



U.S. Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



DATE: March 5, 2010

REPLY TO  
ATTN OF: 27703-2-AT

TO: Jon Holladay  
Acting Chief Financial Officer  
Office of Chief Financial Officer

FROM: Gil H. Harden /S/  
Acting Assistant Inspector General  
for Audit

SUBJECT: Recovery Act Impacts on the Supplemental Nutrition Assistance Program (1)

The American Recovery and Reinvestment Act of 2009<sup>1</sup> (Recovery Act) initially provided \$28 billion in funding for such U.S. Department of Agriculture (USDA) programs as farm loans, watershed programs, supplemental nutrition assistance, wildland fire management, and rural development programs including rural housing, rural business, water and waste disposal, and broadband. Congress, in enacting the Recovery Act, emphasized the need for accountability and transparency in the expenditure of the funds. Further, on February 18, 2009, the Office of Management and Budget (OMB) issued initial guidance that required Federal agencies to establish rigorous internal controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Recovery Act.<sup>2</sup>

Our role is to provide oversight of USDA programs and activities funded by the Recovery Act. This memorandum is the first to report on our oversight activities regarding the Supplemental Nutrition Assistance Program (SNAP) during the initial phase of this audit. This memorandum describes the need for USDA to provide guidance to agencies on reporting revisions to budgetary estimates for programs funded by the Recovery Act on [Recovery.gov](http://Recovery.gov)<sup>3</sup> and other websites associated with [Recovery.gov](http://Recovery.gov). Due to the lack of departmental guidance for website content, FNS did not report significant revisions to its program. Specifically, FNS did not report to the agency's Recovery Act website until January 2010 that the estimated cost of the additional SNAP benefits increased by \$28 billion through fiscal year 2019. The revised estimate was determined in June 2009 when the agency developed estimates reported as part of the mid-session review of the budget of the U.S. Government. USDA officials explained that additional direction is needed because their current understanding is that changes cannot be made to an agency's Recovery Act Plan. The amounts in these Plans generate the amounts reported on

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<sup>1</sup> Public Law 111-5, February 17, 2009.

<sup>2</sup> On April 3, 2009, OMB issued "Updated Implementing Guidance for the Recovery and Reinvestment Act of 2009."

<sup>3</sup> [Recovery.gov](http://Recovery.gov) is the U.S. Government's official website providing easy access to data related to Recovery Act spending and allowing for the reporting of potential fraud, waste, and abuse.

Recovery.gov. This issue, along with any others identified, will be compiled into a final report at the conclusion of our audit.

The Recovery Act provided for a 13.6 percent increase in the maximum Thrifty Food Plan (TFP)<sup>4</sup> amount provided to SNAP recipients as opposed to providing program benefits in a specific dollar amount. When the Recovery Act was passed in February 2009, the estimated increase in benefits totaled more than \$19.8 billion through fiscal year 2013. This amount was also included in FNS' Recovery Act Plan, dated May 2009. However, in June 2009, FNS estimated the increase in benefits would be \$48 billion because of the significant increases in program participants due to the recession and because the cost of food had not increased as expected.<sup>5</sup> The revised estimate was determined in June 2009 when the agency developed estimates reported as part of the mid-session review of the budget of the U.S. Government. At that time, FNS did not report the increased funding for SNAP benefits on Recovery.gov or websites maintained by the agency or USDA related to the Recovery Act. In October 2009, we became aware of FNS' revised estimate for SNAP and discussed how the agency planned to publicly report the revision. FNS officials advised that the agency did not plan to report the revised estimate because FNS planned to place an expanded explanation of how the budget estimates are subject to change on its Recovery Act website. On one page of FNS' Recovery Act website, FNS reported that at the time the Recovery Act was enacted, the increase in benefits was estimated to total \$20 billion. This web page further explained that given rapid increases in participation and slower growth in food prices since enactment, the actual cost of the Recovery Act has increased. In January 2010, FNS reported on another page of its Recovery Act website that SNAP will use an estimated \$48 billion of Recovery Act funds in the coming years to increase benefits and provide additional administrative funds to States to help them serve the growing number of families seeking assistance. These changes were not reported on Recovery.gov.

The potential amount of benefits to be funded through the Recovery Act further increased when estimates were prepared for the fiscal year 2011 budget. According to FNS, Recovery Act funding for SNAP is now estimated to total \$65.8 billion through fiscal year 2019. FNS officials also advised that as the recession begins to moderate, and the economy begins to improve, the projected need for Recovery Act funds should decrease.

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<sup>4</sup> The TFP is one of four food plans developed and maintained by USDA's Center for Nutrition Policy and Promotion to provide guidance in securing a healthy and nutritious diet at an established level of cost. The TFP incorporates food consumption and price data, as well as nutrient and dietary guidelines, to establish market baskets of recommended foods for 15 specified age and gender classes. (A market basket is a selection of foods in quantities that reflect current dietary recommendations, food composition data, food prices, and consumption patterns. There is one market basket for each of the 15 age-gender groups utilized in the TFP analysis.) The TFP market basket costs serve as the basis for establishing maximum SNAP benefits for a reference family of four, including two adults ages 20 to 50, one child age 6 to 8, and a second child age 9 to 11. SNAP benefits for households with fewer or more persons than the reference family are established using applied factors based on the number of persons included in the household and economies of scale.

<sup>5</sup> FNS officials explained that the Recovery Act permanently increased the maximum TFP amount. Since SNAP is an entitlement program, additional funding will be needed until the gap between the maximum benefits calculated through the TFP and the amount determined through the Recovery Act is closed. The cost of food used to calculate the TFP decreased in 2009. This decrease widened the gap between the benefit amounts calculated through the TFP and the Recovery Act, which required the use of more Recovery Act funds.

Due to the lack of departmental guidance for website content, FNS did not timely report the significant revisions to the estimates for SNAP.

We discussed this issue with USDA officials on March 1, 2010. We recommended 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. USDA officials generally agreed with this recommendation. They explained that additional direction is needed because their current understanding is that changes cannot be made to an agency's Recovery Act Plan. The amounts in these Plans generate the amounts reported on Recovery.gov.

Please provide a written response within 5 days that outlines your corrective actions planned on this matter. If you have any questions, please contact me at (202) 720-6945.

**USDA'S**

**Food and Nutrition Service's**

**RESPONSE TO AUDIT REPORT**



United States  
Department of  
Agriculture

Office of the Chief  
Financial Officer

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Washington, DC  
20250

TO: Gil H. Harden  
Acting Assistant Inspector General  
for Audit

March 12, 2010

FROM: Jon M. Holladay /S/  
Acting Chief Financial Officer

SUBJECT: Audit Report No: 27703-2-AT, Recovery Act Impacts on the  
Supplemental Nutrition Assistance Program (1)

Thank you for the opportunity to address your comments on the FAST Report entitled, "Recovery Act Impacts on the Supplemental Nutrition Assistance Program (1)." This is the first report on the oversight activities for the Supplemental Nutrition Assistance Program (SNAP).

This report describes the need for the Department to provide guidance to agencies on reporting revisions to budgetary estimates for programs funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act) and other Web sites associated with Recovery.gov. It states that "due to the lack of departmental guidance for Web site content, the Food and Nutrition Service (FNS) did not timely report the significant revisions to the estimates for SNAP." The report notes that FNS did not report on the FNS Recovery Act website until January 2010 that the estimated cost of the SNAP benefits increased by \$28 billion through fiscal year 2019. The revised estimate was determined in June 2009 when FNS developed for the mid-session review of the budget for the U.S. Government. Department officials explained that additional direction is needed from the Office of Management and Budget (OMB) and the Recovery, Accountability, and Transparency Board (RATB) because changes have not been authorized yet to update the agency Recovery Act Plan. An update would have included these SNAP benefits increases. The funding amounts in these plans generate the reports for updates to Recovery.gov.

The following addresses the specific recommendation in the FAST Report:

**Recommendation 1:**

OIG recommends that the Department work with OMB and RATB to establish a process to consistently and timely report changes in budget estimates for all USDA programs that received Recovery Act funding on Recovery.gov and other websites associated with Recovery.gov.

Gil H. Harden

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**Management Response:**

OCFO will implement guidance after consulting with OMB and RATB 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 Government-wide for all Federal agencies, OCFO will issue guidance to USDA agencies on the established process for updating Recovery.gov and agency Web sites.

If you have any questions or need additional information, please contact me at (202) 720-5539 or have a member of your staff contact Kathy Donaldson at (202) 720-1893.