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Supplemental Nutrition Assistance Program Benefits and the Thrifty Food Plan

Audit Report 27703-1-KC
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Washington, D.C. 20250



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SUBJECT: Supplemental Nutrition Assistance Program Benefits and the Thrifty Food Plan

Summary

This report presents the results of our audit of the Thrifty Food Plan (TFP) and its relationship to the 13.6 percent increase in Supplemental Nutrition Assistance Program (SNAP) benefits authorized by the American Recovery and Reinvestment Act of 2009 (the "Recovery Act").¹ In enacting the Recovery Act, Congress emphasized the need for accountability over the expenditure of funds. In response, the Office of Management and Budget (OMB) required Federal agencies to establish rigorous internal controls to ensure that Recovery Act funds were distributed in accordance with that objective.

Our role, as mandated by the Recovery Act, was to monitor agency activities and ensure that funds were expended in a manner that minimized the risk of improper use. Our work during this

¹ Public Law 111-5, dated February 17, 2009.

audit focused on the legislated increase in SNAP benefits and the role of the TFP in supporting such an increase. We directed our audit towards examining the food consumption and corresponding price data used in establishing the 2006 version of the TFP; the most recent update. We did not perform work to validate participant eligibility for SNAP benefits, nor did we verify the accuracy of benefits received by individual participants. Reviews of these participant aspects of SNAP will be conducted separately as part of our overall examination of Recovery Act fund expenditures.

We found that the legislated increase in SNAP benefits was not related to an update or adjustment of the TFP. Our evaluation of the data set inputs, constraints, and modeling used in development of the 2006 TFP disclosed no reportable concerns. Likewise, we did not identify any discrepancies in the application of consumer price index factors to reflect changes in food prices for June 2008, the timeframe upon which increased SNAP benefits were based. Our review also supported the appropriate establishment of maximum SNAP benefits for household sizes ranging from 1 to 8 persons, based on the June 2008 level of the TFP and as adjusted by the Recovery Act legislation.

A prior audit disclosed that a previous version of the TFP was not updated to reflect new nutrient and dietary guidelines and recommended that the TFP be updated to reflect the most current data available. Our current review confirmed that the TFP had been updated in 1999, and again in 2006, using the most currently available food consumption and pricing data. The TFP is currently scheduled for future updates based on a 5 year timeframe to correspond with scheduled releases of the Dietary Guidelines for Americans.

Background

In response to the downturn experienced by the United States economy in the fall of 2008, Congress passed the American Recovery and Reinvestment Act of 2009. The Recovery Act provided for a 13.6 percent increase in SNAP benefits beginning in April 2009. Estimated impact of the enacted increase in SNAP benefits originally approximated \$20 billion over a 5 year timeframe.

Congress, in enacting the Recovery Act, emphasized the need for accountability and transparency in the expenditure of the funds. On February 18, 2009, the OMB issued guidance that required Federal agencies to establish rigorous internal controls, oversight mechanisms, and other approaches to meet the accountability objectives of the Recovery Act. OMB issued additional guidance on April 3, 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. On June 22, 2009, OMB issued guidance for carrying out the reporting requirements included in Section 1512 of the Recovery Act.

The U.S. Department of Agriculture (USDA), through its Food and Nutrition mission area, administers 15 nutrition assistance programs that in concert form a national safety net against hunger. SNAP, the largest of these programs, seeks to provide food assistance and increase nutrition for the health and well being of approximately 28 million low income individuals each month.

The TFP is one of four food plans developed and maintained by the Center for Nutrition Policy and Promotion (CNPP) 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 baskets² of recommended foods for 15 specified age and gender classes. 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.

The most recent update to the TFP was completed in 2006, using food consumption data obtained from the 2001-2002 National Health and Nutrition Examination Survey (NHANES), corresponding food price data obtained from the A.C. Nielsen Homescan® Reporting Service, and the 2005 Dietary Guidelines for Americans. The TFP is updated every 5 years to coincide with release of the updated Dietary Guidelines for Americans while the market basket food costs associated with the TFP are adjusted monthly to reflect changes in food prices. These updated market basket costs are used by nutrition educators and families to track changes in food prices, as well as by Food and Nutrition Service (FNS) personnel in making budgeting decisions. However, the change in food costs do not affect the monthly computation of SNAP benefits. Rather the maximum SNAP benefits for the reference family of four are calculated for each fiscal year, beginning in October, based on the established level of the TFP for the market basket costs determined in the previous June.

Objectives

Our audit oversight of Recovery Act funds involves several objectives. These include ensuring that agency officials timely and effectively distribute funds and establish effective internal control procedures. This review focused on an examination of the data sources, dietary constraints, and optimization modeling used in the development of the TFP, as well as verification that the legislated increase in maximum SNAP benefits was correctly computed.

Result: TFP a Reliable Baseline for Establishment of SNAP Benefits

Our review focused on the development and adjustment of the TFP and the establishment of maximum SNAP benefits based on the legislated increase in the Recovery Act. In the course of performing our audit objectives, we noted that the most recent update to the TFP was completed in 2006. The 2006 TFP was developed using a mathematical model developed by the CNPP, with input from the Economic Research Service. The model considered inputs from food consumption and pricing data sets, as well as nutrient and dietary guidelines and recommendations, to establish market baskets of healthy, nutritious foods for defined age and gender groups, adhering as close as possible to current food consumption behaviors of low-income households. Model inputs included food consumption data obtained through the NHANES conducted by the National Center for Health Statistics, food pricing data gathered

² 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.

through the A. C. Nielsen Homescan® Reporting Service, and nutrient and MyPyramid³ profiles for 58 identified food categories. Model constraints included dietary standards and MyPyramid recommendations for 15 established age and gender groups, as well as a maximum cost allotment based on cost of the previous TFP adjusted for inflation.

Early in our review we noted that the legislated 13.6 percent increase in SNAP benefits was not associated with an update or adjustment to the TFP. Thus, the percentage increase in maximum SNAP benefits was applied as a simple mathematical adjustment to the June 2008 cost level of the TFP for the established reference family of four. Further calculations for establishing maximum SNAP benefits for various household sizes followed the established methodology used for previous fiscal years (i.e. average cost per person and applied economy of scale factors). Our verification of the calculations used to establish maximum SNAP benefits for households ranging in size from 1 to 8 persons disclosed no errors.

Since the legislated increase in maximum SNAP benefits was established as a 13.6 percent increase in the June 2008 level of the TFP, we proceeded in verifying the accuracy of the June 2008 consumer price index adjustments to the TFP. We noted no discrepancies in the established formulas for calculating applicable adjustments to the 29 food groups included in the TFP, nor did we identify any inaccurate consumer price index factors used in such calculations.

We relied on the services of an in-house statistician to provide expert opinion/evaluation of the data sources (NHANES and A.C Nielsen Homescan® Reporting Service) used in development of the food price database and application of the mathematical model to produce the market food baskets for identified age and gender groups. The OIG statistician concurred with the objective function established for the model and concluded that the constraints appeared consistent with the narrative descriptions of inputs and considerations related to nutrient and dietary guidelines and recommendations. The OIG statistician was also satisfied with the mathematical/statistical basis for food consumption data obtained through the NHANES. While noting a lack of statistical basis for the food pricing data obtained through the A.C Nielsen Homescan® Reporting Service, we were unable to identify any better source for use in developing a food price database.

In our prior audit of the TFP released in 1995,⁴ we found that the 1983 version of the TFP had not been updated to reflect changes in nutrient guidelines and recommendations released in 1989 and 1990. We recommended that CNPP timely update the TFP to reflect changes in nutrient guidelines and recommendations and up-to-date food consumption data. As part of our current audit, we confirmed that the 2006 TFP is now based on the most currently available nutrient guidelines and recommendations, and up-to-date food consumption data. We also verified that CNPP has established a methodology and/or timetable for updating the TFP. Currently, the TFP is scheduled for update every five years coinciding with scheduled releases of updated Dietary Guidelines for Americans. In addition to reflecting the updated Dietary Guidelines for Americans, scheduled updates to the TFP will incorporate the most currently available food

³ The MyPyramid Food Guidance System translates nutritional recommendations into the kinds and amounts of food to eat each day. MyPyramid was released in April 2005 and replaces the Food Guide Pyramid (1992), the widely recognized nutrition education tool.

⁴ Audit Report 02801-01-AT, Evaluation of the Thrifty Food Plan, dated December 5, 1995.

consumption and pricing data as supplied through NHANES and the A.C. Nielsen Homescan® Reporting Service.

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

We appreciate the courtesies and cooperation extended to us by your respective staffs.

Scope and Methodology

We conducted our audit of the Thrifty Food Plan and its relationship to the establishment of SNAP benefits at the CNPP and FNS national offices in Washington, D.C. To accomplish our objectives, we interviewed agency officials and reviewed published documentation supporting development of the 2006 version of the TFP. We verified the propriety of, and internal controls over, established formulas used to effect monthly adjustments to the TFP, as well as calculated adjustments to the TFP to reflect the consumer price index factors for February 2007 and June 2008. We also verified the calculated increases in maximum SNAP benefits for various sized households based on the Recovery Act legislation. Our review did not include testing of producer eligibility for SNAP benefits or verification as to the accuracy of individual participant benefits based on various levels of income.

We performed our audit fieldwork from April through October 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Informational copies of this report have been distributed to:

Administrator, FNS,

Attn: Agency Liaison Officer (8)

Office of Management and Budget (1)

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Director, Planning and Accountability Division (1)