



U.S. Department of Agriculture

Office of Inspector General



Funds Provided by the American Recovery and Reinvestment Act for Management and Oversight of the Supplemental Nutrition Assistance Program

Audit Report 27703-01-Hy
December 2009



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



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REPLY TO
ATTN OF: 27703-01-Hy

TO: Julie Paradis
Administrator
Food and Nutrition Service

ATTN: Lael Lubing
Director
Grants Management Division

FROM: Robert W. Young /s/
Assistant Inspector General
for Audit

SUBJECT: Funds Provided by the American Recovery and Reinvestment Act for
Management and Oversight of the Supplemental Nutrition Assistance Program

Summary

This report presents the results of our audit of the Food and Nutrition Service's (FNS) use of funds provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act) for management and oversight of the Supplemental Nutrition Assistance Program (SNAP). The Recovery Act provided \$295 million in additional administrative expenses to handle the anticipated increase in caseloads for the next 2 years, of which Congress appropriated \$290.5 million to the States. Our audit was limited to the remaining portion of these funds, \$4.5 million that was appropriated for FNS management and oversight of SNAP and for monitoring the integrity and evaluating the effects of payments made under the Recovery Act.

The Office of Inspectors General's (OIG) role, as mandated by the Recovery Act, was to oversee agency activities and to ensure that funds were expended in a manner that minimized the risk of improper use. We conducted our audit at FNS Headquarters to determine whether FNS officials plan to use the \$4.5 million for management oversight in accordance with the requirements of the Recovery Act. We examined the agency's Recovery Act Plan, which described the SNAP policies and procedures, as well as its internal controls. We found that FNS officials' plans for using the oversight funds - \$4.35 million for 2 studies focused on Recovery Act outcomes and \$150,000 for Financial Management Reviews - were allowed by the provisions of the Recovery

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Act. As discussed with agency officials during the audit, we had concerns with FNS' plan to use less than 4 percent of the available oversight funds for additional on-site financial management reviews at the States, which FNS' Recovery Plan identified as a key internal control. However, FNS officials believe it already has a robust oversight process in place. We plan to examine this control as we continue our FNS Recovery Act audits.

Background

In response to the economic downturn, Congress passed - and the President signed into law on February 17, 2009 - the Recovery Act. It provided FNS \$19.8 billion for increased benefits (13.6 percent) in food allotments over a 5-year period for the SNAP and \$295 million in additional administrative expenses to handle the increasing caseloads. The Recovery Act provided that FNS use the administrative expense funds for necessary management and oversight of the program, and for monitoring the integrity and evaluating the effects of the payments made under the related sections of the Recovery Act.

FNS, an agency within the U.S. Department of Agriculture (USDA), administers nutrition assistance programs to provide children and needy families' better access to food and a more healthful diet. SNAP is used to assist low-income individuals and families in obtaining a more nutritious diet by supplementing their incomes with benefits to purchase food they need for healthy eating choices. SNAP is administered by FNS through a Federal-State partnership in which USDA pays the full cost of recipient benefits and shares the cost to administer SNAP with the States. In fiscal year (FY) 2008, FNS disbursed over \$34.6 billion in recipient benefits that were used by an average of 28 million participants nationwide per month. Since then, caseloads have increased over 16 percent.

FNS provides management and oversight and Congress authorized FNS \$4.5 million of the \$295 million for management, oversight and evaluation. FNS monitors State administrative expenses by reviewing budgets/financial reports submitted by States, conducting on-site Financial Management Reviews (FMR) and Management Evaluations of State operations, and reviewing each State's Single Audit.¹ FNS monitors recipient eligibility determinations by each State through a Quality Control process where the States review a statistically valid sample of applications to ensure the certifying employees correctly determined the applicant's eligibility, and computed the participant's entitlement.

Congress, in enacting the Recovery Act, emphasized the need for accountability and transparency in the expenditure of the funds. On February 18, 2009, the Office of Management and Budget (OMB) issued guidance that required Federal agencies to establish rigorous internal

¹ Financial Management Reviews, Management Evaluations and Single Audits are reviews of grantees (State agencies and Indian Tribal Organizations) operations, which are used by FNS officials to obtain reasonable assurance that the financial information reported by grantees is correct and complete; that it represents proper expenditures of Federal funding provided; and that all other applicable financial requirements, regulations and statutes are met.

controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Recovery Act. OMB issued additional guidance on April 13, 2009, to reinforce ongoing work by clarifying existing requirements and establishing additional steps that must be taken to facilitate the accountability and transparency objectives of the Recovery Act.

Objectives

Our audit objectives were to ensure that: (1) SNAP administrative expenses are timely and effectively used; and (2) proper internal control procedures are established. However, the scope of this audit was limited to the \$4.5 million provided by the Recovery Act for FNS management oversight.

Details: FNS Management Oversight

FNS officials informed us that the majority of the \$4.5 million for their administrative funds would be used to evaluate the effects of Recovery Act expenditures on participating individuals. Specifically, FNS officials plan on using (1) approximately \$4 million dollars to measure the impact of a post-stimulus SNAP on food insecurity and hunger and (2) approximately \$350,000 to assess the rate of monthly benefit spend down among SNAP households before and after benefit increases provided by the Recovery Act into SNAP. They plan to use the remaining funds, approximately \$150,000, for expenses incurred by Headquarters personnel assisting regional personnel review State agencies' operations.

The Recovery Act provided \$295 million additional administrative expenses to handle the anticipated increase in caseloads for the next 2 years, of which \$4.5 million was for necessary expenses of the FNS for management and oversight of the program and for monitoring the integrity and evaluating the effects of payments made under the Recovery Act. In the FNS Recovery Act Plan,² FNS officials stated that the Recovery Act requires an unprecedented level of transparency, oversight, and accountability to ensure that funds are used according to the Act's requirements. According to the Plan, FNS officials intended to rely primarily³ on the Financial Management Review (FMR) process to provide oversight of Recovery Act funds. As part of the Recovery Act Plan, FNS officials proposed both to increase the number of FMRs conducted during FY's 2009 and 2010, and to target these reviews using a risk management assessment. Such an assessment would identify, for FNS management, which States (as well as program areas within each State) may require either more or less oversight based on risk factors.⁴ FNS Headquarters verbally instructed each regional office to perform FMRs on 50 percent of the States within each region during FY's 2009 and 2010. The selection of individual

² United States Department of Agriculture Food and Nutrition Service, American Recovery and Reinvestment Act Plan, May 13, 2009.

³ In discussions with FNS personnel on August 19 and 21, 2009, FNS officials asserted FMRs were one of a variety of tools used to monitor the Recovery Act's implementation.

⁴ Some of the risk factors agencies should consider when assessing initial risk: (1) which programs are receiving the most funding; (2) are there performance issues with current or potential funding for recipients; and (3) are program outputs and outcomes clear and measurable.

States to be reviewed was left to each region.⁵ We plan to further examine FNS' use of FMRs to provide oversight of Recovery Act SNAP funds as part of subsequent work that involves testing at FNS regional offices and State agencies.

We concluded that FNS' plans for using the oversight funds - \$4.35 million for 2 studies that will examine Recovery Act outcomes in the SNAP and \$150,000 for FMRs - were allowed by the provisions of the Recovery Act. As discussed with agency officials during the audit, we had concerns with FNS' plan to use less than 4 percent of the available oversight funds on FMRs, which FNS' Recovery Plan identified as a key internal control. However, FNS officials believe it already has a robust oversight process in place. We plan to examine this control as we continue our FNS Recovery Act audits.

We are not making any recommendations within this report and no further action or response to us is required.

Scope and Methodology

We performed audit work at the FNS Headquarters in Alexandria, Virginia. We evaluated pertinent laws and regulations, program policies and procedures, and interviewed appropriate FNS officials. We examined guidance provided to the regional and States offices and evaluated planned oversight activities by FNS. FNS oversight activities included on-site reviews at the States, analysis of Quality Control data to monitor error rates, and reporting required by OMB.

We performed our audit fieldwork from May through September 2009. 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 conclusions based on our audit objective. We believe that the evidence obtained provided a reasonable basis for our conclusions based on our audit objectives.

To accomplish our objectives, we assessed the program's policies and procedures, as well as its internal controls, and discussed them with FNS Headquarters officials. Specifically, we examined the FNS Recovery Act Plan. We reviewed guidance provided to the FNS regional offices and States on the use of Recovery Act funds. We also examined FNS' risk management assessment to determine the extent of monitoring State operations to ensure the proper use of funds provided to them. We conducted our review of program administration at FNS Headquarters and did not perform any testing at regional or State offices.

⁵ FNS developed an addendum to the FMR guide for reviewing the \$290.5 million allocated to States, and provided it to the regional offices in July 2009.

Informational copies of this report have been distributed to:

Administrator, FNS, Attn: Agency Liaison Officer (8)

Director, Civil Rights (1)

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