



United States Department of Agriculture
Office of Inspector General





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



DATE: September 27, 2016

AUDIT
NUMBER: 27601-0003-10

TO: Audrey Rowe
Administrator
Food and Nutrition Service

ATTN: Mark Porter
Director
Office of Internal Controls, Audits and Investigations

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: New Mexico's Compliance with SNAP Certification of Eligible Households
Requirements

The attached report presents the results of an engagement to assess selected aspects of New Mexico's compliance with the Supplemental Nutrition Assistance Program (SNAP) regulations. The assessment focused on compliance with the Code of Federal Regulations Title 7 Part 273, *Certification of Eligible Households* (7 C.F.R. 273).

TFC Consulting, Inc. (TFC), an independent licensed Certified Public Accounting firm, was contracted by the Department of Agriculture (USDA), Office of Inspector General (OIG) to conduct an agreed-upon procedures engagement at New Mexico and provide the Food and Nutrition Service (FNS) with recommendations to enhance program efficiency and effectiveness. The contract required TFC to perform the engagement in accordance with U.S. generally accepted government auditing standards (GAGAS). In connection with the contract, we reviewed TFC's report and related documentation and inquired of its representatives. Our review of TFC's report was different from an audit in accordance with GAGAS and was not intended to enable us to express, and we do not express, an opinion on New Mexico's compliance with 7 C.F.R. 273. TFC is responsible for the enclosed agreed-upon procedures and recommendations report, dated June 23, 2016. However, our review of TFC's audit documentation disclosed no instances in which TFC did not comply, in all material respects, with GAGAS.

TFC reported that New Mexico did not always comply with SNAP regulations related to Disqualification for Intentional Program Violation, Office Operations and Application Processing, Requirements for Change Reporting Households, Students, Social Security Numbers, and Work Provisions. FNS concurred with TFC's recommendations and OIG accepted management decision on the report's 18 recommendations.

Please note that the regulation requires final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciated the courtesies and cooperation extended to us by members of your staff during TFC's fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

**TFC Consulting, Inc. Report on Applying Agreed-upon
Procedures Engagement for the USDA Office of the Inspector
General to Assess the State of New Mexico's Compliance
with 7 CFR Part 273 Certification of Eligible Households**

Final





TABLE OF CONTENTS

Independent Accountant’s Report on Applying Agreed-upon Procedures	1
1 Background.....	5
1.1 The DHG Federal Court Order.....	6
2 Objective and Purpose	6
3 Scope and Methodology.....	7
4 Findings and Recommendations.....	8
4.1 Part 1, Checklist for Review of State’s Compliance.....	8
Finding 1: HSD did not verify student enrollment or exemptions	8
FNS Recommendation 1	9
FNS Recommendation 2.....	10
FNS Recommendation 3.....	10
FNS Recommendation 4.....	10
Finding 2: HSD did not determine good cause and/or disqualify for not providing an SSN .	11
FNS Recommendation 5.....	12
FNS Recommendation 6.....	12
FNS Recommendation 7.....	12
FNS Recommendation 8.....	13
Finding 3: The State agency did not report IPVs to FNS timely.....	13
FNS Recommendation 9.....	14
FNS Recommendation 10.....	15
4.2 Part 2, Checklist for Review of Active Cases.....	15
Finding 4: HSD did not deny benefits for two households failing to provide verification.....	15
FNS Recommendation 11.....	16
FNS Recommendation 12.....	16
Finding 5: HSD did not verify student enrollment or exemption for one student.....	17
FNS Recommendation 13.....	17
Finding 6: HSD did not determine good cause or disqualify a case for not providing an SSN	17
FNS Recommendation 14.....	18
FNS Recommendation 15.....	18



27601-0003-10
 Agreed-upon Procedures Report on
 New Mexico's Compliance with SNAP Certification of
 Eligible Households Requirements



Finding 7: HSD did not fulfill its responsibilities under work provisions for two cases 19
 FNS Recommendation 16 19
 FNS Recommendation 17 20
 Finding 8: HSD did not terminate a household for failing to file a periodic report 20
 FNS Recommendation 18 21
5 Best Practices/Performance Improvement Opportunities 21
Appendix A: Summary of Test Procedures and Results of Testing 22
Appendix B: Summary of Monetary Results 30
Appendix C: FNS Response to AUP Report 31



June 23, 2016

Independent Accountant's Report on Applying Agreed-upon Procedures

TFC Consulting, Inc. (TFC), an independent licensed Certified Public Accounting firm, was contracted by the Department of Agriculture (USDA), Office of Inspector General (OIG) to conduct an *agreed-upon procedures* engagement to assess selected aspects of the State of New Mexico's compliance with the Supplemental Nutrition Assistance Program (SNAP) regulations. The State of New Mexico (New Mexico or the State) was one of five States selected by the OIG for assessment during FY 2016 based on the level of SNAP funding (small, medium or large) and geographic location (the States were selected so that different Food and Nutrition Service (FNS) regions were represented in the assessment). The assessment focused exclusively on compliance with the *Code of Federal Regulations Title 7 CFR Part 273, Certification of Eligible Households*. This report presents the results of our assessment of New Mexico.

TFC performed agreed-upon procedures specified by the OIG to evaluate compliance with *Title 7 CFR Part 273*. The agreed-upon procedures were comprised of two parts. Part 1 specified detailed procedures to assess the State's policies, procedures, and processes and included non-statistical testing of targeted areas of *7 CFR Part 273* for compliance; Part 2 required a randomly selected statistical sample of 100 active case files and performance of specified procedures to test compliance with *7 CFR Part 273*. The Part 1 and Part 2 specified procedures performed are provided in Appendix A of this report. The sufficiency of the agreed-upon review procedures is the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures for which this report has been requested or for any other purpose, nor do we provide an overall opinion on New Mexico's compliance with *7 CFR, Part 273*. Had we performed additional procedures other matters might have come to our attention that would have been reported. This agreed-upon procedures engagement was conducted in accordance with generally accepted government auditing standards (GAGAS). The scope period for this review was October 1, 2014 through September 30, 2015 (Federal Fiscal Year 2015 (FY15)).

Our performance of Part 1 of the agreed-upon procedures disclosed three findings as follows:

1. The Human Services Department (HSD) did not verify student exemption or determine student enrollment - Federal regulation *7 CFR §273.5, Students*, requires that an individual who is enrolled at least half-time in an institution of higher education shall be ineligible to participate in the Food Stamp Program unless the individual qualifies for one of the exemptions and is enrolled in an institution of higher education such as a business, technical, trade, or vocational school. From a non-statistical sample of 15 students, our testing disclosed four cases of non-compliance;
 - a. Two instances where HSD did not verify students qualified for exemption requirements. In both cases we were unable to obtain evidence to support case worker verification but the case worker cited the Debra Hatten-Gonzalez (DHG) Federal court order for the certification of eligibility and issuance of benefits. The DHG Federal court order is explained further in Section 2.1 of our report.

- b. One instance where HSD did not verify the student qualified for an exemption requirement, and determine student enrollment in an institution of higher education.
- c. One instance where HSD did not determine student enrollment in an institution of higher education.

The four student cases where exceptions were noted resulted in potential improper payments of \$2,194.

- 2. HSD did not determine good cause and/or disqualify for not providing an SSN - In accordance with Federal regulations (*7 CFR §273.6, Social Security Numbers*), the State agency shall require that a household participating or applying for participation in SNAP provide the State agency with the social security number (SSN) of each household member or provide good cause for not doing so. New Mexico's comprehensive benefits management system, ASPEN (Automated System Program and Eligibility Network), disclosed 9,731 instances where individuals received benefits without having an SSN entered in the system. TFC tested a non-statistical sample of 15 cases, and identified four cases (two children and two newborns) where an SSN had not been entered in ASPEN, and there was no evidence of good cause for not providing an SSN. The four recipients continued to receive benefits.
- 3. The State agency did not report Intentional Program Violations (IPVs) to FNS timely - Federal regulation *7 CFR §273.16, Disqualification for Intentional Program Violation*, states that each State agency shall report to FNS information concerning individuals disqualified for an Intentional Program Violation, and this information shall be submitted to FNS so that it is received no more than 30 days after the date the disqualification took effect. State agencies report this information using the Electronic Disqualified Recipient System (eDRS). We identified five individuals who were not reported in the eDRS system timely.

Our performance of Part 2 of the agreed-upon procedures, the testing of 100 randomly selected active cases, disclosed five findings as follows:¹

- 4. HSD did not deny benefits for two households failing to provide verification - Federal regulation *7 CFR §273.2, Office Operations and Application Processing*, requires that changes in the source of income be verified and verification during the application process be completed before benefits are issued. In our review of active cases, we identified two cases where households received benefits without providing required verification. Case workers in both cases cited the DHG Federal court order as the reason for providing benefits. The amount of the potential overpayment was \$6,721.²
- 5. HSD did not verify student exemption or determine enrollment for one student – Per Federal regulation *7 CFR §273.5, Students*, cited above, an exemption and enrollment is

¹ Our review of 100 randomly selected active cases, and disclosed five instances of non-compliance as detailed in Findings 4 through 8. This resulted in an error rate of five percent in our sample, enabling us with a 95 percent confidence level, to project an error rate of 10.52 percent or less in the population of 282,671 cases.

² One case also reported in finding #8.

required to be eligible for SNAP benefits. We identified one instance where HSD did not verify the student qualified for an exemption requirement, and determine student enrollment in an institution of higher education. The case worker cited the DHG Federal court order for the certification of eligibility and issuance of benefits. This case resulted in a potential overpayment of \$163.

6. HSD did not determine good cause or disqualify a case for not providing an SSN - Per Federal regulation 7 CFR §273.6, *Social security numbers*, cited above, State agencies require an SSN or good cause for not providing one. In our review of active cases, we identified one case where an SSN had not been entered in ASPEN, and there was no evidence of good cause for not providing the SSN. The individual was a newborn and fifteen months after birth, two recertifications, and one interim report, the individual continued to receive benefits without an SSN or evidence of good cause.
7. HSD did not fulfill its responsibilities under work provisions for two cases – Federal regulation 7 CFR §273.7, *Work provisions*, requires the State agency register for work each household member not exempted and to provide notice of adverse action within 10 days of learning of the households non-compliance (the State agency is required to be notified by Employment and Training (E&T) program administration within 10 days if a mandatory participant fails to comply). If the State is unable to determine good cause, the individual will be determined to be an ineligible household member. We identified two cases where HSD did not;
 - a. Ensure eligible individuals registered for work.
 - b. Provide notice of adverse action for failure to comply.
 - c. Determine if there was good cause for failure to comply.
 - d. Determine the individual to be an ineligible household member.

The amount of potential overpayment was \$2,900.

8. HSD did not terminate a household for failing to file a periodic report - Federal regulation 7 CFR §273.12, *Requirements for Change reporting households*, states that State agencies may establish a simplified reporting system and require periodic reports. The regulation requires households to file a complete report by a specified filing date, or the State agency will send a notice to the household advising it of the missing or incomplete report no later than 10 days from the date the report should have been submitted. If the household does not respond to the notice, the household's participation shall be terminated. We identified one case where the household received notice advising them the State agency had not received the State's periodic report (interim report), did not respond by the required date, the household member's benefits were suspended, but the households participation was not terminated. When the individual subsequently reapplied, they were issued retroactive benefits for two months. This is the second exception noted for this case and the amount of potential overpayment was reported in Finding #4.

Additional details concerning these findings, along with our recommendations for improvement, are presented in Section V of this report. FNS' written response to the official draft is included in its entirety in Appendix C at the end of this report. We have incorporated excerpts from the response into the relevant sections of the report. This report is intended solely for the information and use of the OIG, the Food and Nutrition Service, and the State of New Mexico. For any questions concerning this report, please contact Tashu Trivedi, TFC Engagement Partner at (240) 453-6288 or at ttrivedi@tfcci.net.

Signed

TFC Consulting, Inc.

1 Background

The Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the Supplemental Nutrition Assistance Program (SNAP) providing nutrition assistance to some 45.76 million participants a month and economic benefits of approximately \$74 billion annually (FY15).³ SNAP is the largest domestic hunger safety net program in the United States. FNS works with State agencies to ensure that those eligible for nutrition assistance can make informed decisions about applying for the program and can access benefits. FNS also works with State partners, USDA's Office of Inspector General (OIG), and others to improve program administration and ensure program integrity.

SNAP is authorized by the Food and Nutrition Act of 2008, as amended.⁴ Regulatory authority for SNAP resides in the *Code of Federal Regulations (CFR), Title 7 CFR, Parts 271 through 283*. The focus of this agreed-upon procedures engagement was on *7 CFR, Part 273*, which addresses Certification of Eligible Households.

FNS oversees the SNAP program – formerly known as the Food Stamp Program – at the Federal level from its headquarters in Alexandria, Virginia, and its seven Regional Offices (ROs). The ROs each serve a number of different States, and may include U.S. territories.

State offices, in turn, are responsible for administering the program and overseeing local SNAP offices where applicants can apply for SNAP benefits, and in 42 States, applicants can also apply online. Each State, using its own application form, determines household eligibility and calculates benefits. In New Mexico, the Human Services Department (HSD) performs this function.

HSD manages a \$5.43 billion budget and administers services to more than 800,000 low-income New Mexicans.⁵ In FY14, HSD issued \$629,160,453 in SNAP benefits (which nationally represents 0.90% of benefits and 0.92% of all SNAP participants) serving an average of 431,494 people or 195,258 households per month, and ranked 32 out of 53 States and territories in benefits issued.⁶

ASPEN is the comprehensive web based benefits management system that HSD uses to manage several State and Federal programs. In planning since September 2011, HSD began a phased roll-out of ASPEN beginning in July 2013, and completed implementation statewide by February 2014. ASPEN represented a significant IT investment for the State with a project budget of \$118,760,732. ASPEN determines eligibility and issues benefits for SNAP, Medicaid, Temporary Assistance to Needy Families (TANF), and other programs.⁷

³ SNAP National Level Annual Summary, Participation and Costs, 1969-2015, FNS.

⁴ SNAP was previously authorized by the *Food Stamp Act of 1964* and later amended by the *Food Stamp Act of 1977*.

⁵ New Mexico Human Services Department Strategic Plan, FY15, p.1.

⁶ SNAP State Activity Report Fiscal Year 2014, FNS SNAP Program Accountability and Administration Division, October 2015.

⁷ ASPEN fact sheet, January, 2014.

1.1 The DHG Federal Court Order

On March 31, 1988, a class action law suit was filed in Federal court (DHG)⁸ against the Secretary of New Mexico's HSD.

The following are examples of the DHG court order that directly impacted our testing of *Title 7 CFR, Part 273, Certification of Eligible Households*;

- HSD was prohibited from using ASPEN's automatic denial function to prevent SNAP cases from being denied benefits (order #3)
- HSD was prohibited from denying SNAP benefits for failure to attend an interview, provide proof of income, or any other procedural reason (order #4)
- HSD was prohibited from using ASPEN's automatic closure function to prevent SNAP cases from being closed at recertification without an individualized review by a case worker (order #7)

Based on documentation obtained during testing, several of our findings were the result of HSD's actions to comply with the State's interpretation of the Federal court order, and in those cases the case worker cited the court case in the case file comments. We have included a reference to the case workers comments where applicable.

In addition, HSD was required to provide the court with monthly status reports to include a list of progress metrics and benchmarks. These progress reports included clarification of the DHG court orders, and provided a more detailed interpretation. For example, the orders listed above were further discussed, defined, and/or clarified in the first monthly status report and it was the State agency's interpretation that cases could not be closed or denied benefits, but would rather be suspended in ASPEN and "SNAP benefits, for each of the suspended case, will have their SNAP benefits continued as of the month they auto closed and will receive a minimum of three months benefits as the staff complete the recertification or interim report." Many of our findings include a potential improper payment corresponding to HSD's interpretation that three months of benefits must be paid.

FNS is aware that the court order exists and that our assessment identified that NM's interpretation of the court order has affected the State's compliance with certain aspects of *7 CFR 273*.

2 Objective and Purpose

The objective of this agreed-upon procedures engagement was to assess selected aspects of New Mexico's implementation of *Title 7 CFR, Part 273, Certification of Eligible Households*. The assessment procedures associated with this engagement were developed by the OIG and performed under contract by TFC. The purpose of the assessment was to evaluate whether the State was properly administering the SNAP program, determining eligible households, and monitoring the issuance and use of program benefits in accordance with *Title 7 CFR, Part 273*,

⁸ *Debra Hatten-Gonzales, et al, v. Sidonie Squire, Secretary of the New Mexico Human Services Department*, US District Court, District of New Mexico (Albuquerque) Civ. No. 88-0385 KG/CG (consolidated with Civ. No. 88-0786 KG/CG), date filed: 03/31/1988

and also to provide recommendations to enhance program efficiency, effectiveness, and success.

3 Scope and Methodology

The scope of this engagement was to assess selected aspects of New Mexico's compliance with *Title 7 CFR Part 273, Certification of Eligible Households*. The State of New Mexico was one of five states selected for testing by the OIG based on non-statistical sampling that considered two criteria: 1) size of the State based on the level of SNAP funding (small, medium or large), and 2) geographic location (states were selected so that different FNS regions were represented in the testing). The New Mexico SNAP program is considered a "small" program and is located within FNS' Southwest Region.

The engagement was performed by TFC in accordance with agreed upon procedures developed by the OIG. The agreed-upon procedures were comprised of two Parts as follows:

- Part 1, Checklist for Review of State's Compliance with *7 CFR Part 273*, specified procedures to assess the State's policies, procedures and processes and included non-statistical testing for compliance with targeted areas of *7 CFR Part 273*;
- Part 2, Checklist for Review of Active Cases, required a statistical random sample of 100 active case files and performance of specified procedures to test compliance with *7 CFR Part 273*.

Statistical sampling in support of Part 2 testing was based on parameters established by the OIG. OIG's requirement for selection of 100 active cases was based on a very large universe count (greater than 10,000 units), a +/- 10 percent margin when testing attributes, an estimated error rate of 50 percent (most conservative assumption), and a confidence level of 95 percent that the projected error is correct. Non-statistical sampling techniques were applied in conducting reviewed procedures specified in Part 1.

The Part 1 and Part 2 Checklists are provided in Appendix A of this report along with findings noted for each applicable procedure. The sufficiency of the review procedures is the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures for which this report has been requested or for any other purposes nor do we provide an overall opinion on New Mexico's compliance with *7 CFR Part 273*. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

The scope period for this engagement was October 1, 2014 through September 30, 2015 (Federal Fiscal Year 2015 (FY15)), although the period assessed varied for some tests performed.

Various testing methods and techniques were employed primarily in order to:

- Obtain an understanding of the State agency, its operations, systems, and operating environment;
- Test the State's compliance with *7 CFR 273* at a high level (e.g., policies and procedures); and
- Test a statistically significant sample of active cases for compliance at a granular level.

Assessment fieldwork was performed at the New Mexico headquarters of HSD in Santa Fe during March 2016. This agreed-upon procedures engagement was conducted in accordance with GAGAS.

4 Findings and Recommendations

This section presents deficiencies identified during our performance of Parts 1 and 2 of the agreed-upon procedures Checklists. Our recommendations to address each deficiency are also provided.

4.1 Part 1, Checklist for Review of State's Compliance

Three exceptions were identified during performance of the review procedures in the Part 1 Checklist, as discussed in Findings 1, 2 and 3 below.

Finding 1: HSD did not verify student enrollment or exemptions

Our testing identified four cases that did not meet compliance requirements under *7 CFR §273.5, Students*.

Federal statute⁹ and implementing regulations state, an individual who is enrolled at least half-time in an institution of higher education shall be ineligible to participate in the Food Stamp Program unless the individual qualifies for one of the exemptions. An individual is considered to be enrolled in an institution of higher education if the individual is enrolled in a business, technical, trade, or vocational school that normally requires a high school diploma or equivalency certificate for enrollment in the curriculum or if the individual is enrolled in a regular curriculum at a college or university that offers degree programs regardless of whether a high school diploma is required.¹⁰ HSD uses a Form *FSP 420 Verification of Financial Aid and Budget Verification for Students* to assist with the verification of enrollment and determination of eligibility.

In response to our request for a list of all SNAP recipients who were also students during the scope period, and the exemption type that each was attributable to, we received a file of 16,734 students. Although the file provided the exemption type for most of the students there were 110 students that did not have a recorded exemption type. We non-statistically selected 15 students; five from the original file of 16,624 students and 10 were non-statistically selected from the group of 110 students without an exemption type.

As noted, we identified four cases of non-compliance. Specifically, HSD did not;

- Verify that two students qualified for exemption requirements
- Verify that one student qualified for exemption requirements and was enrolled at least half-time in an institution of higher education
- Verify that one student was enrolled at least half-time in an institution of higher education

⁹ USC, Title 7, Chapter 51 § 2015 (e)

¹⁰ *7 CFR §273.5(a)*, 2016

We determined the causes, respectively, that led to the above conditions were as follows:

- In the comments section of the two cases where exemption requirements were not verified, the case worker referenced the DHG Federal court order as the reason for the three month “extension” (abbreviated certification and issuance) of benefits
- The household where the exemption requirement was not verified and student enrollment in an institution of higher education was not determined was attributed to case worker error, where the case worker did not obtain verification of exemption and record it and proper enrollment in the benefit management system.
- HSD did not provide the student with Form *FSP 420 Verification of Financial Aid and Budget Verification for Students* which the student executes for subsequent verification of enrollment with the school. This was determined to be the result of case worker error.

This resulted in four students being determined eligible, and consequently they received SNAP benefit payments as follows:

1. Student household received \$194 per month for three months resulting in potential improper payments of \$582 (exemption not verified).
2. Student household received \$194 per month in benefits for four months resulting in potential improper payments of \$776 (exemption not verified).
3. Student household received \$189 per month in benefits for four months resulting in potential improper payments of \$756 (enrollment and exemption not verified).
4. Student household received \$16 per month in benefits for five months resulting in potential improper payments of \$80 (enrollment not verified).

The four student cases where exceptions were noted resulted in potential improper payments totaling \$2,194.

FNS Recommendation 1

FNS implement actions and/or provide guidance to assist the State agency comply with 7 CFR 273 regulations.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and is currently conducting on-site bi-weekly technical assistance visits and conference calls on alternate weeks. As part of FNS’ technical assistance, FNS expert policy staff are reviewing training and proposed certification procedures and are advising State officials on policy to ensure the State is effectively implementing SNAP in accordance with Federal program requirements. Current program deficiencies have been identified and communicated to the State agency through a compliance letter (May 27, 2016) and an Advance Warning letter (July 28, 2016).

Estimated Completion Date: Per the Advance Warning letter, the State agency is to come into compliance with federal regulations by October 31, 2016.

FNS Recommendation 2

Require New Mexico HSD verify enrollment and/or exemption, as applicable, for the four student cases identified, and if it is determined the students were ineligible, require HSD to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and HSD has provided responses for the four identified student cases. One case is in an indefinitely pending status which is not in compliance with Federal regulations. As indicated in FNS' response to Recommendation 1, HSD is currently under an advance warning letter which will require HSD to appropriately address each of the indefinitely pending cases.

Estimated Completion Date: Per the Advance Warning letter, HSD is to come into compliance with federal regulations by October 31, 2016.

FNS Recommendation 3

New Mexico HSD establish a process in its eligibility system to ensure student enrollment and qualification of exemption are determined no later than 30 days from the date of application and prior to issuance of benefits.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and is currently working with HSD regarding processing applications within federal regulations as outlined in FNS' response to Recommendation 1.

Estimated Completion Date: October 31, 2016

FNS Recommendation 4

Require New Mexico develop a process to ensure delivery of Form *FSP 420 Verification of Financial Aid and Budget Verification for Students* when student information is entered in ASPEN.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and HSD is putting a change request (CR) in place to allow ASPEN to issue the notice automatically, but there are several other changes ahead of this particular CR. HSD expects the FSP 420 to be issued manually for several months before the change is made in ASPEN.

Estimated Completion Date: August 31, 2017

Finding 2: HSD did not determine good cause and/or disqualify for not providing an SSN

Our testing disclosed four cases that did not meet compliance requirements under 7 *CFR* §273.6, *Social Security Numbers*.

Federal regulations state that the State agency shall require that a household participating or applying for participation in SNAP provide the State agency with the SSN of each household member, or apply for one before certification. Also, the State agency shall explain to applicants and participants that refusal or failure, without good cause, to provide an SSN will result in disqualification of the individual for whom an SSN is not obtained.¹¹ Further, if the household is unable to comply, the State agency shall determine if good cause applies.¹² Finally, if the State agency determines that a household member has refused or failed without good cause to provide or apply for an SSN, then the individual will be disqualified from the SNAP program.¹³

We requested from the State a list of individuals who received SNAP benefits during FY15 and did not have an SSN entered in ASPEN. We received a file of 9,731 recipients. Many of the recipients were newborns and as such, were permitted six months or until the next certification, whichever was longer, before they were required to provide an SSN or good cause for not doing so. TFC tested a non-statistical sample of 15 cases,¹⁴ and identified four cases of non-compliance. Specifically, HSD did not:

- Determine good cause for two cases where a child did not have an SSN entered in ASPEN or evidence that they had applied for one before certification, and
- Determine good cause for two cases where a newborn did not have an SSN entered in ASPEN within six months following the month the babies were born or at the next recertification, whichever was longer.

If there is no good cause, HSD should disqualify these four individuals who refused or failed to provide an SSN.

We determined that HSD case workers were not adequately trained so that when a household refused or failed to provide an SSN, that it was the State's responsibility to determine good cause or disqualify those individuals, as applicable.

As a result, since no determination of good cause was made, individuals who did not have an SSN and good cause were not disqualified, and households may have received improper payments (overpayments) of SNAP benefits.

¹¹ 7 *CFR* §273.6(a), 2016

¹² 7 *CFR* §273.6(b)(4), 2016

¹³ 7 *CFR* §273.6(c), 2016

¹⁴ The file of 9,731 recipients without an SSN included data fields such as "verification" and "date of application," among others. We non-statistically selected 15 cases based on a high assessed level of risk of non-compliance (e.g., no verification provided).

FNS Recommendation 5

Require HSD to review the four cases identified to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and will work with HSD to review the four identified cases. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date: October 31, 2016

FNS Recommendation 6

New Mexico HSD establish a process in its eligibility system to ensure subsequent case workers verify SSNs or proof of application for an SSN at the next recertification or contact with the Field Office, and for newborns, at the next recertification or contact with the Field Office that occurs six months after the month of the child's birth.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs. HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations.

Estimated Completion Date: October 31, 2016

FNS Recommendation 7

HSD include language in the Help Us Make a Decision (HUMAD) notice that informs households of the time submission requirements for providing SSNs or proof of application for an SSN and consequences of failure or refusal to do so.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs. HSD is undergoing a notice improvement business process reengineering with Insight Policy Research (sub-contractor is the Southern Institute on Children and Families), provided by FNS, to provide expert technical assistance to the New Mexico Human Services Department (HSD) Income Support Division (ISD) in reviewing notices for compliance with Federal program requirements and providing suggestions for notice improvement.

Estimated Completion Date: February 28, 2017

FNS Recommendation 8

Require that New Mexico HSD provide guidance and/or training to case workers and new employees to ensure an understanding of the States responsibilities with regards to SSNs, including;

- Making a timely determination of good cause or failure to comply in accordance with 7 CFR §273.6.
- Explaining to applicants and participants that refusal or failure without good cause to provide an SSN will result in disqualification.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs. HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations. HSD will provide in-person training throughout the month of September and October 2016 in each of the five HSD regions. Training is required for all staff. This training is a requirement under FNS' Advance Warning letter.

Estimated Completion Date: October 31, 2016

Finding 3: The State agency did not report IPVs to FNS timely

Our testing of 7 CFR §273.16, *Disqualification for Intentional Program Violation*, disclosed five cases of non-compliance.¹⁵ Specifically, the State agency did not enter five individuals with IPVs into FNS's Electronic Disqualified Recipient System (eDRS) within 30 days after the decision date. The decision dates of the five IPVs and the date the IPV was entered into the eDRS system are as follows:

Number	Decision Date	Date Entered in eDRS
1	04/22/2015	10/06/2015
2	04/27/2015	10/06/2015
3	05/20/2015	10/06/2015
4	05/01/2015	10/06/2015
5	03/26/2015	10/06/2015

¹⁵ The universe of IPVs tested was 39.

Federal regulations state that each State agency shall report to FNS information concerning individuals disqualified for an Intentional Program Violation. This information shall be submitted to FNS so that it is received no more than 30 days after the date the disqualification took effect.¹⁶

Further, State agencies shall report information concerning each individual disqualified for an Intentional Program Violation to FNS. FNS will maintain this information and establish the format for its use,¹⁷ and State agencies shall report information to the disqualified recipient database in accordance with procedures specified by FNS.¹⁸ The disqualified recipient database is eDRS.

We determined the cause that led to the above conditions was due to ASPEN not properly communicating with eDRS. FNS maintains the eDRS which provides States a user-friendly and web-based means of accessing the most up-to-date and comprehensive data on disqualified member(s) receiving SNAP benefits.¹⁹ Specifically, an individual was charged with entering the IPV into the ASPEN system, and ASPEN failed to communicate with eDRS. This was discovered by the State Office of the Inspector General, who suspended the entry of IPV into ASPEN, and began manually entering IPV directly into eDRS.

As a result of ASPEN's inability to properly interface, five individuals were not entered into eDRS within 30 days after the date the disqualification took effect which may have prevented other entities that rely on the system to check for disqualified individuals.

FNS Recommendation 9

The five cases identified above be reconciled with other State/Territory eDRS queries performed during the coverage gap period to identify disqualified individuals who may have attempted to receive benefits in another State/Territory.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs. HSD manually enters IPV data into eDRS and has assigned staff to this function. Management does random checks to ensure data is entered timely. For the five cases in question, HSD performed a PARIS match on all cases and also ran eDRS. If there was another state indicated via the matches HSD called the other state to verify if the customer has applied for benefits. HSD stated that they did find one case, in North Dakota, where the customer applied and is receiving benefits. HSD has contacted the IPV department there to address the issue.

Estimated Completion Date: September 2, 2016

¹⁶ 7 CFR §273.16(i)(1), 2016

¹⁷ 7 CFR §273.16(i)(2), 2016

¹⁸ 7 CFR §273.16(i)(2)(i), 2016

¹⁹ Electronic Disqualified Recipient System Online Query User's Guide, USDA Food and Nutrition Service, 3/1/2016

FNS Recommendation 10

New Mexico HSD ensure the proper operation of the ASPEN/ eDRS interface to effectively communicate correct IPV data to eDRS in a timely manner.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs. HSD manually enters IPV data into eDRS and has assigned staff to this function. Management does random checks to ensure data is entered timely. In addition, HSD implemented a fix for the eDRS interface in ASPEN on June 26, 2016.

Estimated Completion Date: June 26, 2016

4.2 Part 2, Checklist for Review of Active Cases

Our review of 100 randomly selected active cases²⁰ followed the review procedures specified in the Part 2 Checklist for Review of Active Cases, and disclosed six cases of non-compliance as detailed in Findings 4 through 8 below. This resulted in an error rate of six percent in our sample, enabling us with a 95 percent confidence level, to project an error rate of 11.85 percent or less in the population.

Finding 4: HSD did not deny benefits for two households failing to provide verification

We identified two cases where HSD was not in compliance with 7 *CFR* §273.2, *Office Operations and Application Processing*. HSD did not have accurate information entered in ASPEN necessary for a proper determination of eligibility. Specifically, HSD;

- Did not perform verification procedures when a new source of income was reported on the household's Interim Report
- Did not deny a household's application on the 60th day after the application was filed for failing to provide the requested verification of income.²¹

Federal regulations state that changes reported during the certification period shall be subject to the same verification procedures that apply at initial certification except that the State agency shall not verify changes in income if the source has not changed and if the amount has changed by \$50 or less, unless the information is incomplete, inaccurate, inconsistent or outdated.²² Further, if the household is at fault for not completing the application process by the end of the second 30-day period, the State agency shall deny the application and require the household to file a new application if it wishes to participate.²³

²⁰ The universe of active cases during the scope period (October 2014 - September 2015) was 282,671, including cases suspended and not closed in accordance with the DHG Federal court order in effect.

²¹ This case was also reported in Finding #8 below.

²² 7 *CFR* §273.2(f)(8)(ii), 2016

²³ 7 *CFR* §273.2(h)(4)(iii), 2016

For both cases, we determined the reason the case workers did not close the case and deny the application after verification of income was not provided was due to the case worker's intention to comply with the State's interpretation of the DHG Federal court order. The case comments in both cases cited the three month "extension" (certification and issuance) of benefits provided by the State was due to the court case. One case further cited, "DHG rules apply."

As a result, for the first case, SNAP benefits were paid from January, 2015, through October, 2015. The household received \$649 per month in SNAP benefits for 10 months resulting in potential improper payments (overpayments) of \$6,490. For the second case, the household received \$77 per month in SNAP benefits for three months, from May 2015 to July 2015 resulting in potential improper payments (overpayment) of \$231. The total potential overpayment was \$6,721.

Recommendations #1 in the State's compliance section is applicable to this finding and should mitigate here as well. This is a repeat finding.²⁴

FNS Recommendation 11

Require New Mexico HSD review the two identified cases and verify income to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and will work with HSD to review the two identified cases. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date: October 31, 2016

FNS Recommendation 12

New Mexico HSD establish a process in its eligibility system to ensure households that fail to verify income in accordance with 7 CFR 273 requirements are denied at initial application or terminated at interim reporting and discontinue receiving benefits.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and is currently working with HSD to ensure compliance with 7 CFR 273 requirements. FNS has issued a compliance letter to HSD as well as an Advance Warning letter.

Estimated Completion Date: Per the Advance Warning letter, HSD is to come into compliance with federal regulations by October 31, 2016.

²⁴ This finding also reported in the April, 2015, FNS Program Access Review (PAR) for Chaves and Roosevelt County offices.

Finding 5: HSD did not verify student enrollment or exemption for one student

We identified one case where HSD was not in compliance with 7 CFR §273.5, *Students*. Specifically, HSD did not verify the student qualified for exemption requirements and was enrolled at least half-time in an institution of higher education.

Federal statute²⁵ and regulations state, an individual who is enrolled at least half-time in an institution of higher education shall be ineligible to participate in the Food Stamp Program unless the individual qualifies for an exemption. An individual is considered to be enrolled in an institution of higher education if the individual is enrolled in a business, technical, trade, or vocational school that normally requires a high school diploma or equivalency certificate for enrollment in the curriculum or if the individual is enrolled in a regular curriculum at a college or university that offers degree programs regardless of whether a high school diploma is required.²⁶

We determined the case worker approved the issuance of benefits due to the case worker's intention to comply with the State's interpretation of the DHG Federal court order. This resulted in the household receiving SNAP benefits of \$23 for one month and \$28 for five months before the case was placed in a pending status "per DHG guidelines." The total of potential improper payments (overpayment) was \$163.

Recommendations #3 in the State's compliance section is applicable to this finding and should also mitigate here as well.

FNS Recommendation 13

Require New Mexico HSD review the identified case to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and will work with HSD to review the identified case. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date: October 31, 2016

Finding 6: HSD did not determine good cause or disqualify a case for not providing an SSN

We identified one case where HSD was not in compliance with 7 CFR §273.6 *Social Security Numbers*. Specifically, HSD determined one member of one household was eligible to receive benefits and that individual did not have an SSN entered in ASPEN after the performance of two recertifications and one interim report.

²⁵ USC, Title 7, Chapter 51 § 2015 (e)

²⁶ 7 CFR §273.5(a), 2016

Federal regulations state that the State agency shall require that a household participating or applying for participation in SNAP provide the State agency with the SSN of each household member, or apply for one before certification. Also, the State agency shall explain to applicants and participants that refusal or failure, without good cause, to provide an SSN will result in disqualification of the individual for whom an SSN is not obtained.²⁷ Further, if the household is unable to comply, the State agency shall determine if good cause applies.²⁸ Finally, if the State agency determines that a household member has refused or failed without good cause to provide or apply for an SSN, then the individual will be disqualified from the SNAP program.²⁹

We determined HSD case workers were not adequately trained to understand that when a household refused or failed to provide an SSN, that it was the State's responsibility to determine good cause or disqualify those individuals, as applicable.

As a result, since no determination of good cause was made, the individual who did not have an SSN may not have had good cause and was consequently not disqualified; resulting in the household potentially having received improper payments (overpayments) of SNAP benefits. Recommendations #6 and #7 in the State's compliance section are applicable to this finding and should also mitigate here as well.

FNS Recommendation 14

Require HSD to review the case identified to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and will work with HSD to review the identified case. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date: October 31, 2016

FNS Recommendation 15

Require that New Mexico HSD provide guidance and/or training to case workers and new employees to ensure an understanding of the States responsibilities with regards to SSNs, including;

- Making a timely determination of good cause or failure to comply in accordance with §273.6.
- Explaining to applicants and participants that refusal or failure without good cause to provide an SSN will result in disqualification.

Agency Response

²⁷ 7 CFR §273.6(a), 2016

²⁸ 7 CFR §273.6(b)(4), 2016

²⁹ 7 CFR §273.6(c), 2016

In its September 15, 2016, response FNS stated:

FNS concurs. HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations. HSD will provide in-person training throughout the month of September and October 2016 in each of the five HSD regions. Training is required for all staff. This training is a requirement under FNS' Advance Warning letter.

Estimated Completion Date: October 31, 2016

Finding 7: HSD did not fulfill its responsibilities under work provisions for two cases

During the testing of 7 CFR §273.7, *Work provisions*, we identified two cases where participants were required to register for the Employment and Training (E&T) Program however were not registered. Specifically, in each case the participant in the household was a mandatory work participant, however they did not complete Form FSP 003 *ET and Able-Bodied Adults without Dependents (ABAWD) Requirements*, which is the State's work registration form.

Federal regulations state that the State agency must register for work each household member not exempted... Household members are considered to have registered when an identifiable work registration form is submitted to the State agency or when the registration is otherwise annotated or recorded by the State agency.³⁰ Further, the State agency must issue a notice of adverse action to an individual, or to a household if appropriate, within 10 days after learning of the individual's non-compliance with Food Stamp Program work requirements.³¹

We determined that in both instances, the HSD case worker did not issue a notice of adverse action to the participant within the required 10 days following the mandatory participant's failure to register for work.

As a result, in the first case the mandatory work participant was issued SNAP benefits in the amount of \$189 per month for August and September of 2014 and \$194 per month from October 2014 through June 2015, resulting in total potential improper payments (overpayment) of \$2,124.

In the second case, the mandatory work participant received \$194 per month in SNAP benefits from December 2014 through March 2015, resulting in total potential improper payments (overpayment) of \$776.

Total potential improper payments for the two cases amounted to \$2,900.

FNS Recommendation 16

Require HSD review the two cases identified to determine if payments were improper and warrant establishment of a claim.

Agency Response

³⁰ 7 CFR §273.7(c)(1), 2016

³¹ 7 CFR §273.7(c)(3), 2016

In its September 15, 2016, response FNS stated:

FNS concurs and will work with HSD to review the two identified cases. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date: October 31, 2016

FNS Recommendation 17

Require that New Mexico HSD provide guidance and/or training to HSD workers and new employees, to ensure that a notice of adverse action is issued in a timely manner to mandatory work participants that fail to complete the work registration form.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations. HSD will provide in-person training throughout the month of September and October 2016 in each of the five HSD regions. Training is required for all staff. This training is a requirement under FNS' Advance Warning letter.

Estimated Completion Date: October 31, 2016

Finding 8: HSD did not terminate a household for failing to file a periodic report

During the testing of 7 *CFR* §273.12, *Requirements for change reporting households*, we identified one case where the household did not submit the state's periodic report, identified by the State as the "Interim Report," by the required date. HSD did not perform the procedures for a household failing to return an Interim Report in accordance with 7 *CFR* requirements. Specifically, HSD did not terminate the household for failing to file the Interim Report by the end of February 2015 after the household had been advised in the Interim notice of February 12, 2015 that the report was missing.

Federal regulations state the State agency may establish a simplified reporting system in lieu of the change reporting requirements.³² Also, the State agency may require a household to submit a periodic report, based on its circumstances, from once every four months up to once every six months. The State agency need not require a household certified for six months or less to submit a periodic report during its certification period. However, except for households in which all adults are elderly or disabled with no earned income, a household certified for more than six months must submit a periodic report at least once every six months.³³

Further, if a household fails to file a complete report by the specified filing date, the State agency will send a notice to the household advising it of the missing or incomplete report no

³² 7 *CFR* §273.12(vii)(5), 2016

³³ 7 *CFR* §273.12(iii)(A), 2016

later than 10 days from the date the report should have been submitted. If the household does not respond to the notice, *the household's participation shall be terminated.*³⁴

We determined the case worker was intending to comply with the State's interpretation of the DHG Federal court order and did not terminate the household's participation for not filing a complete Interim Report by the required date, after the household had received an Interim notice. The case worker only suspended the case and discontinued benefits, but when the household reapplied, the case worker paid SNAP benefits retroactive to the suspension date.

As a result, the household received \$77 per month in retroactive SNAP benefits for the months of March and April before submitting a new application in May. This case and the potential improper payments associated with it were reported in Finding #4 above.

Recommendations #1 in the State's compliance section is applicable to this finding and should mitigate here as well. This is a repeat finding.³⁵

FNS Recommendation 18

Require HSD review the case identified to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its September 15, 2016, response FNS stated:

FNS concurs and will work with HSD to review the identified case. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date: October 31, 2016

5 Best Practices/Performance Improvement Opportunities

Some States have successfully implemented a practice where case workers can add notes in the benefits management system (specifically involving expected changes/verifications) for future caseworkers. The next case worker to work on the case in these States can review the "expected changes/verifications" section in the States benefits management system for upcoming or expected action items before engaging with recipients, so that they are prepared to discuss and request the relevant material. This section is separate from the case comments section and is specific to future events.

We suggest New Mexico HSD consider this practice and the development of an "expected changes/verifications" section in ASPEN to provide case workers an area to manually enter notes that will notify future case workers of upcoming changes or provide reminders to verify documentation. In this engagement, it may have been a mitigating factor for several findings that we identified.

³⁴ 7 CFR §273.12(iii)(D), 2016

³⁵ This finding also reported in the April, 2015, FNS Program Access Review (PAR) for Chaves and Roosevelt County offices.

Appendix A: Summary of Test Procedures and Results of Testing

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.1 Household Concept	Inquire whether the State has any definitions of SNAP "Households" that deviate from the regulations. If so, determine why and if FNS has approved the deviation.	No
§273.2 Office Operations and Applications Processing	For the scope period, determine whether the State's documented operating procedures for SNAP application processing are in accordance with the regulations. Specifically, determine whether the State has maintained information to document the following: <ul style="list-style-type: none"> a) Households that have failed to cooperate with eligibility determination or re-verification of eligibility, and if so, if those Households were refused benefits. Please capture the number of Households involved. b) Households that have failed to cooperate with the State's Quality Control (QC) reviews, and if so, if those Households were refused benefits. Please capture the number of Households involved. 	No
§273.3 Residency	Determine what type of residency documentation the State uses to verify that SNAP applicants reside in the State where they have submitted a SNAP application, and how often it is re-verified.	No
§273.5 Students	Determine whether the State has support for the number of "students" participating in SNAP and the exemption type that each has been designated. If so, obtain copies of the support documentation.	Exception noted, reference finding #1
§273.6 Social Security Numbers	Determine whether the State has support for the number of SNAP recipients who are participating that have not provided an SSN, and if all of them have proper justification for not doing so. Obtain copies of the support documentation.	Exception noted, reference finding #2
§273.7 Work Provisions	Determine whether the State has support for the number of SNAP recipients who are also working and adequately meeting the SNAP Work provisions. If so, obtain copies of the support documentation.	No
§273.7 Work Provisions	Also, determine the number of SNAP recipients who are required to meet the SNAP work provisions, but for some reason (State waiver, etc.) have not done so.	No

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.8 Resource Eligibility Standards	Determine whether the State has support documentation for the number of SNAP Recipients that have been excluded from the Resource Eligibility standards because of Categorical Eligibility or Broad Based categorical Eligibility. For those SNAP recipients that are subject to the Resource eligibility standards, has the State maintained support documentation to verify that they have met the resource eligibility standards?	No
§273.9 Income and Deductions	Determine whether the State has support documentation to demonstrate how many of the State's SNAP recipients fall under either the <ul style="list-style-type: none"> a) 130 percent of the Federal poverty level income limit or b) categorical or broad based categorical eligibility 	No
§273.10 Determining Household Eligibility and Benefit Levels	Determine whether the State certification of eligibility, including income, deductions, and resources is <ul style="list-style-type: none"> a) Accomplished using third party documentation or whether these amounts are self-certified by the applicant. b) Affected by the payment(s) of Low Income Energy Assistance Act subsidies to the applicant. 	No
§273.11 Action on Households with Special Circumstances	Determine whether the State has support documentation to identify those SNAP Households where one or more members have been disqualified from SNAP, and if so, identify the exact number of disqualified individuals and households compared to the State's total SNAP recipients and Households.	No
§273.12 Requirements for Change Reporting Households	Determine for each of the following eligibility factors whether the State requires SNAP Household changes that trigger reporting to be reported when they happen (or usually within 10 days) or at the next recertification, or never, and what regulations they use to justify those procedural guidelines: <ul style="list-style-type: none"> a) Earned income b) Unearned income c) Deductions/expenses d) Low Income Heating and Energy Program (LIHEAP) subsidy e) Resources f) Assets g) Household size h) Work provision compliance 	No

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.13 Notice of Adverse Action	Determine the number of adverse action notices sent out in the State for the last two Fiscal Years, the number of these that were successfully appealed, and the resulting number of adverse actions that actually were implemented.	No
§273.14 Recertification	Determine the following for the current months' (or select a consistent sample month for all State contracted reviews) SNAP caseload (participating Households): a) How often the entire caseload of Households are recertified; b) How many recertifications involve face-to face interviews; c) How many recertifications require a household's authorized signature; and d) How many include re-verification of eligibility information. For example, 50 percent are recertified every six months and 50 percent are recertified every 12 months.	No
§273.14 Recertification	Also, determine if the State has procedures to ensure that: a) An adequate Notice of Expiration has been developed by the State; and b) Applicant eligibility information is maintained by the authorizing SNAP office.	No
§273.16 Disqualification for Intentional Program Violation	For the Scope period, determine the following: a) The number of Intentional Program Violations (IPV) identified by the State for the last three FYs; b) The number of IPVs reported to FNS by the State; c) The number of IPVs the State has classified as inadvertent household errors using the regulation passage cited in the criteria below; and d) Whether all IPV cases reported to FNS were entered onto the disqualified recipient database in accordance with procedures specified by FNS.	Exception noted, reference finding #3

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.18 Claims Against Households	Identify for the Scope period: <ul style="list-style-type: none"> a) The number of claims against Households broken down by IPV, IHE, and AE, and if they were all reported to FNS accurately and for the correct period; b) Whether all types of errors can result in claims against Households; c) The dollar value of claims established against Households; d) The dollar value of claims actually recovered, whether recovered in part or in full; e) A breakdown of the amounts recovered by recovery method (reduction in benefits, cash, Treasury offset, etc.); f) The number and dollar value of claims against Households written off by the State; and g) A breakdown of the claims written off by the justification for the write-offs. 	No
§273.18 Claims Against Households	Also, determine if the State has documented Claims Against Households policy and procedures, the date of the last update or current date of those policy/procedures, and whether those policies and procedures were: <ul style="list-style-type: none"> a) Approved by FNS; and b) Timely and consistently disseminated to all of the State's local (Welfare) offices 	No
§273.20 SSI Cash-Out	For the State of California, determine the following: <ul style="list-style-type: none"> a) If the State has policy and procedures to ensure that those who receive CA SSI benefits do not also receive SNAP benefits in CA for the same period; b) If the State has policy and procedures to ensure that those that receive CA SSI benefits do not also receive SNAP benefits in other States for the same period; and c) The number and dollar value of recipients on (a) the SNAP program and (b) the CA SSI program 	N/A for the State of New Mexico

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.21 Monthly Reporting and Retrospective Budgeting (MRRB)	For the Scope period, determine the following: <ul style="list-style-type: none"> a) How much of the State's SNAP caseload (both in number of Households and SNAP dollars) are on the one or two-month MRRB reporting system; b) If the State has accurate policies and procedures for the inclusion and exclusion of SNAP recipients from the MRRB process; and c) If the State no longer uses MRRB, have they received an official written waiver from the FNS Administrator to no longer use it 	N/A for the State of New Mexico
§273.23 Simplified Application and Standardized Benefit Projects	For the Scope period, determine the following: <ul style="list-style-type: none"> a) How many (Households and SNAP dollar value) SNAP recipient are on the Simplified Application and Standardized Benefit Project program versus the State's entire SNAP Household caseload; b) If FNS has approved the State's Official Work Plan for this Program; c) If the Work Plan accurately defines "Project-eligible households" and "Determining Food Stamp Program eligibility" in accordance with the regulations; and d) If the State monitored compliance with the Official Work Plan approved by FNS 	N/A for the State of New Mexico
§273.24 Time Limit for Able-Bodied Adults	For the Scope period, determine the following: <ul style="list-style-type: none"> a) If the State has an FNS approved Workfare Program. If not, does the State have a waiver from FNS or is there other authorizing statute or regulation that eliminates the need for a State Workfare Program? b) If the Workfare Program State Plan has a definition of SNAP "Able-bodied adults." c) If the State has information which identifies all able-bodied adults in its entire SNAP caseload. If so, obtain the number of able-bodied adults and their relative SNAP benefits authorized versus the entire SNAP Household caseload and SNAP benefits authorized Statewide. d) The number of Households and related SNAP benefit dollars of those Households that actively participate in any (a) a State approved work related employment and training program or (b) that actually work versus the entire SNAP caseload of Households and SNAP benefit dollars. e) If the State can identify in its entire SNAP 	No

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
	<p>Household caseload how many Households have been receiving SNAP for three years or less and for more than three years. Obtain from the State an "aging" profile of their entire SNAP caseload, broken down by how many months (on average or actual by each Household) Households have (continually) received SNAP benefits.</p> <p>f) If SNAP (average or actual) duration of participation in SNAP is not maintained or summarized or available from the State, what information the State provides to FNS so that FNS may publicize the "average" participation time of SNAP Households (as in Performance Reports and Hearings). If SNAP (average or actual) duration of participation in SNAP is not maintained or summarized or available from the State, for a current month to be selected, perform an aging analysis on the month's total SNAP caseload. If that information is too unwieldy or excessive for a reasonable time for summarization, obtain the electronic information necessary from the State to be able to perform that analysis.</p>	
§273.25 Simplified Food Stamp Program (SFSP)	Determine if the State has an FNS approved SFSP Plan and the date it was approved.	N/A for the State of New Mexico
273.25 Simplified Food Stamp Program (SFSP)	The State provided an opportunity for public input on the proposed SFSP plans (with special attention to changes in benefit amounts that are necessary in order to ensure that the overall proposal not increase Federal costs) through a public comment period, public hearings, or meetings with groups representing participants' interests. Final FNS approval will be given after the State informs the Department about the comments received from the public.	N/A for the State of New Mexico
273.25 Simplified Food Stamp Program (SFSP)	Also, determine for the Scope period the number of SNAP Households and their related SNAP benefit dollars that are on the SFSP as compared to the State's entire SNAP Household caseload.	N/A for the State of New Mexico

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.1 Household Concept	Determine if each member of the SNAP household is an eligible household member as defined by 7 CFR 273.1.	No
§273.2 Office Operations and Applications Processing	Was the application or re-certification processed in accordance with the State's documented operating procedures?	Exception noted reference finding #4
§273.2 Office Operations and Applications Processing	Did the household fail to cooperate during the eligibility determination process or with the State's QC review process? If so, was the household refused benefits?	No
§273.3 Residency	Determine if the recipient's residency was evaluated and that the case was certified based upon appropriate residency documentation.	No
§273.5 Students	Determine if the State agency appropriately identified the student status of the household members in accordance with 7 CFR 273.5.	Exception noted reference finding #5
§273.6 Social Security Numbers	Determine if the SNAP household provided social security numbers in accordance with 7 CFR 273.6.	Exception noted reference ending #6
§273.7 Work Provisions	Was the determination on whether the household was required to participate or exempt from work requirements appropriate as defined in 7 CFR 273.7? Ensure that the verification used to make this determination was appropriate.	Exception noted reference finding #7
§273.8 Resource Eligibility Standards	Was the household required to meet resource eligibility standards? If not, document the reason.	No
§273.8 Resource Eligibility Standards	If the household is required to meet resource eligibility standards, determine if the State agency appropriately verified the household's resources in accordance with 7 CFR 273.8.	No
§273.9 Income and Deductions	Determine if the State agency appropriately determined and verified the household's gross income in accordance with 7 CFR 273.9.	No
§273.10 Determining Household Eligibility and Benefit Levels	Was the household eligibility and benefit level determinations made with documentation verified by a third party? If not, describe the circumstances that caused the State agency to determine eligibility and benefit level through self-certification. Also, was the household's eligibility and benefit level determination affected by Low Income Energy Assistance Act subsidies received by the household?	No
§273.11 Action on Households with Special Circumstances	Does the household contain one or more members who are disqualified from SNAP?	No

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions found as a result of applying the procedure?
§273.12 Requirements for Change Reporting Households	If a change occurred that was required to be reported by the household, document if the household reported the change and the State agency handled it appropriately in accordance with the regulations.	Exception noted reference finding #8
§273.14 Recertification	For the Scope period, document the number of times the household was recertified, whether a face-to-face interview was conducted, whether the State agency required the household's authorized signature, and whether the household's eligibility information was maintained and re-verified in accordance with 7 CFR 273.14.	No
§273.16 Disqualification for Intentional Program Violation.	Was any member of the household disqualified through an Intentional Program Violation (IPV)? If so, how many?	No
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV reported to FNS?	No
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV classified as an inadvertent household error?	No
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV entered onto the disqualified recipient database in accordance with procedures specified by FNS?	No
§273.18 Claims Against Households	Has a claim ever been established against this household? If so, what was the reason for the claim and its dollar value? Was it recovered? If so, how was it recovered? If not, why not? If it was ultimately written off, what was the justification for the write-off?	No
§273.24 Time Limit for Able-Bodied Adults	Are there any able-bodied adults as defined in 7 CFR 273.24 contained in the household? If so, how many? (All adults are considered able-bodied unless they meet the exceptions described in CFR 273.24 (c).)	No
§273.24 Time Limit for Able-Bodied Adults	Was the household treated appropriately with respect to the requirements placed on able-bodied adults, as described in 7 CFR 273.24?	No

Appendix B: Summary of Monetary Results

This exhibit lists findings and recommendations that had a monetary result, and includes the type and amount of the monetary result.

Finding	Recommendation	Description	Amount	Code/Category
1	2	HSD did not verify student exemption or determine student enrollment	\$2,194	Questioned Costs, Potential Recovery
4	11	HSD did not deny benefits for two households failing to provide verification	\$6,721	Questioned Costs, Potential Recovery
5	13	HSD did not verify student exemption or determine student enrollment for one student	\$163	Questioned Costs, Potential Recovery
7	16	HSD did not fulfill its responsibilities under work provisions for two cases	\$2,900	Questioned Costs, Potential Recovery
Total Monetary Results			\$11,978	

Appendix C: FNS Response to AUP Report

**USDA'S
FNS
RESPONSE TO AUP REPORT**



**United States
Department of
Agriculture**

Food and
Nutrition
Service

3101 Park
Center Drive
Room 712

Alexandria, VA
22302-1500

DATE: September 15, 2016

AUDIT
NUMBER: 27601-0003-10

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: /s/ <Telora T. Dean> (for): Audrey Rowe
Administrator
Food and Nutrition Service

SUBJECT: New Mexico's Compliance with SNAP Certification of Eligible
Households

This letter responds to the official draft report for audit number 27601-0003-10, New Mexico's Compliance with Supplemental Nutrition Assistance Program (SNAP) Certification of Eligible Households. Specifically, the Food and Nutrition Service (FNS) is responding to the eighteen recommendations in the report.

OIG Recommendation 1:

FNS implement actions and/or provide guidance to assist the State agency comply with 7 CFR 273 regulations.

FNS Response:

FNS concurs and is currently conducting on-site bi-weekly technical assistance visits and conference calls on alternate weeks. As part of FNS' technical assistance, FNS expert policy staff are reviewing training and proposed certification procedures and are advising State officials on policy to ensure the State is effectively implementing SNAP in accordance with Federal program requirements. Current program deficiencies have been identified and communicated to the State agency through a compliance letter (May 27, 2016) and an Advance Warning letter (July 28, 2016).

Estimated Completion Date:

Per the Advance Warning letter, the State agency is to come into compliance with federal regulations by October 31, 2016.

OIG Recommendation 2:

Require New Mexico HSD verify enrollment and/or exemption, as applicable, for the four student cases identified, and if it is determined the students were ineligible, require HSD to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and HSD provided the following responses for three of the four identified student cases.

- Case XXXXX0111 HSD states that on 6/25/14 student status was updated to not enrolled and was approved for six months, as the letter provided indicates the customer was not enrolled in a higher education program.
- Case XXXXX3274 HSD states that verification of student status received.
- Case XXXXX6604 HSD states that verification of student status has been requested, case is closed.

However, per HSD, while HSD has requested verification of student status for the following case, the case is in an indefinitely pending status which is not in compliance with Federal regulations. As indicated in FNS' response to Recommendation 1, HSD is currently under an advance warning letter which will require HSD to appropriately address each of the indefinitely pending cases.

- Case XXXXX1211 HSD states that verification of student status has been requested, case is pending.

Estimated Completion Date:

Per the Advance Warning letter, HSD is to come into compliance with federal regulations by October 31, 2016.

OIG Recommendation 3:

New Mexico HSD establish a process in its eligibility system to ensure student enrollment and qualification of exemption are determined no later than 30 days from the date of application and prior to issuance of benefits.

FNS Response:

FNS concurs and is currently working with HSD regarding processing applications within federal regulations as outlined in FNS' response to Recommendation 1.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 4:

Require New Mexico develop a process to ensure delivery of Form *FSP 420 Verification of Financial Aid and Budget Verification for Students* when student information is entered in ASPEN.

FNS Response:

FNS concurs. Currently, HSD is issuing the FSP 420 manually. Anytime a customer has not provided proof of their financial aid, HSD would hand deliver or mail the FSP 420 to help the customer verify. If the proof the customer provided is incomplete or if they indicated they attend school and don't qualify for any exemption, HSD would hand deliver or mail the FSP 420. A manual form is sent each time the customer indicates that they are a student and if student and eligibility is questioned, pursuant to 7 CFR 273.5.

HSD is putting a change request (CR) in place to allow ASPEN to issue the notice automatically, but there are several other changes ahead of this particular CR. HSD expects the FSP 420 to be issued manually for several months before the change is made in ASPEN.

Estimated Completion Date:

August 31, 2017

OIG Recommendation 5:

Require HSD to review the four cases identified to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and will work with HSD to review the four identified cases. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 6:

New Mexico HSD establish a process in its eligibility system to ensure subsequent case workers verify SSNs or proof of application for an SSN at the next recertification or contact with the Field Office, and for newborns, at the next recertification or contact with the Field Office that occurs six months after the month of the child's birth.

FNS Response:

FNS concurs. HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 7:

HSD include language in the Help Us Make a Decision (HUMAD) notice that informs households of the time submission requirements for providing SSNs or proof of application for an SSN and consequences of failure or refusal to do so.

FNS Response:

FNS concurs. HSD is undergoing a notice improvement business process reengineering with Insight Policy Research (sub-contractor is the Southern Institute on Children and Families), provided by FNS, to provide expert technical assistance to the New Mexico Human Services Department (HSD) Income Support Division (ISD) in reviewing notices for compliance with Federal program requirements and providing suggestions for notice improvement.

Estimated Completion Date:

February 28, 2017

OIG Recommendation 8:

Require that New Mexico HSD provide guidance and/or training to case workers and new employees to ensure an understanding of the States responsibilities with regards to SSNs, including:

- Making a timely determination of good cause or failure to comply in accordance with 7 CFR §273.6.
- Explaining to applicants and participants that refusal or failure without good cause to provide an SSN will result in disqualification.

FNS Response:

FNS concurs. HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations. HSD will provide in-person training throughout the month of September and October 2016 in each of the five HSD regions. Training is required for all staff. This training is a requirement under FNS' Advance Warning letter.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 9:

The five cases identified above be reconciled with other State/Territory eDRS queries performed during the coverage gap period to identify disqualified individuals who may have attempted to receive benefits in another State/Territory.

FNS Response:

FNS concurs. HSD manually enters IPV data into eDRS and has assigned staff to this function. Management does random checks to ensure data is entered timely. For the five cases in question, HSD performed a PARIS match on all cases and also ran eDRS. If there was another state indicated via the matches HSD called the other state to verify if the customer has applied for benefits. HSD stated that they did find one case, in North Dakota, where the customer applied and is receiving benefits. HSD has contacted the IPV department there to address the issue.

Estimated Completion Date:

September 2, 2016

OIG Recommendation 10:

New Mexico HSD ensure the proper operation of the ASPEN/ eDRS interface to effectively communicate correct IPV data to eDRS in a timely manner.

FNS Response:

FNS concurs. HSD manually enters IPV data into eDRS and has assigned staff to this function. Management does random checks to ensure data is entered timely. In addition, HSD implemented a fix for the eDRS interface in ASPEN on June 26, 2016.

Estimated Completion Date:

June 26, 2016

OIG Recommendation 11:

Require New Mexico HSD review the two identified cases and verify income to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and will work with HSD to review the two identified cases. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 12:

New Mexico HSD establish a process in its eligibility system to ensure households that fail to verify income in accordance with 7 CFR 273 requirements are denied at initial application or terminated at interim reporting and discontinue receiving benefits.

FNS Response:

FNS concurs and is currently working with HSD to ensure compliance with 7 CFR 273 requirements. FNS has issued a compliance letter to HSD as well as an Advance Warning letter.

Estimated Completion Date:

Per the Advance Warning letter, HSD is to come into compliance with federal regulations by October 31, 2016.

OIG Recommendation 13:

Require New Mexico HSD review the identified case to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and will work with HSD to review the identified case. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 14:

Require HSD to review the case identified to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and will work with HSD to review the identified case. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 15:

Require that New Mexico HSD provide guidance and/or training to case workers and new employees to ensure an understanding of the States responsibilities with regards to SSNs, including:

- Making a timely determination of good cause or failure to comply in accordance with §273.6.
- Explaining to applicants and participants that refusal or failure without good cause to provide an SSN will result in disqualification.

FNS Response:

FNS concurs. HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations. HSD will provide in-person training throughout the month of September and October 2016 in each of the five HSD regions. Training is required for all staff. This training is a requirement under FNS' Advance Warning letter.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 16:

Require HSD review the two cases identified to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and will work with HSD to review the two identified cases. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 17:

Require that New Mexico HSD provide guidance and/or training to HSD workers and new employees, to ensure that a notice of adverse action is issued in a timely manner to mandatory work participants that fail to complete the work registration form.

FNS Response:

FNS concurs HSD is currently in the process of developing training to address application and recertification processing to include eligibility requirements per federal regulations. HSD will provide in-person training throughout the month of September and October 2016 in each of the five HSD regions. Training is required for all staff. This training is a requirement under FNS' Advance Warning letter.

Estimated Completion Date:

October 31, 2016

OIG Recommendation 18:

Require HSD review the case identified to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs and will work with HSD to review the identified case. Based on that review, if it is determined that an improper payment occurred a claim will be established.

Estimated Completion Date:

October 31, 2016

To learn more about OIG, visit our website at
www.usda.gov/oig/index.htm

How To Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse

File complaint online: <http://www.usda.gov/oig/hotline.htm>
Click on Submit a Complaint

Telephone: 800-424-9121
Fax: 202-690-2474

Bribes or Gratuities
202-720-7257 (24 hours a day)



The U.S. Department of Agriculture (USDA) prohibits discrimination in all of its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex (including gender identity and expression), marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW., Stop 9410, Washington, D.C. 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.