite review of State administrative expenses.

[25] Program access reviews examine a local SNAP office's operations to determine compliance with Federal requirements governing access to SNAP benefits.

FNS began providing instructions to State agency commissioners on how to implement the new SNAP benefit increases and other provisions. As early as March 4, 2009, FNS posted answers to questions it received from State agencies online, such as advice on how State agencies could inform SNAP households of the increased benefits. Also, FNS made Recovery Act administrative funds available timely so that States could begin to draw the funds on the first day the funds were available for FYs 2009 and 2010.

Objectives

OIG performed an audit of FNS' and State agencies' initial planning to implement the Recovery Act's provisions for SNAP. We reviewed the internal controls FNS established to determine whether those controls ensured that States provided Recovery Act SNAP benefits timely and effectively to eligible SNAP participants.

Section 1: SNAP Weaknesses Hampered FNS' Efforts to Achieve the Recovery Act Goals of Timely and Fully Assisting Eligible SNAP Participants

Finding 1: FNS Excluded Known Program Weaknesses from Its Risk Assessment

FNS did not include ongoing SNAP weaknesses in its required Recovery Act risk assessment such as long waits for application processing; inappropriate decisions on the denial, suspension, or termination of benefits to households; and problems implementing new online application systems in some States. FNS officials did not identify mitigation plans to address the weaknesses because they believed that additional risk identification was not necessary and their existing internal controls and Improper Payment Information Act (IPIA) corrective action plans would address any issues caused by Recovery Act funding increases.[26] Because these issues had been ongoing for several years, FNS continued to monitor them as part of its general SNAP oversight, and initiated additional mitigation strategies outside the agency's Recovery Act risk assessment plan. However, providing SNAP benefits timely remained a difficult problem for some States and hampered the achievement of the Recovery Act goal of timely helping those most impacted by the recession.

The Recovery Act's broad goals are to assist those most impacted by the recession, stabilize State and local government budgets, and stimulate the economy. In February and April of 2009, OMB issued guidance requiring Federal agencies to establish rigorous internal controls and other mechanisms to ensure accountability of Recovery Act funds.[27] This guidance stated that agencies should, as part of their risk mitigation process, identify risks that would prevent them from meeting their program-specific accountability objectives, thereby not meeting the broader goals of the Recovery Act. The Department's Recovery Act risk assessment form, based on OMB guidance, specifically required agencies to document existing issues and deficiencies to be evaluated. The guidance further states that, at a minimum, agencies should prepare mitigation plans for those risks with the highest probability of occurrence and the greatest impact.[28]

During our review, we examined FNS' risk assessment form, completed in September 2009. We found that FNS had not fully completed the form. Specifically, FNS did not list SNAP's uncorrected weaknesses and corrective action plans. FNS officials did this because they believed that SNAP internal controls and the States' IPIA corrective action plans would address any

[26] The IPIA of 2002 (Public Law 107-300) required executive agencies to identify programs susceptible to significant improper payments, estimate the annual amount of improper payments, and submit the estimates to Congress. The IPIA of 2002 was updated in July 2010. It is now the Improper Payments Elimination Recovery Act of 2010, Public Law 111-204, enacted July 22, 2010.
[27] OMB memoranda M-09-10, "Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009," dated February 18, 2009, and M-09-15, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009," dated April 3, 2009.
[28] OMB advised agencies that while the initial risk assessments, mitigation plans, and reporting will be for internal use, eventually agencies will be required to report on their risk management efforts to OMB and/or the Recovery Accountability and Transparency Board.

issues caused by Recovery Act funding increases, and that additional risk identification was not necessary. The details and impacts of the omitted program weaknesses are described below.

Long Application Processing Times

According to FNS program regulations, a timely processed application is one that provides an eligible applicant the opportunity to participate in SNAP within 30 days for normal processing or 7 days for expedited processing.[29] FNS expects States to process 95 percent of their SNAP applications within these timeframes. States with timeliness rates below 90 percent are required to prepare a corrective action plan. States' performance ratings for timely providing SNAP benefits to applicants during FY 2010 were announced in September 2011. For FY 2010, 47 States[30] did not meet the 95 percent performance standard for processing applications timely. Of these 47 States, 32 States' timeliness rates ranged from 51.1 to 89.9 percent, thus requiring corrective action plans.

FNS has stated that some States have had persistent difficulty with timeliness over the years, with little improvement. From FY 2006 through 2010, no more than 10 States met the 95 percent performance standard for any fiscal year. This situation was aggravated by the increase of applications received during the recession. Households that have never been a part of the assistance system are now applying for benefits. States report that these new cases take more time to process because the clients are new to the system and all their information has to be entered and verified. These clients also generally have income and children, which increases documentation requirements. In addition, the clients themselves are unfamiliar with the application and certification processes, thus requiring more caseworker time for program orientation.[31]

FNS officials told us that providing SNAP clients with timely benefits has been a priority since well before the Recovery Act. In FY 2003, FNS began awarding $6 million a year in bonuses to the six States with the best average yearly timeliness rates, and in FY 2006, it began monitoring timeliness rates on a more frequent, quarterly basis. In September 2011, States receiving the bonuses had timeliness rates between 95.5 and 99 percent for FY 2010.[32] A total of 6 States met the timeliness standard for 95 percent of their cases; however, 47 States did not meet the standard. The lack of timely processing of SNAP applications has been a persistent and continuing problem for the States. For example, for FYs 2008 and 2009, 45 and 43 States, respectively, did not meet the 95 percent processing standard.

In addition to corrective action plans, FNS officials are considering developing an advance warning and sanctioning system for States with severe application timeliness problems. FNS'

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[29] According to FNS regulations, a timely processed application is one that provides an eligible applicant the opportunity to participate in SNAP within 30 days for normal processing (7 *Code of Federal Regulations* (CFR) 273.2(g)(1)) or 7 days for expedited processing (7 CFR 273.2(i)(3)(i)).
[30] Including, Guam and the Virgin Islands.
[31] "Enhancing SNAP Certification: SNAP Modernization Efforts, Final Report," Nutrition Assistance Program Report Series, Office of Research and Analysis, Family Nutrition Programs, USDA FNS, June 2010.
[32] The six States receiving performance bonuses included the District of Columbia, Kentucky, Louisiana, Massachusetts, South Dakota, and West Virginia.

National Payment Accuracy Work Group[33] is conducting reviews in several States to assess timeliness procedures and identify best practices. The information gathered will be used to develop additional technical assistance materials. FNS encourages States to use community-based organizations to provide referrals to the State agency and assistance in completing and submitting SNAP applications. The agency has encouraged policy simplification measures such as adoption of Broad-based Categorical Eligibility and postponing interviews in expedited cases. Finally, FNS has provided the following guidance and technical assistance to the States to address timeliness issues:

- Workload Reduction Matrix,
- Program Access Toolkit,
- Call Center/Contact Center Technical Support Document, and
- Business Process Re-Engineering case-study paper to promote successful State modernization efforts and provide technical assistance to make the application process more efficient and timely.

All of these technical assistance materials are available on FNS' website.

Inappropriate Denial, Suspension, or Termination of Benefits

From FY 2004 through 2008, SNAP's rate for cases that were inappropriately denied, suspended, or terminated (known as the "negative error rate") increased from 6.52 percent to 10.96 percent. FNS considers any negative error rate above 1 percent to be poor public service,[34] and Federal regulations state that such a rate requires a corrective action plan.[35] Incorrectly denying new SNAP benefits hampers access to food assistance and, in turn, could hurt the Recovery Act objective of helping those most impacted by the recession. The negative error rate decreased in both FYs 2009 and 2010. For FY 2010, the negative error rate decreased to 8.43 percent. Although the improvement in negative error rates over the last two fiscal years is notable, it is still significantly higher than the established 1 percent goal.

The FNS National Payment Accuracy Work Group performed in-depth reviews and analyses of negative error rates in the five largest SNAP States: Florida, New York, Michigan, Texas, and California.[36] The purpose of the reviews was to identify the primary causes of the high negative error rates and provide tools to minimize invalid negative actions. In the five States, the work group reviewed quality control files of negative action cases and interviewed State and local staff to compile the top causes of negative errors and develop a list of possible solutions to help the offices improve SNAP program access by avoiding negative errors. Following the reviews, the work group produced a presentation in October 2010 entitled, "You vs. Negative Errors: Strategies for a Winning Approach," and two reports in November 2010 entitled, "The Keys to

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[33] The National Payment Accuracy Work Group is staffed by SNAP specialists from FNS headquarters and the seven regional offices. The group monitors and evaluates case accuracy progress, analyzes error rate data, and exchanges information on best practices and program improvement strategies.

[34] FNS, "The Keys to Valid Negative Actions," spring 2006.

[35] 7 CFR 275-16(b) (3).

[36] FNS issued its report on its review in November 2010, "Understanding Negatives," National Payment Accuracy Work Group Negative Error Rate Project,"

Valid Negative Actions," and "Understanding Negatives: Drilling Down Invalid Negatives." These documents, identifying causes of negative errors, possible solutions, and successful strategies for reducing negative errors, were posted on the FNS agency website.

New Online Application Systems

FNS supported States' modernization initiatives as part of the agency's FY 2011 Modernization Priority work plan, and an FNS review found that overall States' newly implemented online application systems have helped increase client access to and participation in SNAP, positively influenced customer service, and promoted staff and program efficiency (including timeliness, accuracy, and cost savings). However, the systems have not been uniformly successful across all States, and some States have experienced challenges as part of their initial implementations. Despite the increased risks the new systems presented, FNS did not include these risks in its Recovery Act risk assessment in accordance with OMB guidance which identifies system implementations and upgrades as risk events.[37] FNS officials did not view online applications as a program risk or as having an overarching or pervasive effect on the agency.

Our review found that as of December 2011, 31 States had implemented new online application systems, while many other States had plans to put them in place. These systems represent another way for households to apply for SNAP and, in some cases, present a major technological change in the States' methodologies for processing those applications. However, new systems typically present challenges during their initial startup phases. In addition, the States have implemented their new systems during a period of dramatically increasing caseloads caused by the recession, financial budgetary cuts, and staffing shortfalls, thereby increasing risks to the SNAP program.

To assess the progress of the States' overall SNAP modernization efforts, FNS conducted a comprehensive, three-phase study which included site visits, a national survey of all States, and intensive case studies in 14 States. The study, conducted in 2008 and 2009, reviewed States' policy changes, efforts to re-engineer their administrative structures and organizational roles, partnering arrangements with community organizations and other government agencies, technological innovations including the new online application systems, and updates to the States' management information systems. FNS issued its final report on the study in June 2010.[38]

Overall, the States reported their modernization efforts increased SNAP access and participation, and positively influenced customer service and staff efficiency. However, there have been challenges. For example, FNS' review found that State online application systems often enable clients to apply for multiple programs with one online application. FNS program policy, such as the Combined Application Program, encourages States to combine applications to lessen the burden on clients by allowing them to submit only one application to apply for all programs. FNS regulations control how States must present differences in program requirements.

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[37] *OMB Circular A-123* "Management's Responsibility for Internal Control," Appendix A.III.B., "Evaluate Internal Control at the Entity Level," 2, "Risk Assessment."
[38] "Enhancing SNAP Certification: SNAP Modernization Efforts, Final Report," Nutrition Assistance Program Report Series, Office of Research and Analysis, Family Nutrition Programs, USDA FNS, June 2010.

However, differences in individual program requirements can complicate the process for entering information. Also, some clients have been reluctant to accept the new online systems. FNS found that overall, online applications were not the primary method for receiving SNAP applications, with most States receiving less than half of their applications through their online systems. Paper applications remained the primary method of applying for SNAP. Some clients submitted both paper and online applications, thus creating administrative burdens and slowing down processing times for case workers who are already overloaded by the surge of SNAP applications from those affected by the recession.

FNS recognizes the challenges faced by States in implementing their modernization initiatives and posts technical assistance tools and information about State experiences in a special section of its PartnerWeb. Additional support has included guidance on States' online application compliance that is posted on the FNS website; regular conference calls with State agencies facing compliance issues; presentations at conferences on compliance and best practices; webinars on compliance and best practices; technical support documents on call/contact centers with case studies, considerations, and best practices; and a business process re-engineering paper with case studies and best practices.

Many States began implementing their modernization initiatives and online application systems several years ago, before the 2008 recession. Other States are just beginning the process. FNS' 2008/2009 review identified numerous problems the States can encounter during this process and best practices that will assist them in alleviating these problems. FNS should continue its oversight and technical guidance to assist the States in their modernization initiatives and to ensure their online application systems comply with SNAP regulations for implementing the program.

While we recognize that FNS did take actions to meet the challenges of SNAP's significantly expanding program, we concluded that the agency's lack of development of a Recovery Act risk assessment, as required, detracted from its efforts to develop a comprehensive strategic and tactical plan designed to sufficiently mitigate the risks brought about by the significant increase in SNAP applications caused by the recession. As a result, SNAP's program access weaknesses, that had persisted for several years, continued to impair SNAP's effectiveness in timely providing benefits to all eligible recipients in accordance with the Recovery Act goals.

Recommendation 1

Develop a SNAP comprehensive risk assessment of SNAP's existing program weaknesses to better develop an effective strategic and tactical plan that ensures that SNAP benefits are timely provided to all eligible recipients in accordance with the Recovery Act goals.

Agency Response

In its April 12, 2012 response, FNS stated the following:

FNS is unclear how this recommendation responds to the finding that FNS did not address three known program weaknesses in its risk assessment and, as a result, did not identify comprehensive risk mitigation plans to address them. The agency stated it believes its current practices, oversight and monitoring processes address the concerns raised by OIG's review. FNS discussed its current efforts to address the program access weaknesses discussed in OIG's report.

FNS monitors State agencies' timeliness rates by developing yearly timeliness reports and 6-month timeliness reports each quarter. For States with timeliness rates below 90 percent, a corrective action plan must be implemented. FNS also performs Program Access Reviews of States' timeliness rates and online applications. States with findings in the Program Access Reviews must also develop corrective action plans. FNS began piloting a measure in March 2012 to assess States' success at timely processing applications for recertification. The pilot will be complete in early summer 2012. Once the results of the pilot are analyzed, all States will be required to review for recertification timeliness in FY 2013.

In addition, the National Payment Accuracy Workgroup has completed timeliness reviews in several States and is currently consolidating the results of the reviews. The review results will be used to provide States with technical assistance materials. FNS will continue to provide States with guidance and tools to improve their timeliness rates and will routinely update the tools.

FNS continues to make improving negative error rates a priority and has enacted multiple strategies to address States' negative error rates. The agency has revised its quality control review procedure for negative cases to focus on individual actions taken by the State to deny, terminate, or suspend a household. The revised procedure will provide more in-depth information that will enable FNS and the States to target corrective actions to specific problems that cause improper negative actions.

OIG Position

We accept FNS' management decision response to this Recovery Act report recommendation. FNS' response denotes several new initiatives currently underway to address SNAP weaknesses which continue to plague States' effectiveness in delivering SNAP benefits. For example, FNS' pilot to assess States' success at timely processing applications is slated for completion in summer 2012 and FNS National Payment Accuracy Workgroup review results have not been consolidated. Although FNS has informed OIG of these initiatives, we have not audited FNS' strategies in developing the initiatives or assessed the initiatives success in addressing SNAP program weaknesses. However, we believe these initiatives are important and should help in identifying the risks in meeting program goals, as well as assist FNS in developing mitigating strategies to address the long-term SNAP benefit access weaknesses.

We recognize the primary focus of this audit was to assess FNS' efforts to implement requirements of the Recovery Act for SNAP, therefore, we anticipate conducting additional audit work to assess FNS' strategies to improve the timeliness of States' SNAP program access, to reduce States' negative error rates, and to implement SNAP modernization initiatives including the States' newly implemented online application systems.

Section 2: Inadequate Guidance Led to Reporting Errors and Reporting Delays

Finding 2: States Did Not Accurately Report on SNAP Recovery Act Funds in Their Annual Financial Reports

In their yearly reporting, States did not properly disclose the use of Recovery Act funds for SNAP in accordance with OMB and FNS guidance. This occurred because State agencies did not follow the FNS and OMB guidance on disclosing the Recovery Act funds in their annual financial reports. [39] Consequently, the Recovery Act goals of transparency, accountability, and accurate reporting were negatively affected.

OMB required Recovery Act funds to be reported separately in State annual financial reports beginning with fiscal years ending June 30, 2009. In March and June of 2009, OMB provided guidance in its A-133 Compliance Supplement Advisories and Addendum to assist agencies and auditors in understanding the Recovery Act requirements for financial disclosure. The compliance supplements emphasized the importance of the single audit process in ensuring the achievement of the Recovery Act accountability objectives of transparent financial reporting and mitigation of fraud, waste, and abuse of Recovery Act funds. The supplements also provided guidance regarding the appropriate procedures for auditing programs expending Recovery Act funds.

In response to these new reporting requirements, FNS issued a letter dated October 23, 2009, directing States to report their total SNAP benefit expenditures in the body of their yearly financial reports, and to include a footnote disclosure explaining the circumstances of how a portion of the total SNAP benefit expenditures is allocated to the Recovery Act funds at the national level.[40] The letter directed FNS officials to share this guidance with their SNAP and financial management staff, State partners, auditors, and any other interested parties.

We reviewed the financial reports of five States that had completed and published their annual audit reports for their fiscal years ending June 30, 2009, or later. We found that four of the five States did not follow OMB and FNS guidance for reporting SNAP Recovery Act funding. The States of California, Florida, Georgia, and North Carolina did report SNAP benefit amounts in accordance with FNS and OMB guidance, but did not include the FNS-required Recovery Act

[39] States and local governments are required by the Single Audit Act Amendments of 1996 and *OMB Circular A-133* "Audits of States, Local Governments, and Non-Profit Organizations," June 26, 2007, to have one annual audit of their Federal awards (known as a single audit), including the Recovery Act programs. Recovery Act funds must be separately identified on single audit financial reports, including Schedules of Expenditures of Federal Awards and Data Collection Forms by the Catalog of Federal Domestic Assistance award number.
[40] The portion of total SNAP benefit expenditures provided by the Recovery Act funds varies according to the cost of the Thrifty Food Plan and each participating household's income, deductions, and assets. Therefore, FNS and States were unable to specifically determine how much funding, used by program recipients, was provided by the Recovery Act. Alternatively, USDA computed a weighted average percentage to be applied to the national total of SNAP benefit expenditures in order to allocate an appropriate portion to the Recovery Act funds. This methodology generates valid results at the national level but not for individual States. Accordingly, FNS provided the States a disclosure statement to explain the allocation process to their financial statement users.

footnote disclosure in their June 30, 2009, financial reports. The State of Texas correctly reported the SNAP benefit funds and included the FNS footnote disclosure.

In May 2010, we informed FNS of the reporting issues we had identified. As a result of these discussions, FNS reissued its footnote guidance in July 2010. We shared our results with an OMB official; OMB subsequently updated the single audit compliance supplement for FY 2010[41] to clarify the SNAP and Recovery Act reporting requirements for States. OMB also included the July 2010 FNS guidance for footnote disclosure of Recovery Act SNAP funds.

Recommendation 2

Ensure the States report on Recovery Act SNAP benefits in their annual FY 2011 and future yearly audit reports in accordance with OMB and FNS requirements.

Agency Response

In its April 12, 2012 response, FNS stated the following:

> FNS has provided Guidance for State agencies to properly report ARRA [Recovery Act] funds in October 23, 2009, July 2010 and October 2011. These reporting instructions are available on the FNS SNAP Recovery Act Web Site at http://www.fns.usda.gov/fns/recovery/recovery-snap.htm.
>
> The Guidance provided instructions to States on how they should report on their Schedule of Expenditures of Federal Awards (SEFA) and in their Single Audit Data Collection Form (SF-SAC). FY 2011 Single Audit Reports are currently being finalized and posted in the Federal audit cleaning house. FNS will review a sample of the reports as they are posted to determine if the States are reporting properly.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

If the reporting requirements are not being met, determine if additional guidance is necessary.

Agency Response

In its April 12, 2012 response, FNS stated the following:

> FY 2011 Single Audit Reports are currently being finalized and posted in the Federal audit clearing house. FNS will review a sample of the reports as they are posted to

[41] *OMB Circular A-133* "Compliance Supplement 2010," June 2010 Part 4, "USDA, SNAP Cluster," 4.10.551.12.

determine if the States are reporting properly. If FNS determines that State agencies are not properly reporting ARRA funding, FNS will issue additional Guidance.

OIG Position

We accept management decision for this recommendation.

Finding 3: FNS Should Timely Report Revisions to Recovery Act Budget Estimates

FNS did not timely report significant revisions to SNAP Recovery Act budget estimates, either on its own website or on the Governmentwide site, Recovery.gov. This occurred because USDA officials were unclear on whether the budget amounts on FNS' Recovery Act website could be changed, since these amounts are used to generate the data reported on Recovery.gov. Since Departmental guidance had not been provided for updating website content, FNS believed that it was unable to timely report significant revisions to the SNAP Recovery Act budget estimates in accordance with the Act's requirements for transparency and accountability. OMB guidance M-09-10, dated February 18, 2009, states that a Recovery Act objective is to ensure that the use of funds is transparent and reported "clearly, accurately, and in a timely manner."

In May 2009, FNS initially reported that Recovery Act funding of $19.8 billion was required to provide the increase in SNAP benefits mandated by the Recovery Act for FYs 2009 to 2013. This was revised in June 2009 to an estimated $48 billion through FY 2017. While FNS' Recovery Act website did explain that the actual costs of the supplemental Recovery Act benefits had increased, the revised estimate was not posted until after we raised the issue with FNS in January 2010. During this time, the new estimate was also not posted on Recovery.gov. This issue arose again in September 2010, when we found that the June 2010 estimate of $58 billion in Recovery Act funds was not posted on the FNS website. Following our discussion with FNS, the agency posted the new estimated figure in September 2010.

We issued a Fast Report on March 5, 2010,[42] recommending that the Department work with OMB and the Recovery Accountability and Transparency Board to establish a process for consistently and timely reporting changes in budget estimates for all USDA programs that received Recovery Act funding on Recovery.gov and other websites associated with Recovery.gov. On March 12, 2010, the USDA Office of the Chief Financial Officer (OCFO) said it would issue guidance for updating all the USDA websites after OMB and the Recovery Accountability and Transparency Board established the update process. OMB released guidance on March 22, 2010, stating that agencies should continue to track progress related to their own Recovery Act plans and update key measures and milestones. OMB also stated that additional guidance for updating the agency and program performance information on Recovery.gov would be forthcoming.[43]

[42] OIG provided an interim Fast Report to the USDA Office of Chief Financial Officer on March 5, 2010, regarding the Recovery Act's impacts on SNAP. The report dealt with the processes in place for disclosing changes in budgetary estimates of Recovery Act funds needed to implement the Act's provisions for USDA programs in future years in accordance with the Act's requirements for transparency and accountability.

[43] OMB M-10-14, question number 10, dated March 22, 2010.

On August 19, 2010, OMB issued a clarification of its March 22, 2010, guidance.[44] OMB had been asked to respond to a question regarding whether agencies should indicate to the public when they have made changes to their initial Recovery Act implementation plans. OMB responded that:

> Transparency is essential to the implementation of the Recovery Act and agencies should make it clear to the public when they have made changes to their program implementation plans, or to their lists of approved Recovery Act projects. Thus, in addition to posting the most up-to-date plans and project lists on their respective recovery websites, agencies should post a record of the changes they made—as approved by OMB.

We reviewed the information FNS has posted for its SNAP Recovery Act program on both the agency's website and on Recovery.gov in August 2011. Although FNS updated its plan on Recovery.gov, the plan continues to contain outdated and inconsistent information. For example, FNS' June 18, 2010, plan states that $65.8 billion over 10 years will be required to fund the Recovery Act increases to SNAP. FNS' agency website, which was last modified on March 3, 2011, states the SNAP will use an estimated $53 billion to fund Recovery Act benefit increases in coming years.

New legislation, passed in August and December 2010, terminated funding of the additional SNAP Recovery Act benefits at the end of October 2013.[45] The legislation projected $14.4 billion in savings due to the early termination. However, neither the FNS Recovery Act website nor Recovery.gov discuss the new legislation ending the SNAP Recovery Act benefits, nor do they include the budget estimates used to compute the $14.4 billion in savings anticipated due to the planned early termination. We concluded that FNS should update both websites in accordance with the OMB guidance in order to achieve the transparency and accountability goals of the Recovery Act.

Recommendation 4

Post on the FNS agency Recovery Act website and the Governmentwide Recovery.gov website, the current budgetary estimates reflecting the new legislation which ends the additional Recovery Act SNAP benefits in October 2013.

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[44] OMB "Frequently Asked Questions – American Recovery and Reinvestment Act of 2009" with new question and/or section as of August 19, 2010," "Clarification of M-10-14 Guidance (March 22, 2010)."
[45] Public Law 111-226, dated August 10, 2010, terminated additional Recovery Act SNAP benefits on March 31, 2014. Public Law 111-296, dated December 13, 2010, accelerated the date to October 31, 2013. The Congressional Budget Office projects savings of $11.9 and $2.5 billion, respectively, due to these two laws.

Agency Response

In FNS' March 12, 2010, response to our Fast Report, the Chief Financial Officer concurred with the recommendation and will implement guidance after consulting with OMB and the Recovery Accountability and Transparency Board to establish a process for the consistent and timely reporting of changes in budget estimates for all USDA Recovery Act programs. Once that process has been established Governmentwide for all Federal agencies, OCFO will issue guidance to USDA agencies on the established process for updating Recovery.gov and agency websites.

In its April 12, 2012 response, FNS provided the following:

> On April 3, 2012, FNS updated the FNS Recovery Act website to reflect the following:
>
> "SNAP will use an estimated $45.2 billion of Recovery Act funds to increase benefits to service the growing number of families seeking assistance. Almost all (97%) of SNAP benefits are redeemed in grocery stores and at Farmer's markets within 30 days, providing an economic stimulus and helping low-income families purchase food. Starting in April 2009, most four-person households began receiving an $80 increase in their monthly SNAP allotment to spend on groceries. These ARRA-funded benefit increases will end on October 31, 2013. The Recovery Act also provided nearly $300 million to States for SNAP administrative expenses in FY 2009 and 2010."
>
> FNS has inquired about making the update to the Governmentwide Recovery.gov website. The [OMB] has confirmed that the update to the Governmentwide Recovery.gov website cannot be made.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We conducted our audit field work from September 2009 through December 2011. Our audit focused on FNS' planning and initial implementation of the Recovery Act. We reviewed FNS' internal control structure at the national office in Alexandria, Virginia; FNS regional offices in Atlanta, Georgia and Chicago, Illinois; and two State agencies in Florida and Michigan.

Our selections of regional and State offices were based on several criteria, including choosing States that received the most Recovery Act funds, States in different geographic locations within the United States, and States most impacted by the recession (such as those with the highest unemployment figures).

To accomplish our objectives, we:

- reviewed pertinent laws, regulations, procedures, and manuals governing SNAP and the Recovery Act;
- examined FNS' instructions to the States and evaluated States' implementation of the Recovery Act changes to SNAP program benefits and eligibility requirements;
- interviewed responsible FNS officials at the national and regional levels, and State agency officials;
- examined the methodologies used for determining State allocations of SNAP administrative funds;
- reviewed FNS' monitoring of States' use of administrative funds, and assessed the adequacy of internal controls and review processes for reporting on administrative funds provided by the Recovery Act;
- examined the methodologies for determining increases in households' monthly benefits in accordance with the Recovery Act, the calculation of the portion of total SNAP benefits allocated to the Recovery Act, and the reporting of Recovery Act benefits on Recovery.gov;
- reviewed States' outreach plans to reach households most affected by the recession;
- reviewed FNS' plans for quality control reviews, management evaluations, and financial management reviews; and
- reviewed FNS' Risk Assessment to determine if it sufficiently identified and mitigated risks related to the Recovery Act funding.

Our review did not include testing of eligibility for SNAP benefits or verification as to the accuracy of individual participant benefits based on various levels of income.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

CFR. .... Code of Federal Regulations
FNS .... Food and Nutrition Service
FY .... Fiscal Year
IPIA............................ Improper Payment Information Act
OCFO.......................... Office of the Chief Financial Officer
OIG .... Office of Inspector General
OMB .... Office of Management and Budget
Recovery Act .... American Recovery and Reinvestment Act of 2009
SNAP .... Supplemental Nutrition Assistance Program
USDA.......................... Department of Agriculture

USDA'S
FOOD AND NUTRITION SERVICE
RESPONSE TO AUDIT REPORT

United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive
Room 712

Alexandria, VA
22302-1500

DATE: April 12, 2012

AUDIT NUMBER: 27703-0002-AT

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Audrey Rowe /S/
Administrator
Food and Nutrition Service

SUBJECT: Recovery Act Impacts on the Supplemental Nutrition Assistance Program

This letter responds to the official draft report for audit report number 27703-0002-AT, Recovery Act Impacts on the Supplemental Nutrition Assistance Program (SNAP). Specifically, the Food and Nutrition Service (FNS) is responding to the four recommendations in the report.

OIG Recommendation 1:

Develop a SNAP comprehensive risk assessment of SNAP's existing program weaknesses to better develop an effective strategic and tactical plans that ensures that SNAP benefits are timely provided to all eligible recipients in accordance with the Recovery Act goals.

Food and Nutrition Service Response:

FNS is unclear how this recommendation responds to the finding that FNS did not address three known program weaknesses in its risk assessment and, as a result, did not identify comprehensive risk mitigation plans to address them.

The issues raised by this audit are ongoing issues that FNS has been working with States to improve. FNS believes that its current practices, oversight and monitoring processes adequately address the concerns raised by this review regarding application processing timeliness, negative reviews, and online application.

FNS already monitors State agencies' timeliness rates by developing yearly timeliness reports and six-month timeliness reports each quarter. If a State's timeliness rate drops below 90 percent, FNS requires the State to implement a corrective action plan, or CAP. FNS also routinely performs Program Access Reviews (PAR), which include reviews of States' timeliness rates and online applications. If FNS has a finding in a PAR, FNS requires the State to develop a CAP.

Currently, FNS is piloting a measure to assess a State's success at processing applications for recertification timely. The pilot began in March 2012 and will complete in early summer 2012. Once the results of the pilot are analyzed, all States will be required to review for recertification timeliness in FY 2013.

In addition to performing ongoing monitoring and oversight, FNS is implementing other strategies to help States improve their timeliness rates. The National Payment Accuracy Workgroup (NPAWG) has completed timeliness reviews in several States and is currently consolidating the results of the reviews. The information gathered by NPAWG will be used to provide States with technical assistance materials. Additionally, FNS will continue to provide States with guidance and tools to improve their timeliness rates and will update the tools routinely.

FNS continues to make improving negative error rates a priority and has enacted multiple strategies to address States' negative error rates. FNS revised the quality control review procedure for negative cases to focus on the individual action taken by the State to deny, terminate, or suspend a household. This revised procedure will provide more in-depth information that will enable FNS and the States to target corrective actions to specific problems that cause improper negative actions.

Estimated Completion Date: September 28, 2012

OIG Recommendation 2:

Ensure the States report on Recovery Act SNAP benefits in their annual FY 2011 and future yearly audit reports in accordance with OMB and FNS requirements.

Food and Nutrition Service Response:

FNS has provided Guidance for State agencies to properly report ARRA funds in October 23, 2009, July 2010 and October 2011. These reporting instructions are available on the FNS SNAP Recovery Act Web Site at http://www.fns.usda.gov/fns/recovery/recovery-snap.htm.

The Guidance provided instructions to States on how they should report on their Schedule of Expenditures of Federal Awards (SEFA) and in their Single Audit Data Collection Form (SF-SAC). FY 2011 Single Audit Reports are currently being finalized and posted in the Federal audit clearing house. FNS will review a sample of the reports as they are posted to determine if the States are reporting properly.

Estimated Completion Date: June 30, 2012

OIG Recommendation 3:

If the reporting requirements are not being met, determine if additional guidance is necessary.

Food and Nutrition Service Response:

FY 2011 Single Audit Reports are currently being finalized and posted in the Federal audit clearing house. FNS will review a sample of the reports as they are posted to determine if the States are reporting properly. If FNS determines that State agencies are not properly reporting ARRA funding, FNS will issue additional Guidance.

Estimated Completion Date: August 30, 2012

OIG Recommendation 4:

Post on the FNS agency Recovery Act website and the Government-wide Recovery.gov website, the current budgetary estimates reflecting the new legislation which ends the additional Recovery Act SNAP benefits in October 2013.

Food and Nutrition Service Response:

On April 3, 2012, FNS updated the FNS Recovery Act website to reflect the following:

"SNAP will use an estimated $45.2 billion of Recovery Act funds to increase benefits to serve the growing number of families seeking assistance. Almost all (97%) of SNAP benefits are redeemed in grocery stores and at Farmer's markets within 30 days, providing an economic stimulus and helping low-income families purchase food. Starting in April 2009, most four-person households began receiving an $80 increase in their monthly SNAP allotment to spend on groceries. These ARRA-funded benefit increases will end on October 31, 2013. The Recovery Act also provided nearly $300 million to States for SNAP administrative expenses in FY 2009 and 2010."

FNS has inquired about making the update to the Government-wide Recovery.gov website. The Office of Management and Budget (OMB) has confirmed that the update to the Government-wide Recovery.gov website cannot be made.

Completion Date: April 3, 2012

Information copies of this report have been distributed to:

Government Accountability Office

Office of the Chief Financial Officer
Director, Planning and Accountability Division

Office of Management and Budget

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