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AUDIT
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TO: Jessica Shahin
Acting 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: Compilation Report of States' Compliance with SNAP Certification of Eligible
Households Requirements (7 CFR, Part 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 agreed-upon procedures (AUP) engagements to assess selected aspects of Kentucky, New Hampshire, New Mexico, Michigan, and Missouri's compliance with the Supplemental Nutrition Assistance Program (SNAP) Certification of Eligible Households requirements (7 CFR, Part 273). The five State AUP engagements were conducted in accordance with U.S. generally accepted government auditing standards (GAGAS). Individual reports were issued pursuant to each State review.

The objective of this consolidated report is to summarize TFC's findings and recommendations from the AUP engagements performed by TFC at the five States. In addition, TFC's consolidated report made additional recommendations to the Food and Nutrition Service (FNS) to enhance SNAP efficiency and effectiveness related to 7 CFR, Part 273. It should be noted that TFC's consolidated report is not intended to be a GAGAS report; and there were no additional review procedures performed by TFC, beyond the agreed-upon procedures performed at the five States. 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 the five selected State's overall compliance with 7 CFR, Part 273.

TFC's consolidated report noted that three or more of the five States had common noncompliances with SNAP regulations related to Students, Social Security Numbers, Disqualification for Intentional Program Violation, Office Operations and Application Processing, and Work Provisions. To ensure States participating in SNAP effectively implement requirements under 7 CFR 273, TFC recommended FNS provide additional guidance, technical assistance, and tools to States. Specifically, TFC recommended that FNS issue clarification memoranda for those shared areas of noncompliance, develop a process to notify eDRS staff when a State fails to report Intentional Program Violations (IPVs), and require States to perform periodic reconciliations of all IPVs. FNS concurred with TFC's recommendations and OIG accepted management decision on the consolidated report's five 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 appreciate the courtesies and cooperation extended to TFC and 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.

**Consolidated Report on Applying Agreed-upon Procedures
for the USDA Office of the Inspector General**

to Assess State Compliance with

7 CFR Part 273 - Certification of Eligible Households

Final



Missouri



State Fruit

New
Hampshire

State
Vegetable



New Mexico



State
Vegetable

Michigan

State Fish



Kentucky



State Fruit



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January 5, 2017

1 Executive Summary

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 five State's compliance with the Supplemental Nutrition Assistance Program (SNAP) regulations. The OIG selected the States to be assessed 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 regions were represented in the assessment). The assessment focused exclusively on compliance with selected aspects of *Title 7 Code of Federal Regulations (CFR) Part 273, Certification of Eligible Households*. Individual reports were issued pursuant to each State review (see table A.1). This consolidated report presents a summary of the results from the five State reviews.

Table A.1: Summary of Individual State Reports

State	Report Number	Report Date
New Hampshire (NH)	27601-0001-10	07/26/2016
Missouri (MO)	27601-0006-10	09/13/2016
New Mexico (NM)	27601-0003-10	09/27/2016
Michigan (MI)	27601-0004-10	10/25/2016
Kentucky (KY)	27601-0005-10	01/09/2017

For each of the five States, 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 from each State and performance of specified procedures to test compliance with *7 CFR Part 273*. The Part 1 and Part 2 specified procedures that were performed at the five States are provided in Appendix A and B 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 consolidated report or the five State reports had been requested or for any other purpose, nor do we provide an overall opinion on the State'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 the five State reviews was October 1, 2014 through September 30, 2015 (Federal Fiscal Year 2015 (FY15)).

This consolidated report presents a summary of the findings and recommendations from the five State reports. We note in preparing this consolidated report that there were no additional review procedures performed by us, beyond the agreed-upon procedures performed at the five States.

A summary of our performance of Part 1 of the agreed-upon procedures disclosed four findings across the five States as follows:

1. *7 CFR 273.5 Students*^{1, 2} - We identified three States with instances of non-compliance, as follows;
 - a. The Missouri (MO) Family Support Division (FSD) determined an ineligible student to be eligible - From a non-statistical sample of 15 students drawn from a population of 9,052 students who were SNAP recipients, we identified 1 case of non-compliance. Specifically, MO FSD incorrectly classified an individual as an eligible student when the individual was not enrolled in an institution of higher education and did not meet exemption requirements..
 - b. The New Hampshire (NH) Department of Health and Human Services (DHHS) denied benefits to an eligible student – We identified 1 instance in a non-statistical sample of 10 drawn from a population of 1,575 students, where a student met eligibility requirements but was denied benefits.
 - c. The New Mexico (NM) Human Services Department (HSD) did not verify student exemption or determine student enrollment - From a non-statistical sample of 15 students drawn from a population of 16,734, students who were also recipients, we identified 4 cases of non-compliance where the New Mexico HSD did not verify student exemption or determine student enrollment resulting in potential improper payments (overpayments) of \$2,194.
2. *7 CFR 273.6 Social Security Numbers (SSNs)*^{3, 4} - We identified four States with instances of non-compliance, as follows;
 - a. The Michigan (MI) Department of Health and Human Services (DHHS) disqualified two newborns prior to 6 months after birth or the next recertification - From a non-statistical sample of 15 case files drawn from a population of 1,552 SNAP recipients without SSNs, we identified 2 cases where MI DHHS prematurely disqualified newborns and denied the household benefits. These cases resulted in potential improper payments (underpayments) of \$410.

¹ *7 Code of Federal Regulations (CFR) §273.5* allows for 11 different exemption types (e.g., physically or mentally unfit, employed for 20 hours per week, responsible for a dependent under six, etc.)

² *7 CFR §273.5 Students, (a)*, 2016

³ *7 CFR §273.6 Social Security Numbers, (b)(4)*, 2016

⁴ *7 CFR §273.6 Social Security Numbers, (b)(1)*, 2016

- b. The MO FSD did not record or verify an SSN when provided - In a non-statistical sample of 15 case files drawn from a population of 6,155 recipients without SSNs entered in the benefits management system, we identified 2 cases where individuals provided an SSN but it was not recorded in the benefits management system or verified with SSA.
 - c. NH DHHS did not record SSNs, determine good cause, or disqualify recipients for not providing an SSN - In a non-statistical sample of 30 case files drawn from a population of 3,205 recipients without SSNs we identified 30 exceptions. There were 9 instances where an SSN was provided but not recorded in the benefits management system, and 21 instances where an SSN was not on file. For the latter, there was no evidence of good cause for not providing an SSN, and the 21 recipients continued to receive benefits. At the time of our fieldwork, the State was undertaking corrective action to mitigate the condition of missing SSNs and, subsequent to our fieldwork, has stated that corrective actions have been completed.
 - d. NM HSD did not determine good cause and/or disqualify recipients for not providing an SSN - In a non-statistical sample of 15 case files drawn from a population of 9,731 recipients without SSNs entered in the benefits management system, we identified 4 cases (two children and two newborns) where an SSN had not been recorded in the benefits management system, and there was no evidence of good cause for not providing an SSN. The four recipients continued to receive benefits.
3. *7 CFR 273.14 Recertification*⁵ - We identified one State with an instance of non-compliance, as follows;
- a. NH DHHS did not provide adequate notice of expiration – In a non-statistical sample of three cases, we identified three cases where NH DHHS did not consistently include the date the certification period expires in its Notice of Expiration (NOE). As a result, households receiving the NOE were not properly notified of the date the certification period expires and may have experienced an interruption of benefits for not applying for recertification timely.
4. *7 CFR 273.16 Disqualification for Intentional Program Violations (IPVs)* - We identified four States with instances of non-compliance, as follows;
- a. The Kentucky (KY) Division of Family Support (DFS) did not report IPVs to FNS timely - In a non-statistical sample of 15 IPVs, we identified 7 that were not recorded in the eDRS system timely.
 - b. MI DHHS did not report an IPV to FNS timely - In a non-statistical sample of 15 IPVs, we identified 1 individual who was not reported in the eDRS system timely.

⁵ 7 CFR §273.6 Social Security Numbers, (b)(1)(ii)(A), 2016

- c. MO FSD did not report IPV to FNS timely - In a non-statistical sample of 15 IPV, we identified 3 individuals who were not reported in the eDRS system timely.
- d. NM HSD did not report IPV to the Food and Nutrition Service (FNS) timely - In a non-statistical sample of 39 IPV, we identified 5 individuals who were not reported in the eDRS system timely.

When disqualifications are not entered into eDRS timely, other States or Territories that rely on the system to check for IPV may have been prevented from checking eDRS for these individuals.

A summary of our performance of Part 2 of the agreed-upon procedures, the testing of 500 randomly selected active cases (100 samples selected from each of the five States) disclosed seven findings as follows:

- 5. *7 CFR 273.2 Office operations and application processing*^{6,7,8} - We identified four States with instances of non-compliance, as follows;
 - a. KY DFS did not maintain required documentation in one case file and verify income for another case prior to certification - In our review of active cases, we identified one case in which required documentation, the SNAP Application (Form KIF-101), was missing, and one case where KY DFS did not verify whether an applicant had no income prior to certification which may have resulted in potential improper payments (overpayments).
 - b. MI DHHS did not maintain required documentation in five case files and verify income for one of those five cases prior to certification - In our review of active cases, we identified five cases where required documentation was missing. As of July 6, 2016, the date of our State agency close-out meeting, MI DHHS was unable to provide the requested documentation in either hard copy or digital form.

We also identified one case where MI DHHS did not verify income prior to certification which may have resulted in potential improper payments.

- c. MO FSD did not maintain recipient ID in the case file - In our review of active cases, we identified one case where there was no identification documentation in the case file and the documentation was not provided in electronic or hard copy form as of the last date of our on-site fieldwork.
- d. NM HSD did not deny benefits for two households that failed to provide verification - In our review of active cases, we identified two cases where

⁶ 7 CFR §273.2 Office Operations and Application Processing, (f)(1)(i), 2016

⁷ 7 CFR §273.2 Office operations and application processing, (f)(1)(vii), 2016

⁸ 7 CFR §273.2 Office Operations and Application Processing, (f)(6), 2016

households received benefits without providing required verification. The amount of the potential improper payments (overpayments) was \$6,721.

6. *7 CFR 273.5 Students* - We identified two States with instances of non-compliance, as follows;
 - a. MO FSD did not verify student exemption for one student - We identified one case where MO FSD did not verify the student qualified for an exemption requirement. As a result, the household received benefits on behalf of a member that may not have been eligible and may have received potential improper payments (overpayments).
 - b. NM HSD did not verify student exemption or determine enrollment for one student - We identified one instance where NM HSD did not verify the student qualified for an exemption requirement, and determine student enrollment in an institution of higher education. This case resulted in a potential improper payment (overpayment) of \$163.
7. *7 CFR 273.6 Social Security Numbers* - We identified one State with an instance of non-compliance, as follows;
 - a. NM HSD did not determine good cause or disqualify a case for not providing an SSN - In our review of active cases, we identified one case where an SSN had not been recorded in the benefits management system, 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.
8. *7 CFR 273.7 Work Provisions* ^{9, 10, 11, 12, 13, 14} - We identified five States with instances of non-compliance, as follows;
 - a. KY DFS did not comply with work registration requirements for one household member - We identified one case where a household member was not registered for work and may have potentially received improper payments.
 - b. MI DHHS did not comply with work provisions for one case - We identified one case where the recipient indicated they had been “laid off” from their job, and the job end date was recorded in the electronic case file, but there was no evidence

⁹ 7 CFR §273.7 Work Provisions, (a)(1), 2016

¹⁰ 7 CFR §273.7 Work Provisions, (c)(1), 2016

¹¹ 7 CFR §273.7 Work Provisions, (b)(viii)(2)(ii), 2016

¹² 7 CFR §273.7 Work Provisions, (c)(3), 2016

¹³ 7 CFR §273.7 Work Provisions, (j)(3)(i), 2016

¹⁴ 7 CFR §273.7 Work Provisions, (j)(3)(vi), 2016

of verification of the reason for termination. Consequently, this may have resulted in potential improper payments (overpayments).

- c. MO FSD did not comply with work provisions for three cases - We identified two cases where recipients submitted applications that indicated they had “quit or been laid off” from their job within the last 60 days, and the job quit date was recorded in the benefits management system, but no evidence of verification was obtained to determine the reason for termination.

We identified one case that was recertified when there was a change of circumstance for one member of the household who was determined by the State agency to be eligible when they failed to register for employment or demonstrate exemption, in accordance with work provision requirements. As a result, the three cases may have resulted in potential improper payments (overpayments).

- d. NH DHHS Job abandonment and determination of eligibility - We identified one instance where a household member abandoned his/her job, and this was not properly recorded in the benefits management system and therefore an error in the determination of eligibility may have gone undetected.

- e. NM HSD did not fulfill its responsibilities under work provisions for two cases - We identified two cases where NM HSD did not;

- i. Ensure eligible individuals registered for work.
- ii. Provide notice of adverse action for failure to comply.
- iii. Determine if there was good cause for failure to comply.
- iv. Determine the individual to be an ineligible household member.

The amount of potential improper payment (overpayment) was \$2,900.

- 9. *7 CFR 273.10 Determining household eligibility and benefit levels*¹⁵ - We identified two States with instances of non-compliance, as follows;

- a. KY DFS did not record an allowable deduction for one case - We identified one case where KY DFS was provided verification of property tax expense, but did not record it in the benefits management system. As a result, KY DFS may have made potential improper payments (underpayments).
- b. NH DHHS did not update shelter costs - We identified one instance where a recipient became unemployed and moved from a rented living space (\$700/month) to a homeless shelter (\$0/month). This change in shelter deduction was not entered into the benefits management system, thus causing the calculation of deductions to be in error, which may have led to an undetected error in the participant's benefit payments.

- 10. *7 CFR 273.12 Requirements for change reporting households* – We identified two States with instances of non-compliance, as follows;

¹⁵ 7 CFR §273.10 Determining household eligibility and benefit levels, (d), 2016

- a. MI DHHS did not comply with change reporting requirements for one case - We identified one case where there was no evidence the household submitted a required periodic report, but the household continued receiving benefits. MI DHHS sent the household notice 18 days after the household's participation should have been terminated. The case comments indicated the form was received the next day, however we did not find any evidence of the form in the electronic case file. Potential improper payments (overpayments) amount to \$1,273.
- b. NM HSD did not terminate a household for failing to file a periodic report - 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 household's 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 NM finding #5 above.

11. *7 CFR 273.14 Recertification*¹⁶ - We identified one State with instances of non-compliance, as follows;

- a. MI DHHS did not meet recertification requirements - We identified five cases where there was no evidence in the benefits management system that DHHS had conducted an interview for recertification in accordance with *7 CFR §273.14* requirements. The potential improper payments (overpayment) were \$9,777.

We identified two households that continued to receive SNAP benefits beyond the period of certification. The potential improper payments (overpayments) were \$1,467.

Individual findings by State and specific recommendations for each State's findings are presented in the five previously issued State reports (see Table A.1). As summarized above and discussed in greater detail in Section 4 of this consolidated report, many findings and recommendations were common across the five States reviewed. Findings and recommendations common to several States present an opportunity for FNS to consider improvements for other States and Territories that were not within the scope of our review, and in these instances, we provide FNS new recommendations. These new recommendations are discussed in greater detail in Section 4 of this report and summarized in table A.2 below.

Assessment fieldwork was performed at the State Agency headquarters or designated office locations during calendar year 2016 (CY16). Individual reports were issued pursuant to each FNS Regional Office and State agency's review (Table A.1). The five State AUP engagements were conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), but it should be noted that this consolidated report is not intended to be a GAGAS report. This consolidated report presents a summary of the results of the five State reviews. In preparing this consolidated report, there were no additional review procedures performed by TFC, beyond the agreed-upon procedures performed at the five States.

¹⁶ *7 CFR §273.14 Recertification, (b)(3), 2016*

Table A.2: New Consolidated Report Recommendations

Recommendation Number	CFR Reference	Description
1	273.5	Issue an updated policy clarification memorandum reiterating the importance of having processes and procedures in place to properly apply student eligibility rules in households containing students, with special emphasis on the requirements associated with proper student enrollment (7 CFR 273.5 (a)) and student exemption type (7 CFR 273.5 (b)).
2	273.6	Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.6 SSNs, specifically the requirements associated with newborns (7 CFR 273.6 (b)(4)), determining/documenting good cause (7 CFR 273.6 (d)), and when to disqualify an individual for not providing an SSN (7 CFR 273.6 (c)).
3	273.16	Require State agencies to; (1) perform periodic reconciliations of all IPV in their system with those in eDRS to ensure IPV files match and (2) include a process to notify eDRS staff when a State fails to report IPV in a reasonable amount of time.
4	273.2	Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.2, specifically the requirements associated with verification of income (7 CFR 273.2 (f)(1)(i)) and (f)(8)), and maintaining required documentation (7 CFR 273.2 (f)(6)).
5	273.7	Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.7 Work Provisions, specifically the requirements associated with verifying and documenting voluntary quit (7 CFR 273.7 (i) and(j)) and with work registration (7 CFR 273.7 (c)).

Please direct questions concerning this report to Tashu Trivedi, TFC Engagement Partner at ttrivedi@tfcci.net.

2 Background

The Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the Supplemental Nutrition Assistance Program (SNAP) providing nutrition assistance to some 44.28 million participants a month and paying benefits in excess of \$61 billion annually (FY16).¹⁷ 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.¹⁸ Regulatory authority for SNAP resides in the *Code of Federal Regulations (CFR), Title 7 CFR, Parts 271 through 283*. The focus of this consolidated report and the five agreed-upon procedures engagements was on *7 CFR, Part 273*, which addresses Certification of Eligible Households.

FNS oversees SNAP – 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.

To provide statistical context of the relative size of SNAP in each of the selected States, Table 1.1 below illustrates 2014 FNS SNAP along with Census data. Data is presented by State, including; estimate of total State population; average monthly households and individual participation; total SNAP benefits issued; percentage of participants within the State's population; and relative ranking of the States SNAP program out of 53 States and Territories in terms of benefits issued.

¹⁷ SNAP National View Summary, FY13 through FY16, FNS, November 10, 2016

¹⁸ SNAP was previously authorized by the *Food Stamp Act of 1964* and later amended by the *Food Stamp Act of 1977*

Table 1.1: 2015 Statistical Data (Published August 2016)

Statistical Information	Kentucky	Michigan	Missouri	New Hampshire	New Mexico
Total State Population ¹	4,425,092	9,922,576	6,083,672	1,330,608	2,085,109
Households Participating (Monthly) ²	368,596	824,971	398,622	51,478	205,540
Persons Participating (Monthly) ²	768,882	1,571,344	844,597	106,296	453,146
Total SNAP benefits Issued ²	\$1,112,381,122	\$2,369,233,695	\$1,258,535,557	\$132,497,777	\$685,206,629
Estimate of Percentage of Population Participating (monthly) ³	17.37%	15.83%	13.88%	7.98%	21.73%
2015 Ranking of Program Issuance ²	24	10	17	48	30

¹ U.S. Census Bureau Annual Estimates of Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2015

² SNAP State Activity Report Fiscal Year 2015, FNS SNAP Program Accountability and Administration Division, August 2016

³ Estimate of percentage of population participating (monthly) was calculated using the Census Bureau population estimate and the FNS SNAP estimate of persons participating (monthly).

2.1 A Time of Change

Over the last several years and extending through the end of fieldwork, change has been a common theme among the five State agencies reviewed. This section will examine some of these changes and the impact to State agencies and their front-line staff, including examples of findings where change was cited as a cause.

The State agencies that administer SNAP also administer other Federal and State social, health, and human services programs. With the implementation of the Affordable Care Act (ACA), new applications had to be processed by the same State agency personnel that administer these other programs. Program management at State agencies indicated they often experienced a backlog of SNAP applications due to the additional workload, which affected processing times for many processes and programs. States handled the backlog differently, including instituting application processing guidelines and overtime. Case workers and supervisors indicated they were under a great deal of pressure to clear the backlog of cases that resulted, and Missouri and Kentucky specifically cited this as a contributing factor in the loss of experienced front line staff.

In addition to the ACA, four of the five States experienced one or more of the following structural changes:

- Organizational realignment,
- Merger of State agencies,
- Implementation of a new benefits management system,
- Moving to a centralized benefits management workflow methodology, or
- Turnover of senior leadership.

These changes in many cases either precipitated or contributed to several of the findings identified in the individual State reports, some of which are discussed below.

Kentucky – The Kentucky Division of Family Support (KY DFS) experienced some of the greatest organizational changes in recent years. These changes included;

- Organizational structure and work flow methodology – the State agency moved from nine operating regions to four. Along with this structural consolidation, was a change in work assignments for front-line workers. Previously, case workers had maintained pre-assigned cases from initial application to recertification and often their cases were households from their local geographic area. The case-load workflow transitioned to a functional design process where designated call service offices handled new or existing cases from all over the State and the assignment and routing of cases was automated.
- Turnover in senior leadership – Between late 2015 and summer of 2016, the KY DFS Director left office followed shortly thereafter by the Acting Director and that position has only recently been filled.
- New comprehensive benefits management system – KY DFS planned to migrate from the legacy KAMES (Kentucky Automated Management Eligibility System) benefits management system to the new Worker Portal system on January 1, 2016, but the migration was postponed with little notice to February 29, 2016. This delay caused timing issues that triggered downstream processing and reporting issues that were still being sorted out as of the last day of our fieldwork. For example, the postponement forced the State agency to activate a legacy Employment & Training (E&T) system instead of using the new system. The legacy system didn't interface with the new system

and so January and February case worker entries for E&T participation didn't transfer to the Worker Portal system.

- New processes for reporting IPVs – In June 2015, DFS transitioned from batch processing and IPV reporting to a web based real-time process. The initial State-agency developed web service was used from late June 2015 through February 2016. In February 2016, a contractor-developed reporting system was implemented as part of the new Worker Portal eligibility system. Issues associated with the change in IPV reporting were cited as a cause for finding #4.
- Additionally, the increased workload that resulted from the ACA was cited as a contributing factor for finding #5 where excessive workload was accompanied by loss of experienced front line staff and poor morale.

Michigan - Before becoming what is now the State's largest department, with more than 15,000 employees and an annual budget in excess of \$24 billion, the Michigan Department of Health and Human Services (MI DHHS) was two comparatively large State Departments; the Department of Community Health and the Department of Human Services. Both departments focused on serving the needs of the State's most vulnerable residents.

In the January 2015 State of the State address, the Governor spoke about combining the two departments and by February the Governor had merged the two departments by executive order. A transformation team was brought in after the merger to evaluate processes and workflows and determine process improvements to streamline operations. Many, if not all, offices and operations were impacted as workflows changed and staffing resources were reduced. It was in the middle of the scope period of our review that this merger took place. We note, however, that while this significant organizational change may have contributed to our reported findings, it was not explicitly identified as the cause during our root-cause analysis.

Missouri - Since late 2013, the Missouri Family Support Division (MO FSD) has been undergoing a comprehensive transformation/reorganization. Significant features of this reorganization include:

- Upgrading technologies,
- Converting paper based systems to electronic,
- Modernizing case processing workflows,
- Changing approaches to customer service to provide greater access, and
- Changing roles and responsibilities for employees.¹⁹

Examples of findings that were cited because of the restructuring, include:

- The implementation of the new digital document imaging system was cited as the cause for finding #5, where documentation was misplaced during the imaging and relocation of physical records process, and as of the last date of fieldwork, the documentation could still not be located (the documentation was located subsequent to fieldwork).
- On January 9, 2015, the State agency implemented a new real-time, web-based eDRS reporting system. The old system was a batch reporting system. MO FSD cited this system implementation as the cause for finding #4.

¹⁹ PowerPoint slide presentation to the Budget Committee, House Appropriations Committee on Health, Mental Health, and Social Services, prepared by Missouri Department of Social Services, September 29, 2014

- Additionally, the ACA workload was cited by State program management as a contributing factor for findings #1 and #8 where required processing steps and verification were not performed due to MO FSD's effort to clear the backlog of applications.

New Mexico – The New Mexico Human Services Department (HSD) began a phased roll-out of ASPEN (Automated System Program and Eligibility Network), the State agency's comprehensive benefits management system, beginning in July 2013, and completed implementation statewide by February 2014. The system represented a significant IT investment for the State with a project budget of \$118,760,732. HSD's benefits management system determines eligibility and issues benefits for SNAP, Medicaid, Temporary Assistance for Needy Families (TANF), and other programs.²⁰ The State OIG identified a failure in the ASPEN/eDRS interface which resulted in IPV's not being reported timely. The IPV's tested during our fieldwork were among those not reported timely (see finding #3).

Change provides an opportunity to improve operations and program performance, but as noted above, if not carefully managed it can result in deficiencies and instances of non-compliance.

3 Objective and Purpose

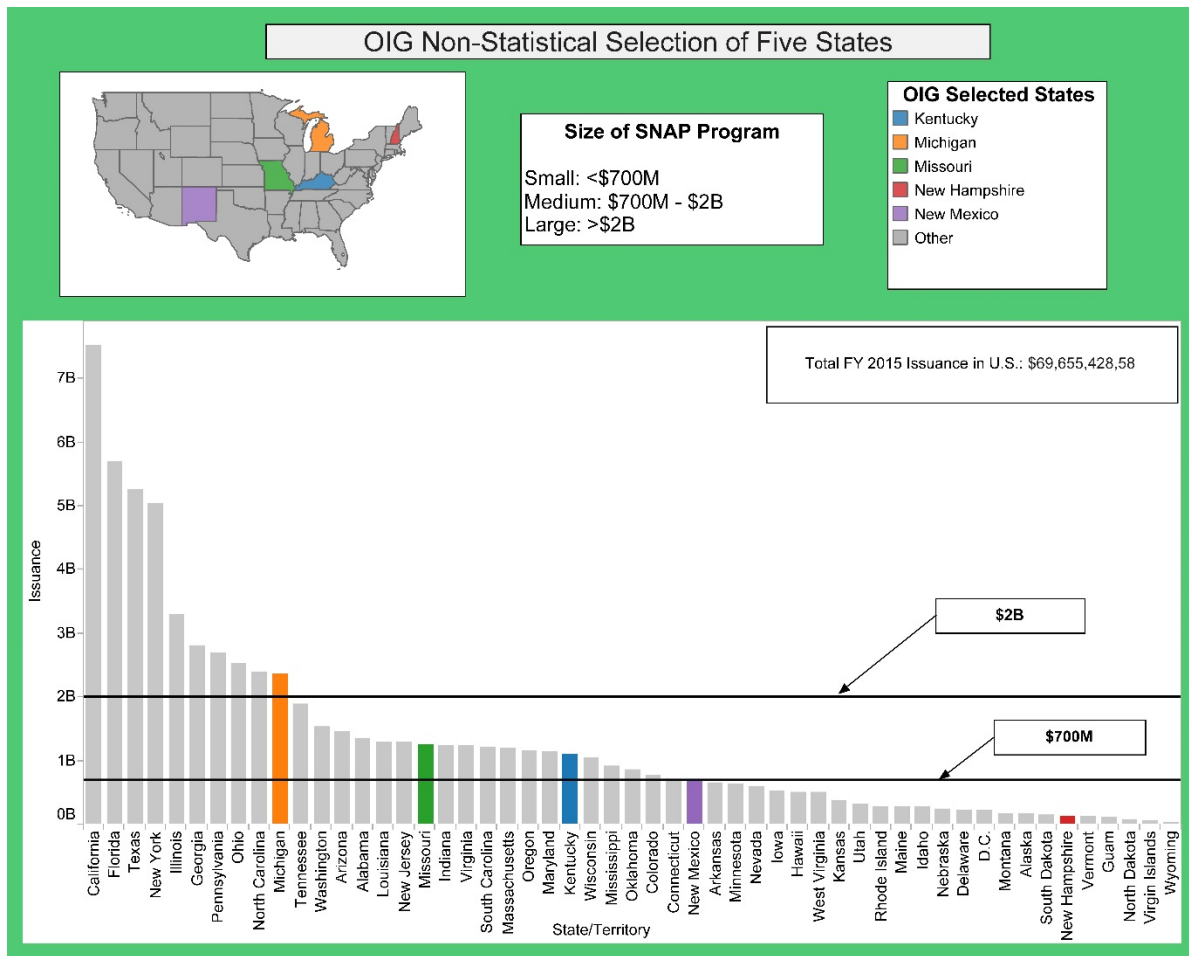
The objective of this consolidated report is to summarize the findings and recommendations from the agreed-upon procedures engagements performed by TFC at the five States. The objective of those agreed-upon procedures engagements was to assess selected aspects of the State's implementation of *Title 7 CFR, Part 273, Certification of Eligible Households*. The agreed-upon procedures were developed by the OIG to evaluate whether the five States were properly administering SNAP, determining eligible households, and monitoring the issuance and use of program benefits in accordance with *Title 7 CFR, Part 273*. Individual reports were issued pursuant to each State review (see table A.1). This consolidated report presents a summary of the results from the five State reviews.

4 Scope and Methodology

TFC was contracted by the OIG to assess selected aspects of each of five State's compliance with *Title 7 CFR Part 273, Certification of Eligible Households*. Each of the five States was non-statistically selected for testing by the OIG based on 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 table below illustrates the relative size of the State's SNAP programs and highlights OIG selected States. The reference lines provide the boundaries separating the small, medium, and large size programs, where OIG selected two, two, and one, respectively.

²⁰ ASPEN fact sheet, January, 2014

Exhibit 3.1¹



¹ SNAP State Activity Report Fiscal Year 2015, FNS SNAP Program Accountability and Administration Division, August 2016

The five State reviews were 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* (checklist 1), 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*. Areas subject to non-statistical testing included;
 - 7 CFR 273.5 – Students
 - 7 CFR 273.6 – Social Security Numbers
 - 7 CFR 273.16 – Disqualification for IPV
- Part 2, Checklist for Review of Active Cases (checklist 2), required a statistical random sample of 100 active case files and performance of specified procedures to test compliance with selected aspects of *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 review procedures specified in Part 1. The non-statistical sampling techniques varied and were determined based on the attributes of the population furnished by the State agency. TFC employed two methods of non-statistical sample selection;

Haphazard Sampling – This approach was used when the Project Manager (PM) had no conscious bias and decided to select a sample from across the entire population/universe.

Judgement Sampling – This approach was used when the PM decided to sample using professional judgement, previous experience, knowledge of the State agency or its operating environment, and the sample selected was not representative of the population as a whole. Under this approach, the universe or population was divided into subgroups based on attributes identified by the PM.

The Part 1 and Part 2 Checklists are provided in Appendix A and B 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 the five State reports or this consolidated report had been requested or for any other purposes, nor do we provide an overall opinion on any State'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 the five State reviews was October 1, 2014 through September 30, 2015 (Federal Fiscal Year 2015 (FY15)), although the period assessed varied for some tests performed. For example, if a potential improper payment was identified, the period would be extended to earlier and/or later than the scope period, as applicable, to more accurately calculate the amount of potential improper payment. In accordance with the agreed-upon procedures specified by the OIG, various testing methods and techniques were employed primarily 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.

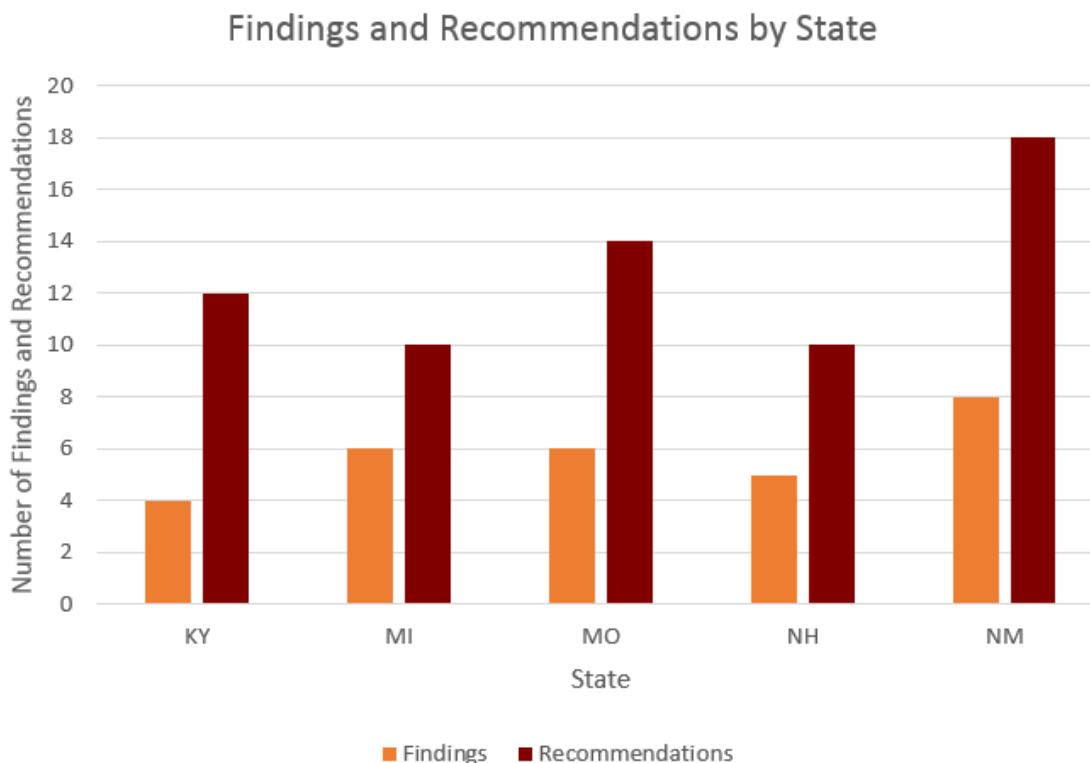
Assessment fieldwork was performed at the State Agency headquarters or designated office locations during calendar year 2016 (CY16). Individual reports were issued pursuant to each FNS Regional Office and State agency's review (Table A.1). The five State AUP engagements were conducted in accordance with GAGAS, but it should be noted that this consolidated report is not intended to be a GAGAS report. This consolidated report presents a summary of the results of the five State reviews. In preparing this consolidated report, there were no additional review procedures performed by TFC, beyond the agreed-upon procedures performed at the five States.

5 Findings and Recommendations

In this section, we examine the findings identified in each of the five States and provide analysis in the context of the checklist in which the finding was identified; checklist 1 and checklist 2, respectively.

Below please find exhibit 4.1 which provides a summary of total findings and recommendations by State.

Exhibit 4.1



Individual findings by State and specific recommendations to address each State's findings are presented in the five previously issued State reports (see Table A.1). As will be shown in this consolidated report, many findings and recommendations were common across the five States. Findings and recommendations common to several States present an opportunity for FNS to consider improvements for other States and Territories that were not within the scope of this review, and in these instances, we provide FNS new recommendations (also in this Section of the report).

5.1 Potential Improper Payments

Information regarding potential improper payments (overpayments and underpayments) is included in the findings sections. During our testing, information was not always available to determine if an actual improper payment existed or the exact amount of improper payment. For example, if the State agency determined a recipient to be eligible for SNAP benefits (e.g., due to the individual qualifying for a student exemption), but the information supporting that determination was not documented in the benefits management system or electronic case file

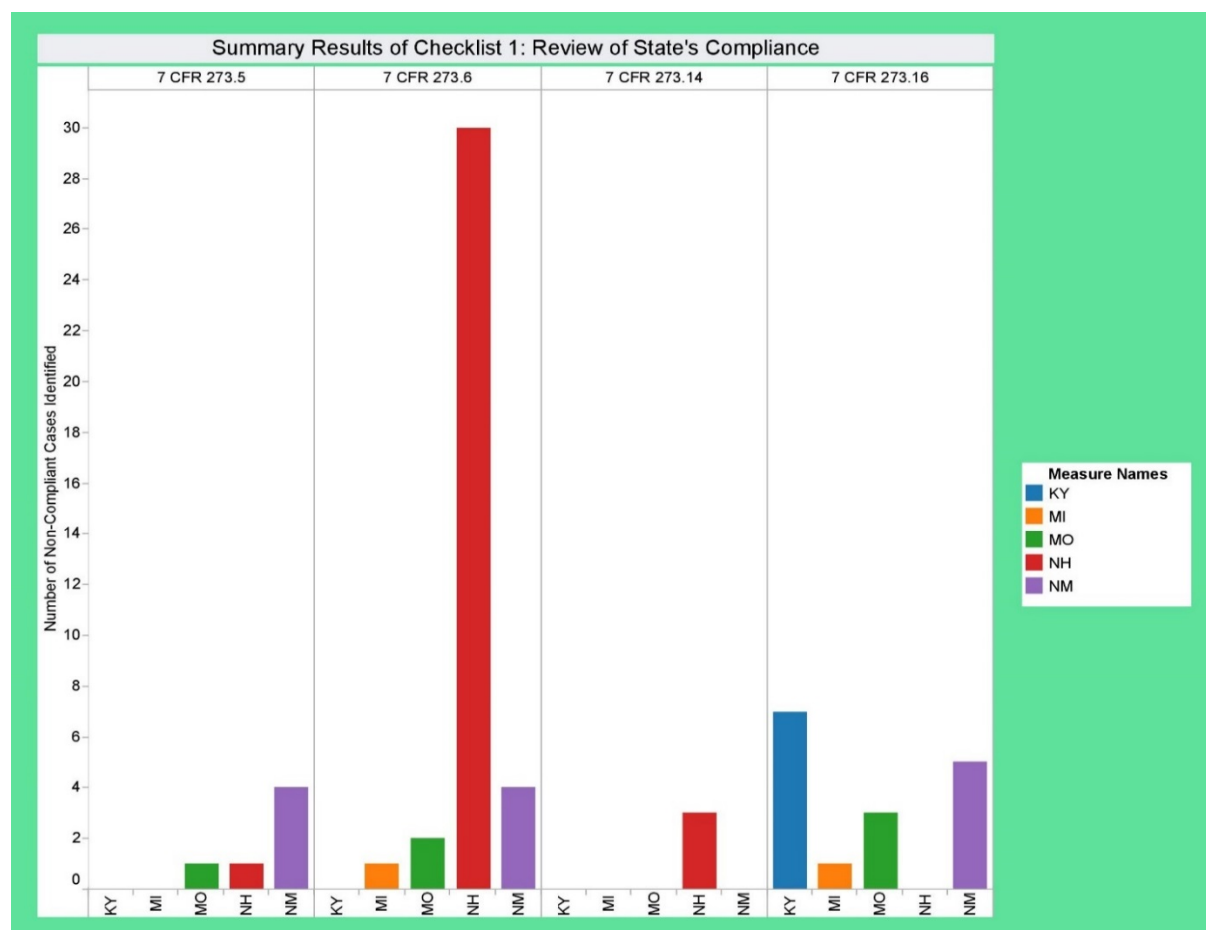
(e.g., caseworker misplaced the supporting documentation), we don't know whether that individual or household was eligible or not. We do know that benefits were paid and a potential improper payment exists. In cases where sufficient data was available to support the calculation of an exact amount of improper payment, that information is reported. In all cases where our findings indicated an improper payment may exist, recommendations were made to State agencies in the individual State reports to review the case and determine if there was an improper payment that warrants establishment of a claim. Appendix C provides a summary of all potential improper payments for which we could calculate the potential amount of improper payment.

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

This section provides the results of performance of checklist 1 agreed-upon procedures for the five States (see Appendix A for specific procedures performed and summary of results).

Exhibit 4.2 below provides a summary of checklist 1 findings by State and CFR subsection.

Exhibit 4.2



In our review of State compliance, we identified four findings in the performance of the agreed-upon procedures in Checklist 1. This section provides an analysis of the four findings and examines similarities of the findings and recommendations common across the States reviewed, if applicable. Where findings and recommendations were common to several States,

we provide FNS new recommendations for improvements to other States and Territories that were not within the scope of this review.

Finding 1 - 7 CFR 273.5 Students – States Identified: MO, NH, NM

In testing compliance with 7 CFR 273.5, we selected a non-statistical sample and identified three States with findings specific to students; Missouri, New Hampshire, and New Mexico.

Federal statute²¹ 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 SNAP unless the individual qualifies for one of the specified 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.²²

We identified three States with findings, as follows;

a) MO FSD determined an ineligible student to be eligible - From a non-statistical sample of 15 students, we identified 1 case of non-compliance;

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 9,052 students. We non-statistically selected a sample of 15 students to review.

As noted, we identified one case of non-compliance. Specifically, MO FSD incorrectly classified an individual as an eligible student when the individual was not enrolled in an institution of higher education and did not meet exemption requirements. We did not see evidence in the case file to indicate the individual would have been otherwise eligible.

There were a couple of factors that caused the non-compliance. First, the case comments cited “OT Review,” which program management explained was a period in 2015 when MO FSD was offering overtime to eligibility specialists to clear a large backlog of applications. The backlog was causing application processing delays, and eligibility workers were under significant pressure to clear the backlog as quickly as possible. Eligibility workers worked long hours and there was a significant turnover in line staff. Consequently, there may have been cases that did not receive the time and attention needed, to process the backlog timely. Additionally, the State agency was undergoing an organizational realignment and restructuring where the application processing and determination of eligibility went from a decentralized process to a more centralized one, as previously described. We determined that based on these factors the individual was incorrectly classified as a student.

As a result, the household received benefits on behalf of a member who was not an eligible student. Subsequent to our testing, the case was reviewed by FSD and the individual's student status was corrected. It was determined that there was no impact to the benefits received during this period and the case did not warrant establishment of a claim.

²¹ USC, Title 7, Chapter 51 § 2015 (e)

²² 7 CFR §273.5 Students, (a), 2016

b) NH DHHS denied benefits to an eligible student – We identified 1 instance where a student met eligibility requirements but was denied benefits.

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 1,575 students. From this report, we selected a non-statistical sample of 10 where a student met eligibility requirements but was denied benefits. Specifically, NH DHHS incorrectly classified an individual as an ineligible student for refusal to verify employment and hours worked, although that student provided documents evidencing that work exemption requirements²³ were satisfied and the student was eligible to receive SNAP benefits. The work exemption requires a student be employed for a minimum of 20 hours per week and receive weekly earnings, at least equal to the Federal minimum wage, for those 20 hours of employment, which was the case with this student.

In this case, the case worker believed that the paystubs provided by the student were illegible and entered a “refused/failed to verify” response in the payment information section of the benefit management system. There was no evidence in the case file that the case worker attempted to obtain a more legible copy of the paystub, and, based on our review of the paystubs, we determined that the paystubs were legible and provided reasonable documentary evidence to support the work exemption, and the case worker’s determination was in error.

Since the payment information was incorrectly entered in the benefits management system, the student was classified as ineligible, and was refused SNAP benefits.

c) NM HSD did not verify student exemption or determine student enrollment - From a non-statistical sample of 15 students, we identified 4 cases of non-compliance;

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 selected from the group of 110 students without an exemption type.

We identified four cases of non-compliance. Specifically, NM 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

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 Debra Hatten-Gonzalez (DHG) Federal court order as the reason for the three month “extension” (abbreviated certification and issuance) of benefits

²³ 7 CFR §273.5 Students, (b)(5), 2016

- 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.
- NM 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.

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

Consolidated Analysis and Recommendation

In each of the cases identified in the findings above, either the student exemption or proper enrollment was not documented in the benefits management system or the student's case file and the student was certified as eligible.

Exhibit 4.3 below provides a summary of cases by State and 7 CFR 273.5 subsection non-compliance.

Exhibit 4.3

State/Case Reference	Student Exemption	Proper Enrollment
MO - Case 1	Exception Noted	Exception Noted
NH - Case 1	Exception Noted	No Exception Noted
NM - Case 1	Exception Noted	No Exception Noted
NM - Case 2	Exception Noted	No Exception Noted
NM - Case 3	Exception Noted	Exception Noted
NM - Case 4	No Exception Noted	Exception Noted

State specific recommendations to address these findings are provided in the individual State reports. However, given the specific and recurring criteria in each of the three State's findings, we provide the additional recommendation to FNS.

FNS Recommendation 1
Issue an updated policy clarification memorandum reiterating the importance of having processes and procedures in place to properly apply student eligibility rules in households containing students, with special emphasis on the requirements associated with proper student enrollment (7 CFR 273.5 (a)) and student exemption type (7 CFR 273.5 (b)).

Agency Response

In its February 15, 2017, response FNS stated:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of having processes and procedures in place to properly apply student eligibility rules in households containing students, with special emphasis on the requirements associated with proper student enrollment (7 CFR 273.5 (a)) and student exemption type (7 CFR 273.5 (b)).

Estimated Completion Date: May 1, 2017

Finding 2 - 7 CFR 273.6 SSNs – States Identified: MI, MO, NH, NM

In testing compliance with 7 CFR 273.6, we selected a non-statistical sample and identified four States with findings; Michigan, Missouri, New Hampshire, and New Mexico.

Federal regulations 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. If the household is unable to provide proof of application for an SSN for a newborn, the household must provide the SSN or proof of application at its next recertification or within six months following the month the baby is born, whichever is later. Federal regulations also state if the household is unable to comply, the State agency shall determine if good cause applies.²⁴ 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.²⁵ Further, regulations require, for those individuals who provide SSNs prior to certification, recertification or at any office contact, the State agency shall record the SSN and verify it with the Social Security Administration (SSA).²⁶

We identified four States with findings, as follows;

a) MI DHHS disqualified two newborns prior to 6 months after birth or the next recertification - From a non-statistical sample of 15 individuals without SSNs who received benefits during the scope period, we identified 2 cases of non-compliance;

We requested from MI DHHS a list of individuals who received SNAP benefits during FY15 and did not have an SSN entered in the benefits management system. We received a file of 1,552 recipients and non-statistically selected a sample of 15 individuals for testing. Many of the recipients were newborns.

As noted, our testing disclosed two cases of non-compliance. Specifically, MI DHHS prematurely disqualified two newborns; one for not having an SSN or proof of application within six months of birth and the other prior to the next recertification. Both households were denied SNAP benefits for the newborns.

²⁴ 7 CFR §273.6, (b)(4), 2016

²⁵ 7 CFR §273.6, (c), 2016

²⁶ 7 CFR §273.6, (b)(1), 2016

This occurred when MI DHHS case workers observed that households had not provided an SSN, or proof of applying for an SSN, for a newborn and sent the household a verification checklist form (DHS 3503) to document recent changes to the household (e.g., the birth of a child). When the household did not return the verification checklist (Form DHS 3503) by the specified due date, the case workers disqualified the newborns in the benefits management system and denied the newborns SNAP benefits.

This resulted in potential improper payments (underpayments) of \$410.

b) MO FSD did not record or verify an SSN when provided - In our non-statistical sample of 15 cases, we identified 2 cases (neither were newborns) of non-compliance;

We requested from MO FSD a list of individuals who received SNAP benefits during FY15 and did not have an SSN entered in the benefits management system. We received a file of 6,155 recipients. Many of the recipients were newborns. TFC tested a non-statistical sample of 15 cases, and identified 2 cases (neither were newborns) where individuals provided MO FSD an SSN but the SSN was not recorded in the benefits management system or verified with the Social Security Administration (SSA).

We determined the cause was MO FSD case workers not following up with recipients and recording the SSN in the benefits management system when the SSN was provided. During the certification process caseworkers in Missouri rely on “the flow,” which is the benefit system’s data entry screen progression for updating recipient files. When in “the flow,” key data screens have a “mandatory stop” where you can’t continue until you have entered information. Since good cause had previously been determined, the system did not require a “mandatory stop” to update the SSN. Therefore, the case worker skipped this screen and failed to enter the SSN into the benefits management system.

As a result of not entering the recipient’s SSN into the benefits management system, MO FSD was not able to verify the individual’s SSN with SSA and may have improperly issued benefits to an individual who should not have received them.

c) NH DHHS did not record SSNs, determine good cause, or disqualify recipients for not providing an SSN - In our review of 30 case files, we identified 30 exceptions;

We requested from the State agency a list of individuals who received SNAP benefits during FY15 and did not have a Social Security number entered in the benefits management system. We received a file of 3,205 recipients. Many of the recipients were newborns. To assess compliance, TFC placed the recipients on an aging schedule based on number of months that benefits were received without an SSN. We identified 85 individuals who received benefits for at least 12 months without an SSN, and from this list we non-statistically selected 30 cases.²⁷ In all 30 cases, exceptions were noted as follows:

- In nine cases, case workers did not record the individual’s SSN in the benefits management system when the SSN was provided.²⁸

²⁷ Two of the thirty cases were adults, and were among the nine who had provided their SSN, but the State did not enter their SSNs into the New Heights System.

²⁸ It should be noted that the nine cases were updated in the benefits management system subsequent to the scope period to include SSN.

- In the remaining 21 cases, there was no evidence of good cause on file for the individuals to not provide an SSN within 6 months or at the next recertification.
- The 21 individuals who refused or failed without good cause to provide an SSN were not disqualified in accordance with Federal requirements.

We determined that the exceptions were due to case workers not inspecting each data field in the benefits management system prior to the next recertification, and that, in the system, the SSN field is not a required field. Additionally, the benefits management system does not have automated alerts to notify case workers when SSNs are missing for extended periods of time without good cause.

This resulted in the benefits management system not containing accurate and updated case file information, and errors in the determination of eligibility may have gone undetected. Also, since no determination of good cause was made, individuals who did not have an SSN were not disqualified and households incorrectly received SNAP benefits.

At the time of fieldwork, the State was undertaking corrective action to mitigate the condition of missing SSNs and, subsequent to our fieldwork, has stated that corrective actions have been completed. The State reported that of the 21 cases cited above, 3 were closed and the remaining 18 SSNs were subsequently entered into the benefits management system.

d) NM HSD did not determine good cause and/or disqualify recipients for not providing an SSN - In a non-statistical sample of 15 cases, we identified 4 cases (two children and two newborns) of non-compliance;

We requested from the State a list of individuals who received SNAP benefits during FY15 and did not have an SSN entered in the benefits management system. We received a file of 9,731 recipients. Many of the recipients were newborns. TFC tested a non-statistical sample of 15 cases,²⁹ and identified four cases of non-compliance. Specifically, NM HSD did not:

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

Since there was no good cause, NM HSD should have disqualified these four individuals who refused or failed to provide an SSN. We determined the cause of non-compliance was 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.

²⁹ 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).

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).

Consolidated Analysis and Recommendation

Case Worker Error - Similarities in non-compliance among the four States included:

- Premature disqualification of newborns: MI
- Failure to record SSN or verify with SSA: MO, NH
- Failure to determine/document good cause (and disqualify): NH, NM

In each of these cases, although the underlying facts and circumstances varied, each non-compliance is attributed to case worker error. Recommendations to address the specific State findings are provided in the individual State reports. However, given the recurring nature of findings in four of the five States reviewed, we provide the additional recommendation to FNS.

FNS Recommendation 2

Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.6 SSNs, specifically the requirements associated with newborns (7 CFR 273.6 (b)(4)), determining/documenting good cause (7 CFR 273.6 (d)), and when to disqualify an individual for not providing an SSN (7 CFR 273.6 (c)).

Agency Response

In its February 15, 2017, response FNS stated:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.6 SSNs, specifically the requirements associated with newborns (7 CFR 273.6 (b)(4)), determining/documenting good cause (7 CFR 273.6 (d)), and when to disqualify an individual for not providing an SSN (7 CFR 273.6 (c)).

Estimated Completion Date: May 1, 2017

Finding 3 - 7 CFR 273.14 Recertification – State Identified: NH

We identified one State with a finding related to recertification; New Hampshire.

a) NH DHHS did not provide adequate notice of expiration - In a non-statistical sample of three, we identified three cases where NH DHHS did not consistently include the date the certification period expires in its NOE.

Federal regulations state that each State agency shall develop a NOE, and the NOE must contain the date the recertification expires.³⁰

The NH DHHS NOE template was developed in accordance with State policy which did not include the required language regarding expiration. This was the only required language that was noted as missing, but this information is important because recipients need to know when their benefits expire. As a result, Households receiving the NOE were not properly notified of the date the certification period expires and may experience an interruption of benefits for not applying for recertification in a timely manner.

One of the three cases tested failed to recertify in a timely manner and was subsequently auto-closed. The household in question was provided a notice that included the date and time the applicant was scheduled for an interview, but not the date the certification period ended. The notice stated that the interview was mandatory and if the applicant failed to attend their case would be closed, and benefits would end. When the household missed the scheduled interview appointment, recertification was not completed as required and the case was auto-closed.

This is a recurring finding and has previously been identified and reported by FNS.

Consolidated Analysis

In our testing of State's compliance with 7 *CFR* 273.14 using checklist 1 procedures, this finding was only found in NH. Recommendations to address this specific finding are provided in the NH State report. Given the occurrence of the finding in only one state we do not provide any additional recommendations for FNS consideration.

Finding 4 - 7 CFR 273.16 Disqualification for IPV – States Identified: KY, MI, MO, NM

In testing compliance with 7 *CFR* 273.16, we selected a non-statistical sample and identified four States with findings related to IPV; Kentucky, Michigan, Missouri, and New Mexico.

Federal regulations state that each State agency shall report to FNS information concerning individuals disqualified for an Intentional Program Violation, including those individuals disqualified based on the determination of an administrative disqualification hearing official or a court of appropriate jurisdiction, and those individuals disqualified as a result of signing either a waiver of right to a disqualification hearing or a disqualification consent agreement in cases referred for prosecution. This information shall be submitted to FNS so that it is received no more than 30 days after the date the disqualification took effect.³¹ The disqualification takes effect when it has been adjudicated as evidenced by the decision date. Further, FNS will maintain this information and establish the format for its use,³² and State agencies shall report information to the disqualified recipient database in accordance with procedures specified by FNS.³³ The disqualified recipient database is eDRS. FNS maintains eDRS which provides

³⁰ 7 *CFR* §273.14, (b)(1)(ii)(A), 2016

³¹ 7 *CFR* §273.16, (i)(1), 2016

³² 7 *CFR* §273.16, (i)(2), 2016

³³ 7 *CFR* §273.16, (i)(2)(i), 2016

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.³⁴

We identified four States with findings, as follows;

a) KY DFS did not report IPVs to FNS timely - In a non-statistical sample of 15 IPVs, we identified 7 individuals who were not recorded in the eDRS system timely.

We identified 3 cases where the State agency did not enter the IPVs into eDRS within the 30 days required, and 4 cases that were not entered into eDRS as of the final day of our fieldwork.

We determined there were two different causes that led to the non-compliance:

- For the three IPVs that were not entered into eDRS timely, this was due to the many different steps that IPVs in Kentucky go through during prosecution and the many potential areas for systematic time delays. Once the State OIG Division of Audit and Investigations receives the case and decides to move forward with it, they must coordinate with 1 of over 100 + jurisdictions and their local prosecutors. State OIG staff indicated that not all prosecutors are equally responsive, and delays often result from local bureaucratic hurdles that are out of their control.
- The four IPVs not recorded in eDRS were decided near the time of the State agency's change of systems and the process for reporting IPVs, as discussed in the background section above. When the State agency moved from batch processing to the web based system, they were using a two-digit locality code of "21." In October 2015, the eDRS help desk contacted KY DFS and informed them, "[w]e've determined the issue you are having is directly relating to the fact the KY's locality code is set up as a 2-digit locality, and the Web Service call is looking for 4 digits." The locality code was changed to a four-digit code, but there continued to be "glitches" through early 2016. On August 18, 2016, State personnel informed us that, "[a] few months ago, eDRS contacted us stating they hadn't received any disqualifications from KY from mid-October 2015 through February 2016."

Since the seven individuals were not entered into eDRS timely, other States or Territories that rely on the system to check for IPVs may have been prevented from checking eDRS for these individuals.

Further, during our testing, we questioned the "disqual add date" for three cases as reported in the original population file we received from KY DFS. In order to verify the IPV decision date for those three IPVs we requested additional documentation in the form of the court order with the judge's decision and date stamp. For two of those three cases, we noted the decision date on the court order did not match the decision date as recorded in eDRS.

b) MI DHHS did not report an IPV to FNS timely - In a non-statistical sample of 15 IPVs, we identified 1 individual who was not reported in the eDRS system timely.

The case was entered approximately 10 months after the administrative judge's decision date.

³⁴ Electronic Disqualified Recipient System Online Query User's Guide, USDA Food and Nutrition Service, 3/1/2016

We determined the cause was due to a software upgrade and setting change, resulting in the email that contained the administrative hearing decision from the Michigan Administrative Hearing System (MAHS) going into the Agent's MS Outlook "Clutter" folder³⁵ and being overlooked for approximately 10 months.

As a result, the individual who was disqualified from receiving benefits in the benefits management system was not entered into eDRS timely and was not identifiable by other States or Territories that may have checked the system for that individual.

c) MO FSD did not report IPV to FNS timely - In a non-statistical sample of 15 IPVs, we identified 3 individuals who were not reported in eDRS timely.

We determined the cause was due to Missouri's implementation of a new real-time web based reporting system on January 9, 2015. The old system was a three-month batch reporting system. The three cases we identified had a decision date prior to January 9, 2015 resulting in the cases not being recorded in eDRS timely. In addition, personnel with eDRS access left the State agency in 2014 and MO FSD leadership indicated the process for acquiring access to eDRS for new personnel was time-consuming and may have contributed to IPV not being reconciled and entered into eDRS timely.

Since the three individuals were not entered into eDRS timely, other States or Territories that rely on the system to check for IPV may have been prevented from checking eDRS for these individuals.

This was a recurring finding by FNS and is included in the November 2015 Missouri Corrective Action Plan (CAP).³⁶

d) NM HSD did not report IPV to the FNS timely - In a non-statistical sample of 39 IPVs, we identified 5 individuals who were not reported in eDRS timely.

Specifically, the State agency did not enter five individuals with IPV into eDRS within 30 days after the decision date. The date the IPV was entered into eDRS was between 4 to 7 months after the decision date. We determined the cause was a failure in the benefits management system interface with eDRS. Specifically, an individual was charged with entering the IPV into the benefits management system, and the system failed to communicate with eDRS. This was discovered by the State Office of the Inspector General, who suspended the entry of IPV, and began manually entering IPV into eDRS.

Since the five individuals were not entered into eDRS timely, other States or Territories that rely on the system to check for IPV may have been prevented from checking eDRS for these individuals.

Consolidated Analysis and Recommendation

The findings in New Mexico and Michigan were technology related. Both States cited the transition from a batch to a real-time reporting system as a contributing factor to not reporting

³⁵ An email "clutter" folder is where junk email or spam is diverted, often unbeknownst to the email account holder.

³⁶ This finding originally reported in the 2013 Recipient Integrity Report.

timely. Kentucky had two issues that caused the IPV finding, one was technology related and one was IPV's were not reported in eDRS accurately. Specific recommendations to address the individual State findings are provided in the individual State reports. However, given the recurring nature of findings in three of the five States reviewed, we provide the additional recommendations to FNS.

FNS Recommendation 3

Require State agencies to; (1) perform periodic reconciliations of all IPV's in their system with those in eDRS to ensure IPV files match and (2) include a process to notify eDRS staff when a State fails to report IPV's in a reasonable amount of time.

Agency Response

In its February 15, 2017, response FNS stated:

FNS concurs with this recommendation. In response to part 1 of the recommendation, eDRS contains functionality that allows State agencies to reconcile IPV's in their system with those in eDRS. FNS will provide State agencies technical support on the use of this functionality. Furthermore, FNS regularly conducts Management Evaluation (ME) reviews of State adherence to eDRS reporting requirements and requires corrective action if a State is found out of compliance. FNS will issue policy to require States to perform quarterly data reconciliations as part of a corrective action if FNS identifies a State is not in compliance with 7 CFR 273.16, specifically the requirements associated with reporting IPV's to FNS (7 CFR 273.16 (i)).

In response to part 2 of the recommendation, FNS will add new functionality to eDRS designed to notify FNS staff about untimely entered disqualifications. The first new notification will notify FNS staff when a State has not entered a disqualification into eDRS for the past 90 consecutive days. The second new notification will notify FNS staff of the total number of disqualifications for a State that were created at least 45 days after the disqualification start date. This notification will run once a month and will report on disqualifications created the previous month.

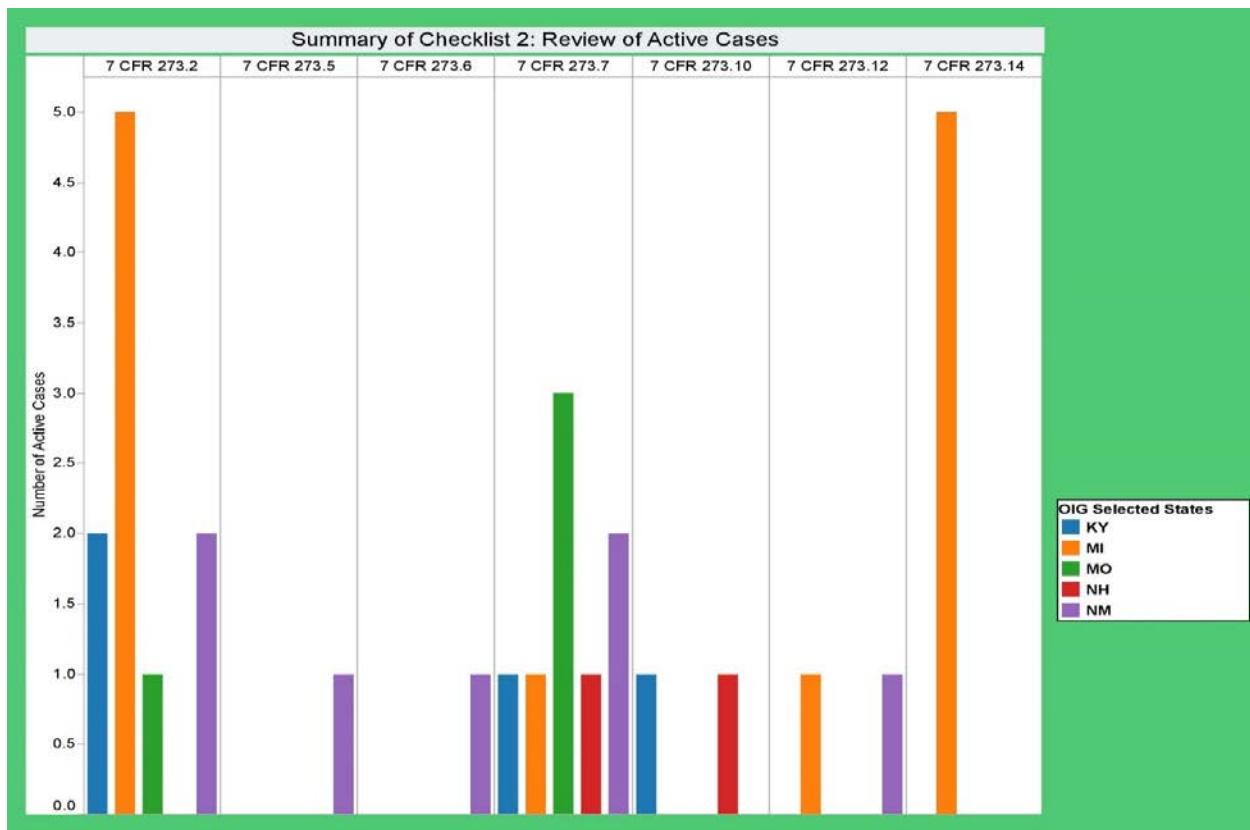
Estimated Completion Date: January 15, 2018

5.3 Part 2, Checklist for Review of Active Cases

This section presents the results of performance of checklist 2 agreed-upon procedures for the five States (see Appendix B for specific procedures and summary of results).

In our review of 500 randomly selected active cases (100 cases in each State), we identified 7 findings. Exhibit 4.4 below summarizes checklist 2 findings by State, number of cases of non-compliance identified for each finding, and 7 CFR 273 subsection.

Exhibit 4.4



Below we provide discussion of the 7 findings (Findings 5 through 11), including a consolidated analysis of the findings and FNS recommendations to address exceptions common to many States, if applicable.

Finding 5 - 7 CFR 273.2 Office operations and application processing – States Identified: KY, MI, MO, NM

In our review of 500 active cases, we identified 4 States with findings under 7 CFR 273.2; Kentucky, Michigan, Missouri, and New Mexico.

Federal regulations require that gross nonexempt income shall be verified for all households prior to certification. However, where all attempts to verify the income have been unsuccessful because the person or organization providing the income has failed to cooperate with the household and the State agency, and all other sources of verification are unavailable, the

eligibility worker shall determine an amount to be used for certification purposes based on the best available information.³⁷

Federal regulations also 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.³⁸ 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.³⁹

Federal regulations (7 CFR §273.2, *Office Operations and Application Processing*) require that State agencies shall verify the identity of the person making application prior to certification for households initially applying.⁴⁰ Further, case files must be documented to support eligibility, ineligibility, and benefit level determinations. Documentation shall be in sufficient detail to permit a reviewer to determine the reasonableness and accuracy of the determination.⁴¹

We identified four States with findings, as follows;

a) KY DFS did not maintain required documentation in one case file and verify income for another case prior to certification - In our review of 100 active cases, we identified 2 cases of non-compliance.

Required Documentation Missing

We identified one case file that was missing required documentation, specifically KY DFS did not maintain the SNAP Application (*Form KIF-101*) for the household's initial application, and determination and certification of eligibility.

This occurred because the local office lost the application. State agency personnel informed us the case worker did not scan the application into the electronic case file, and the local office could not locate the hard copy version.

As a result, the case file is incomplete and missing documentation required for testing, quality assurance reviews, case worker reference, and compliance with 7 CFR §273.2 requirements.

Verification of Income

We identified one case where KY DFS did not properly verify income. Specifically, in the first quarter of 2015, the case worker did not perform a system match (matching income with the State employment reporting system) for verification of income and instead, relied upon a *Form PAFS-703 Proof of No Income* as sufficient evidence that the individual had no income. This form can be prepared by any individual or third party contact, and there is nothing on the form that identifies the third-party contact's relationship with the applicant. As far as sources of

³⁷ 7 CFR §273.2, (f)(1)(i), 2016

³⁸ 7 CFR §273.2, (f)(8)(ii), 2016

³⁹ 7 CFR §273.2, (h)(4)(iii), 2016

⁴⁰ 7 CFR §273.2, (f)(1) and (vii), 2016

⁴¹ 7 CFR §273.2, (f)(6), 2016

available information, this is the lowest level of support, but the case was recertified on March 24, 2015. The case worker indicated in the case comments that a system match of wage income had been performed but when we reviewed a system match queries specific to this case, there was no record of one having been performed. This case was reviewed by a principal case worker prior to certification.

In late June, a change of address (case change) was reported to KY DFS for this case, and the subsequent case worker performed a system match of wage income as part of the July recertification. The match reported income from the first and second quarters of 2015. When the case worker inquired of the applicant about the income, the call was disconnected. The case was denied pending completion of the interview.

State personnel informed us that this occurred because of excessive case worker workload in the spring of 2015.

As a result, the information in the benefits management system electronic case file may not contain complete and accurate information required to make a determination of eligibility in accordance with 7 CFR §273.2 requirements, and the household may have received improper payments.

b) MI DHHS did not maintain required documentation in five case files and verify income for one of those five cases prior to certification - In our review of 100 active cases, we identified 6 cases of non-compliance.

Required Documentation Missing

We identified five cases where required documentation was missing, as follows;

- Three case files were missing any evidence that a recertification interview was conducted prior to the redetermination of eligibility.
- One case file was missing evidence of a recertification interview and the redetermination application.
- One case file was missing the periodic report.

We determined that for the first four cases, case workers lacked the proper training and/or supervision to adequately document in the electronic case file the requirements associated with the redetermination of eligibility including the interview and recertification process, as applicable. For the fifth case, we inquired of State personnel and were informed that the local office had lost the required documentation.

As a result, case files are incomplete and missing documentation required for testing, quality assurance reviews, case worker reference, and compliance with 7 CFR §273.2 requirements.

Verification of Income

We identified one case where MI DHHS did not properly verify income. Specifically, MI DHHS did not perform verification procedures when unverified sources of income were reported by the household.

We determined the cause was due to the case worker not being properly trained in mandatory verification requirements. Specifically, the case worker failed to review the Wage Match

notices⁴² and verify previously unreported sources of income and document the verification in the case file.

As a result, the information in the benefits management system electronic case file may not contain complete and accurate information required to make a determination of eligibility in accordance with 7 CFR §273.2 requirements, and the household may have received improper payments.

c) MO FSD did not maintain recipient ID in the case file - In our review of 100 active cases, we identified 1 case of non-compliance.

We determined the cause was attributable to Missouri's implementation of a new digital document imaging and filing system. The State was maintaining the documentation physically and when most documentation was digitized and uploaded into the State's virtual file room, the identification for this case was not included. After the documentation was uploaded it was moved to a warehouse and as of the last date of on-site fieldwork was not provided to us electronically or in hard-copy.

As a result, reviewers who may subsequently review the case file will not have the required documentation that verifies the individual's identity in accordance with 7 CFR §273.2 requirements.

d) NM HSD did not deny benefits for two households that failed to provide verification - In our review of 100 active cases, we identified 2 cases of non-compliance.

Specifically, NM HSD did not have accurate information entered in the benefits management system necessary for a proper determination of eligibility. NM HSD did not;

- Perform verification procedures when a new source of income was reported on the household's Interim Report
- Deny a household's application on the 60th day after the application was filed for failing to provide the requested verification of income.⁴³

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."

The four exceptions resulted in total potential improper payments (overpayments) of \$6,721.

This is a recurring finding and has previously been identified and reported by FNS.⁴⁴

⁴² A wage match notice is a notification sent to DHHS from the State labor department that provides wage and employment data on SNAP recipients that are in the benefits management system.

⁴³ This case was also reported in Finding #10 below.

⁴⁴ This finding also reported in the April, 2015, FNS Program Access Review (PAR) for Chaves and Roosevelt County offices.

Consolidated Analysis and Recommendation

The themes common to the States reviewed included the following:

- Failure to verify income – New Mexico, Kentucky, and Michigan each had instances of failing to verify income, although the situations precipitating the failure were unique to each State.
- Required documentation was missing – Missouri, Michigan, and Kentucky each had instances where required documentation was misplaced or lost altogether.

Recommendations to address the specific State findings are provided in the individual State reports. However, given the recurring nature of findings in four of the five States reviewed, we provide the following additional recommendation to FNS.

FNS Recommendation 4

Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.2, specifically the requirements associated with verification of income (7 CFR 273.2 (f)(1)(i)) and (f)(8)), and maintaining required documentation (7 CFR 273.2 (f)(6)).

Agency Response

In its February 15, 2017, response FNS stated:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.2, specifically the requirements associated with verification of income (7 CFR 273.2 (f)(1)(i)) and (f)(8)), and maintaining required documentation (7 CFR 273.2 (f)(6)).

Estimated Completion Date: May 1, 2017

Finding 6 - 7 CFR 273.5 Students – States Identified: MO, NM

In our review of 500 active cases, we identified 2 States with findings under 7 CFR 273.5; Missouri and New Mexico.

Federal statute and implementing regulations cited and footnoted in section 4.2, Part 1, Checklist for Review of State's Compliance, Finding 1, of this report are consistent with this finding as well.

We identified two States with findings, as follows;

a) MO FSD did not verify student exemption for one student – In our review of 100 active cases, we identified 1 case of non-compliance.

We determined the cause was that the MO FSD case worker did not record student exemption information in the benefits management system during the certification/recertification process since that information is not generally required for most cases. The “flow” (the benefit management system’s data entry screen progression for updating recipient files) did not include a “mandatory stop” (a stop in the application process that requires data to be entered) for the case worker to enter the student’s exemption type.

As a result, the household received benefits on behalf of a member that may not have been eligible and may have received improper payments. This case is also reported in Finding # 8 below.

b) NM HSD did not verify student exemption or determine enrollment for one student – In our review of 100 active cases, we identified 1 case of non-compliance.

Specifically, NM HSD did not;

- Verify the student qualified for an exemption requirement
- Make a determination of student enrollment in an institution of higher education.

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.”

This resulted in a total potential improper payment (overpayment) of \$163.

Consolidated Analysis and Recommendation:

This finding is consistent with the finding identified in Part 1, Checklist for Review of State’s Compliance, Finding 1. We determined that implementation of recommendation 1 would mitigate the non-compliance identified in this finding. Therefore no additional recommendation is provided.

Finding 7 - 7 CFR 273.6 Social Security Numbers – State Identified: NM

In our review of 500 active cases, we identified 1 State with a finding under 7 CFR 273.6; New Mexico.

Federal regulations cited and footnoted in section 4.2, Part 1, Checklist for Review of State’s Compliance, Finding 2, of this report are consistent with this finding as well.

The one State with a finding follows:

a) NM HSD did not determine good cause or disqualify a case for not providing an SSN - In our review of 100 active cases, we identified 1 case of non-compliance.

Specifically, NM HSD determined a 15-month-old baby to be eligible to receive benefits without an SSN after two recertifications and one interim report. Additionally, there was no evidence of good cause for not providing the SSN documented in the case file.

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

As a result, the individual and household may have received potential improper payments (overpayments).

Consolidated Analysis and Recommendation

This finding is consistent with the finding identified in Part 1, Checklist for Review of State's Compliance, Finding 2. We determined that implementation of recommendation 2 would mitigate the non-compliance identified in this finding. Therefore no additional recommendation is provided.

Finding 8 - 7 CFR 273.7 Work Provisions – States Identified: KY, MI, MO, NH, NM

In our review of 500 active cases, we identified 5 States with findings under 7 CFR 273.7; Kentucky, Michigan, Missouri, New Hampshire, and New Mexico.

Federal regulations state that, as a condition of eligibility for food stamps, each non-exempt household member must comply with certain work requirements,⁴⁵ and the household member cannot voluntarily and without good cause quit a job of 30 or more hours a week or reduce work effort to less than 30 hours a week.⁴⁶

Federal regulations also state, those persons who lose their exemption due to a change in circumstances that is not subject to the reporting requirements of 7 CFR §273.12 must register for employment at their household's next recertification.⁴⁷

Also, 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.⁴⁸ 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.⁴⁹

Further, Federal regulations require that when a household files an application for participation, the State agency must determine whether any household member voluntarily quit his or her job or reduced his or her work effort,⁵⁰ and upon determining that an individual voluntarily quit employment, the State agency must determine if it was with good cause.⁵¹

The five State findings are as follows;

⁴⁵ 7 CFR §273.7, (a)(1), 2016

⁴⁶ 7 CFR §273.7, (a)(1)(vii), 2016

⁴⁷ 7 CFR §273.7, (b)(2)(ii), 2016

⁴⁸ 7 CFR §273.7, (c)(1), 2016

⁴⁹ 7 CFR §273.7, (c)(3), 2016

⁵⁰ 7 CFR §273.7, (j)(3)(i), 2016

⁵¹ 7 CFR §273.7, (j)(3)(v), 2016

a) KY DFS did not comply with work registration requirements for one household member - In our review of 100 active cases, we identified 1 case of non-compliance.

Generally, the State will register the applicant for work during the application process, but our testing identified one case where the case worker did not properly register a benefit recipient for work.

This occurred because of case worker error. The household was exempt from work registration requirements on the prior application due to being a recipient of unemployment insurance (UI). During recertification, the case worker did not verify through system access that the applicant was not registered for work or had applied for UI and the prior year exemption code was automatically rolled-forward in the benefits management system. Additionally, the principal or supervisory case worker reviewing the case did not catch the error during the subsequent review.

As a result, one household member was not registered for work and may not have been eligible to receive SNAP benefits, and may potentially have received improper payments (overpayments).

b) MI DHHS did not comply with work provisions for one case – In our review of 100 active case, we identified 1 case of non-compliance.

Specifically, in one case the recipient indicated they had been “laid off” from their job, and the job end date was recorded in the electronic case file, but there was no evidence of verification for the reason for job termination.

We determined the cause was attributable to the case worker not being aware of the work provision requirements and therefore did not verify the reason for the client leaving their employer. As a result, the benefits management system did not contain accurate case file information required to make a proper determination of eligibility and therefore an error in determination may have gone undetected. Consequently, this may have resulted in potential improper payments (overpayments).

c) MO FSD did not comply with work provisions for three cases – In our review of 100 active cases, we identified 2 cases of non-compliance.

Voluntary Quit

We identified two cases where recipients submitted applications that indicated they had “quit or been laid off” from their job within the last 60 days, and the job quit date was recorded in the benefits management system, but there was no evidence that verification was performed to determine the reason for termination.

We determined the cause was due to MO FSD’s effort to clear the backlog of applications. During this period, there may have been cases that did not receive the appropriate time and attention required, in order to process the backlog timely. Also, the State agency was undergoing an organizational realignment and restructuring where application processing and determination of eligibility went from a decentralized process to a more centralized one, which may have been a contributing factor. Since benefits must not be delayed pending the outcome of voluntary quit, we determined the priority to meet processing times prevented verification of the voluntary quit.

Work Registration

We identified one case that was recertified when a member of the household was determined to be an eligible child, when they should have been subject to work provision requirements or determined eligible under another exemption type.

The case involved a household member who was determined eligible as a child in high school, but aged out and the records were not updated. Specifically, the cause was the work provision screen in the benefits management system included a code for one household member that indicated that individual was eligible as a “16-18-year-old in high school” but at the time of re-certification, the individual was actually 19 years of age and in college. Further, there was no indication that the individual qualified for any of the student exemption types. This case was also reported in Finding #6 above.

As a result, the information in the three case files in the benefits management system did not contain complete and accurate information required to make a determination of eligibility in accordance with 7 *CFR* §273.7 requirements and therefore the individuals may have been incorrectly determined eligible and the three households potentially received improper payments (overpayments).

d) NH DHHS Job abandonment and determination of eligibility – In our review of 100 active cases, we identified 1 instance of non-compliance.

Specifically, we identified one case where a household member abandoned his/her job, but the case worker did not properly record the event in the benefits management system for proper consideration of eligibility. The case worker may not have been aware of the appropriate method of recording the event or they may have made an error. The case was recorded in the benefits management system as “other” as opposed to “voluntary quit.”

Since the benefits management system did not contain accurate case file information required to make a proper determination of eligibility, an error in determination of eligibility may have gone undetected.

e) NM HSD did not fulfill its responsibilities under work provisions for two cases – In our review of 100 active cases, we identified 2 cases of non-compliance.

Specifically, in two cases participants were required to register for the Employment and Training (E&T) Program however, neither were registered. 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.

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.

Consolidated Analysis and Recommendation

This was the only area of 7 CFR 273 where we identified findings in all five States reviewed. The requirements for which the States were non-compliant that were common to multiple States included:

- Verify voluntary quit or job termination – New Hampshire, Missouri, and Michigan each had cases where they failed to verify, or properly document verification, for the reason for a recipient's reported loss of employment. In each case, the SNAP recipient provided documentation to support the loss of employment, but the case worker did not take appropriate action.
- Failure to Work Register – New Mexico, Missouri, and Kentucky each had cases where they failed to work register benefit recipients, and follow subsequent requirements associated with work registration such as providing notice of adverse action for failing to comply or determining if there was good cause.

All cases were characterized by case worker error. Recommendations to address the specific findings at each State are provided in the individual State reports. However, given the recurring nature of findings in all of the five States reviewed, we provide an additional recommendation to FNS.

FNS Recommendation 5

Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.7 Work Provisions, specifically the requirements associated with verifying and documenting voluntary quit (7 CFR 273.7 (i) and(j)) and with work registration (7 CFR 273.7 (c)).

Agency Response

In its February 15, 2017, response FNS stated:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.7 Work Provisions, specifically the requirements associated with verifying and documenting voluntary quit (7 CFR 273.7 (i) and(j)) and with work registration (7 CFR 273.7 (c)).

Estimated Completion Date: May 1, 2017

Finding 9 - 7 CFR 273.10 Determining household eligibility and benefit levels – States Identified: KY, NH

In our review of 500 active cases, we identified 2 States with findings under 7 CFR 273.10; Kentucky and New Hampshire.

Federal regulations state that in determining deductions to calculate benefit payments, deductible expenses include shelter costs.⁵² Further, property taxes are an allowable shelter expense.⁵³

The two State findings are as follows;

a) KY DFS did not record an allowable deduction for one case - In our review of 100 active cases, we identified 1 case of non-compliance.

KY DFS did not record property tax expense in the benefits management system when the information was provided by the applicant timely and in accordance with program requirements.

This occurred because the case worker did not record the property tax amount in the benefits management system. The applicant identified the amount during the interview and provided documentation in support of the amount timely. The documentation was stored in the State's Electronic Case File (ECF), but the case worker did not verify the amount within 30 days in the benefits management system. Therefore, the case was processed without the property tax expense being recorded as an allowable deduction.

As a result, the deductions and benefits for the household were understated, and KY DFS improperly determined eligibility, and the State agency potentially made improper payments (underpayments).

b) NH DHHS did not update shelter costs - In our review of 100 active cases, we identified 1 case of non-compliance.

Specifically, a determination of eligibility was made for a household that reported a change of address on an application at recertification; however, the change of address and expenses associated with the change of address were not updated in the benefits management system. In this case, a homeless participant provided a mailing address to a case worker; the participant later gained employment and rented a living space for \$700.00 a month. The participant subsequently became unemployed, lost their living quarters, and became homeless again. At a subsequent recertification, the participant provided the mailing address they had provided when previously homeless, and the case worker updated the address accordingly.

The case worker in this instance did not update the shelter costs from \$700.00 to \$0.00 in the benefits management system. As a result, the system did not contain accurate shelter expense information required to make an accurate determination of eligibility; and therefore, the calculation of deductions was in error and could have resulted in an error to the participant's benefits that may have gone undetected. We note that in this case the recipient had no income and therefore there was no impact to the recipient's benefit amount.

Consolidated Analysis

We identified one case each in New Hampshire and Kentucky where the case worker failed to include or update client provided shelter costs in the determination of deductions and the calculation of benefits. Although there is a similarity in findings in both States, the causes were

⁵² 7 CFR §273.10, (d), 2016

⁵³ 7 CFR §273.9, (d)(6)(ii)(B), 2016

different, and we note that in the case of New Hampshire, there was no impact to the recipients benefits since they were homeless.

Recommendations to address the specific State findings are provided in the individual State reports. Given the isolated nature of these findings, no additional recommendation to FNS is provided.

Finding 10 - 7 CFR 273.12 Requirements for change reporting households – States Identified: MI, NM

In our review of 500 active cases, we identified 2 States with findings under 7 CFR 273.12; Michigan and New Mexico.

Federal regulations state the State agency may establish a simplified reporting system in lieu of the change reporting requirements.⁵⁴ 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.⁵⁵

Federal regulations state, if a household fails to file a complete periodic 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 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.⁵⁶

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 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.*⁵⁷

The two State findings are as follows;

a) MI DHHS did not comply with change reporting requirements for one case - In our review of 100 active cases, we identified 1 case of non-compliance.

Specifically, there was no evidence that a household submitted a required periodic report, and the household continued to receive benefits for 12 months.

The MI DHHS benefits management system automatically sends households periodic reports at the beginning of the month of which they are due. The household must submit the report back to the State agency by the last day of the month.

⁵⁴ 7 CFR §273.12, (vii)(5), 2016

⁵⁵ 7 CFR §273.12, (a)(5)(D)(iii), 2016

⁵⁶ 7 CFR §273.12, (a)(i)(C)(5)(iii) (D), 2016

⁵⁷ 7 CFR §273.12, (iii)(D), 2016

We determined the cause was due to Michigan's benefit management system failing to automatically deliver the household's periodic report (form DHS-1046 Semi Annual Contact form) when it was required to be delivered. MI DHHS eventually sent the household notice 18 days after the household's participation should have terminated. The case comments indicated the form was received the next day, but neither MI DHHS personnel nor TFC could find any evidence of the form in the electronic case file or elsewhere.

As a result, one household did not receive or subsequently submit a periodic report at least once during the sixth month certification period in accordance with 7 CFR §273.12 requirements. The household continued to receive SNAP benefits for 12 months after the date the case should have been terminated. The household received \$194 per month for six months, \$29 for one month, and \$16 per month for five months from November 2014 through October 2015.

This resulted in total potential improper payments (overpayment) of \$1,273.

b) NM HSD did not terminate a household for failing to file a periodic report - In our review of 100 active cases, we identified 1 case of non-compliance.

One household did not submit the State's periodic report, identified by the State as the "Interim Report," by the required date. NM HSD did not perform the required procedures for a household failing to return an Interim Report. Specifically, NM 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.

We determined the cause for the non-compliance was the case worker's intention to comply with the State's interpretation of the DHG Federal court order. The case worker did not terminate the household's participation for not filing a complete Interim Report, in accordance with 7 CFR 273.12 requirements. The case worker 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, a potential improper payment (overpayment). This case and the potential improper payments associated with it were reported in Finding #5 above.

This is a recurring finding and has previously been identified and reported by FNS.⁵⁸

Consolidated Analysis and Recommendation

There were two findings under 7 CFR 273.12 for failure to file a periodic (interim) report. Although similarities exist, in both cases the causes were unique to conditions in the respective States; the DHG Federal court order in New Mexico and a benefits system failure in Michigan.

Recommendations to address the specific State findings are provided in the individual State reports. Given the isolated nature of these findings, no additional FNS recommendations are provided.

⁵⁸ This finding also reported in the April, 2015, FNS Program Access Review (PAR) for Chaves and Roosevelt County offices.

Finding 11 - 7 CFR 273.14 Recertification – State Identified: MI

In our review of 500 active cases, we identified 1 State with a finding under 7 CFR 273.14; Michigan.

Federal regulations state that no household may participate beyond the expiration of the certification period assigned.⁵⁹

Federal regulations also state that as part of the recertification process, the State agency must conduct a face-to-face interview with a member of the household or its authorized representative at least once every 12 months for households certified for 12 months or less.^{60, 61}

The one State finding follows;

a) MI DHHS did not meet recertification requirements - In our review of 100 active cases, we identified 5 cases of non-compliance.

Specifically, there were four cases where there was no evidence that MI DHHS had performed a recertification interview and two cases where the household continued receiving benefits beyond the expiration of the certification period (one case had both instances of non-compliance).

Recertification

We identified four cases where there was no evidence that MI DHHS had conducted a recertification interview.

We determined that, for all four cases, the case worker did not document in the benefits management system if the State had conducted an interview or recorded why the household's case was recertified.

As a result, four households did not have the required redetermination interview and did not properly complete the recertification process, and may have received potential improper payments (overpayments) in the amount of \$9,777.

Benefits beyond the certification period

We identified two households that continued to receive SNAP benefits beyond the expiration of the certification period.

We determined the following causes led to the above condition:

- For the first household, State personnel informed us the Michigan DHHS benefit management system may have encountered a system error. The system did not auto-generate and provide the household notification of the expiration date of their certification period and provide a recertification application form.
- For the second household, the case worker failed to upload the redetermination application into the household's electronic case file to properly evidence that the

⁵⁹ 7 CFR §273.14, (a), 2016

⁶⁰ 7 CFR §273.14, (b)(iii), 2016

⁶¹ Michigan received waiver approval from FNS to conduct telephone interviews in lieu of face-to-face.

household completed a recertification application (DHS-1010 Redetermination) in accordance with 7 CFR §273.14 *Recertification* requirements.

As a result;

- One household was not properly notified of the expiration of the certification period which may have contributed to the household's failure to apply for recertification timely. The household may have been incorrectly determined eligible and may have incorrectly received \$29 in benefits one month and \$16 per month in benefits for 5 months from May 2015 through October 2015 resulting in a total potential improper payment (overpayment) of \$109.
- The second household may have incorrectly received \$194 per month in benefits for 7 months during the Scope period from March 2015 through September 2015 resulting in a total potential improper payment (overpayment) of \$1,358.

For the two cases, this resulted in potential improper payments (overpayments) in the amount of \$1,467.

Consolidated Analysis and Recommendation

Recommendations to address this specific State's finding is provided in the State report for Michigan. Given there was a finding in only one State, no additional FNS recommendation is provided.

Appendix A: Summary of Test Procedures and Results of Testing for Part 1 – Review of State Compliance

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified 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 (Five States Tested)
§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: 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 (Five States Tested)
§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 (Five States Tested)
§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 (MO, NH, NM) No (KY, MI)
§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 (MI, MO, NH, NM) No (KY)
§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 (Five States Tested)

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
§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 (Five States Tested)
§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 (Five States Tested)
§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 (Five States Tested)
§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 (Five States Tested)
§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 (Five States Tested)

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
§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: 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 (Five States Tested)
§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 (Five States Tested)
§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 is 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 (Five States Tested)
§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.	Exception noted, reference Finding #3 (NH) No (KY, MI, MO, NM)

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
§273.16 Disqualification for Intentional Program Violation	For the Scope period, determine the following: <ol style="list-style-type: none"> The number of Intentional Program Violations (IPV) identified by the State for the last three FYs; The number of IPVs reported to FNS by the State; The number of IPVs the State has classified as inadvertent household errors using the regulation passage cited in the criteria below; and 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 #4 (KY, MI, MO, NM) No (NH)
§273.18 Claims Against Households	Identify for the Scope period: <ol style="list-style-type: none"> 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; Whether all types of errors can result in claims against Households; The dollar value of claims established against Households; The dollar value of claims actually recovered, whether recovered in part or in full; A breakdown of the amounts recovered by recovery method (reduction in benefits, cash, Treasury offset, etc.); The number and dollar value of claims against Households written off by the State; and A breakdown of the claims written off by the justification for the write-offs. 	No (Five States Tested)
§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: <ol style="list-style-type: none"> Approved by FNS; and Timely and consistently disseminated to all of the State's local (Welfare) offices 	No (Five States Tested)

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
§273.20 SSI Cash-Out	For the State of California, determine the following: <ol style="list-style-type: none"> 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; 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 The number and dollar value of recipients on (a) the SNAP program and (b) the CA SSI program 	No (Five States Tested)
§273.21 Monthly Reporting and Retrospective Budgeting (MRRB)	For the Scope period, determine the following: <ol style="list-style-type: none"> 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; If the State has accurate policies and procedures for the inclusion and exclusion of SNAP recipients from the MRRB process; and 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 (Five States Tested)
§273.23 Simplified Application and Standardized Benefit Projects	For the Scope period, determine the following: <ol style="list-style-type: none"> 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; If FNS has approved the State's Official Work Plan for this Program; If the Work Plan accurately defines "Project-eligible households" and "Determining Food Stamp Program eligibility" in accordance with the regulations; and If the State monitored compliance with the Official Work Plan approved by FNS 	N/A (Five States Tested)
§273.24 Time Limit for Able-Bodied Adults	For the Scope period, determine the following: <ol style="list-style-type: none"> 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? If the Workfare Program State Plan has a definition of SNAP "Able-bodied adults." If the State has information which identifies all able-bodied adults in its entire SNAP caseload. 	No (Five States Tested)

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
	<p>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.</p> <p>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.</p> <p>e) If the State can identify in its entire SNAP 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 (Five States Tested)
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 (Five States Tested)

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
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 (Five States Tested)

Appendix B: Summary of Test Procedures and Results of Testing for Part 2 – Review of Active Cases

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified 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 (Five States Tested)
§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 #5 (KY, MI, MO, NM) No (NH)
§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 (Five States Tested)
§273.3 Residency	Determine if the recipient's residency was evaluated and that the case was certified based upon appropriate residency documentation.	No (Five States Tested)
§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 #6 (MO, NM) No (KY, MI, NH)
§273.6 Social Security Numbers	Determine if the SNAP household provided social security numbers in accordance with 7 CFR 273.6.	Exception noted, reference Finding #7 (NM) No (KY, MI, MO, NH)
§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 #8 (Five States Tested)
§273.8 Resource Eligibility Standards	Was the household required to meet resource eligibility standards? If not, document the reason.	No (Five States Tested)

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
§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 (Five States Tested)
§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 (Five States Tested)
§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?	Exception noted, reference Finding #9 (KY, NH) No (MI, MO, NM)
§273.11 Action on Households with Special Circumstances	Does the household contain one or more members who are disqualified from SNAP?	No (Five States Tested)
§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 #10 (MI, NM) No (KY, MO, NH)
§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.	Exception noted, reference Finding #11 (MI) No (KY, MO, NH, NM)
§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 (Five States Tested)
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV reported to FNS?	No (Five States Tested)
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV classified as an inadvertent household error?	No (Five States Tested)
§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 (Five States Tested)

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	Review Procedures	Were exceptions identified as a result of applying the procedure?
§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 (Five States Tested)
§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 (Five States Tested)
§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 (Five States Tested)

Appendix C: Summary of Monetary Results

This exhibit lists findings by State and report number that had a determinable monetary result, and includes the type and amount of the monetary result. There were no new monetary results identified. The findings and potential improper payments below were identified during the site visit to each State and were previously reported in the individual State reports identified.

State/ Report #	CFR Reference	Consolidated Report Finding #	Description	Amount	Code/Category
Michigan/ 27601- 0004-10	7 CFR 273.6	2	MI DHHS determined an eligible newborn to be ineligible	\$410	Underpayments
	7 CFR 273.12	10	MI DHHS did not comply with change reporting requirements	\$1,273	Questioned Costs, Potential Recovery
	7 CFR 273.14	11	MI DHHS did not conduct recertification interviews for five cases prior to recertification	\$9,777	Questioned Costs, Potential Recovery
	7 CFR 273.14	11	MI DHHS continued to provide benefits to two cases beyond certification period	\$1,467	Questioned Costs, Potential Recovery
Missouri/ 27601- 0006-10	7 CFR 273.5	1	FSD determined an ineligible student to be eligible	\$900	Questioned Costs, Potential Recovery
New Mexico/ 27601- 0003-10	7 CFR 273.5	1	HSD did not verify student exemption or determine student enrollment	\$2,194	Questioned Costs, Potential Recovery
	7 CFR 273.2	5	HSD did not deny benefits for two households failing to provide verification	\$6,721	Questioned Costs, Potential Recovery

State/ Report #	CFR Reference	Consolidated Report Finding #	Description	Amount	Code/Category
	7 CFR 273.5	6	HSD did not verify student exemption or determine student enrollment for one student	\$163	Questioned Costs, Potential Recovery
	7 CFR 273.7	8	HSD did not fulfill its responsibilities under work provisions for two cases	\$2,900	Questioned Costs, Potential Recovery
Total Monetary Result (Absolute Value)				\$25,805	

Appendix D: Glossary of Acronyms and Abbreviations

Acronym/Abbreviation	Definition
ABAWD	Able Bodied Adult Without Dependents
ACA	Affordable Care Act
ASPEN	Automated System Program and Eligibility Network
AUP	Agreed-Upon Procedures
CAP	Corrective Action Plan
CFO	Chief Financial Officer
CFR	Code of Federal Regulation
CPA	Certified Public Accounting/Accountant
CY	Calendar Year
DHG	Debra Hatten-Gonzalez
DHHS	Department of Health and Human Services
ECF	Electronic Case File
EBT	Electronic Benefit Transfer
eDRS	Electronic Disqualified Recipient System
E&T	Employment and Training
FMR	Financial Management Review
FNS	Food and Nutrition Service
FSD	Family Support Division
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
HQ	Headquarters
HSD	Human Services Department
IPV	Intentional Program Violation
ID	Identification
IT	Information Technology
KAMES	Kentucky Automated Management Eligibility System
KY	Kentucky
MAHS	Michigan Administrative Hearing System
MD	Maryland
ME	Management Evaluation
MI	Michigan
MO	Missouri
NFR	Notification of Finding and Recommendation
NH	New Hampshire
NM	New Mexico
NOE	Notice of Expiration
OIG	Office of Inspector General
OIT	Office of Information Technology
OT	Over-Time
PAR	Performance and Accountability Report
PBC	Provided by Client
RO	Regional Office

Acronym/Abbreviation	Definition
SNAP	Supplemental Nutrition Assistance Program
SOW	Statement of Work
SSA	Social Security Administration
SSN	Social Security Number
TANF	Temporary Assistance for Needy Families
TBD	To Be Determined
TFC	TFC Consulting, Inc.
USDA	U.S. Department of Agriculture

Appendix E: Practices and Potential Performance Improvement Opportunities

Our engagement was focused on reviewing State compliance with 7 CFR 273 requirements in accordance with the agreed-upon procedures specified in Appendices A and B. However, in performing our work, we observed some leading practices in use by one State that may be beneficial to other States. We also observed some areas where program efficiency and/or effectiveness could be improved. Our observations of these practices and potential performance improvement opportunities are as follows:

- **Additions to State's SNAP Application** - FNS and State agencies administering the program try to strike the balance between accessibility and ensuring recipient compliance. Missouri's Office of the Inspector General (MO OIG) has taken an approach to achieving this balance that may be worth consideration by other States and Territories. MO OIG has included several questions on the SNAP application that if recipients answered falsely, might make it easier for the MO OIG to prosecute them. The use of such questions could provide a low-cost, high-impact way for States and Territories to guard against fraud and abuse while ensuring eligible citizens can make informed decisions about accessing benefits.
- **Internal Filing Deadlines for IPVs** – The Michigan Office of the Inspector General (MI OIG) has two internal filing deadlines for processing IPVs which together are designed to ensure timely filing in accordance with 7 CFR 273.16 requirements. We did not see comparable guidelines in other States, and believe other States could benefit from this approach, to the extent that their systems are comparable. Given the frequency of findings in timely reporting of IPVs (reference finding #4), other States may benefit from the implementation of similar processing guidelines, to the extent their systems are comparable. Given the frequency of findings in timely reporting of IPVs (reference finding #4), other States may benefit from the implementation of similar processing guidelines.
- **Determining Student Eligibility** - NM HSD uses a Form *FSP 420 Verification of Financial Aid and Budget Verification for Students* to assist with determination of enrollment and verification of eligibility. We did not identify comparable documentation in the other States reviewed. This form provided an excellent means of determining proper student eligibility and should be considered as a State leading practice for use by other States and Territories.
- **Telephone Interview Controls** – MI OIG identified at least one and possibly two cases of alleged fraud where a SNAP recipient obtained IDs and set up approximately 300 SNAP accounts. A contributing factor cited by the MI OIG was the minimal contact the individual had with case workers or office staff due to the use of telephone interviews being conducted as opposed to face-to-face interviews. There may be an opportunity for FNS to improve the effectiveness and efficiency of SNAP by instituting more stringent controls around the telephone interview process.

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



**United States
Department of
Agriculture**

Food and
Nutrition
Service

3101 Park
Center Drive
Room 712

Alexandria, VA
22302-1500

DATE: February 15, 2017

**AUDIT
NUMBER:** 27601-0007-10

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Jessica Shahin /s/
Acting Administrator
Food and Nutrition Service

SUBJECT: Consolidated Report to Assess State Compliance with 7 CFR Part 273 –
Certification of Eligible Households

This letter responds to the official draft report for audit number 27601-0007-10, Consolidated Report to Assess State Compliance with 7 CFR Part 273 – Certification of Eligible Households . Specifically, the Food and Nutrition Service (FNS) is responding to the five recommendations in the report.

OIG Recommendation 1:

Issue an updated policy clarification memorandum reiterating the importance of having processes and procedures in place to properly apply student eligibility rules in households containing students, with special emphasis on the requirements associated with proper student enrollment (7 CFR 273.5 (a)) and student exemption type (7 CFR 273.5 (b)).

FNS Response:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of having processes and procedures in place to properly apply student eligibility rules in households containing students, with special emphasis on the requirements associated with proper student enrollment (7 CFR 273.5 (a)) and student exemption type (7 CFR 273.5 (b)).

Estimated Completion Date: May 1, 2017

OIG Recommendation 2:

Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.6 SSNs, specifically the requirements associated with newborns (7 CFR 273.6 (b)(4)), determining/documenting good cause (7 CFR 273.6 (d)), and when to disqualify an individual for not providing an SSN (7 CFR 273.6 (c)).

FNS Response:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.6 SSNs, specifically the requirements associated with newborns (7 CFR 273.6 (b)(4)), determining/documenting good cause (7 CFR 273.6 (d)), and when to disqualify an individual for not providing an SSN (7 CFR 273.6 (c)).

Estimated Completion Date: May 1, 2017

OIG Recommendation 3:

Require State agencies to; (1) perform periodic reconciliations of all IPV in their system with those in eDRS to ensure IPV files match and (2) include a process to notify eDRS staff when a State fails to report IPV in a reasonable amount of time.

FNS Response:

FNS concurs with this recommendation. In response to part 1 of the recommendation, eDRS contains functionality that allows State agencies to reconcile IPV in their system with those in eDRS. FNS will provide State agencies technical support on the use of this functionality. Furthermore, FNS regularly conducts Management Evaluation (ME) reviews of State adherence to eDRS reporting requirements and requires corrective action if a State is found out of compliance. FNS will issue policy to require States to perform quarterly data reconciliations as part of a corrective action if FNS identifies a State is not in compliance with 7 CFR 273.16, specifically the requirements associated with reporting IPV to FNS (7 CFR 273.16 (i)).

In response to part 2 of the recommendation, FNS will add new functionality to eDRS designed to notify FNS staff about untimely entered disqualifications. The first new notification will notify FNS staff when a State has not entered a disqualification into eDRS for the past 90 consecutive days. The second new notification will notify FNS staff of the total number of disqualifications for a State that were created at least 45 days after the disqualification start date. This notification will run once a month and will report on disqualifications created the previous month.

Estimated Completion Date: January 15, 2018

OIG Recommendation 4:

Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.2, specifically the requirements associated with verification of income (7 CFR 273.2 (f)(1)(i)) and (f)(8)), and maintaining required documentation (7 CFR 273.2 (f)(6)).

FNS Response:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.2, specifically the requirements associated with verification of income (7 CFR 273.2 (f)(1)(i)) and (f)(8)), and maintaining required documentation (7 CFR 273.2 (f)(6)).

Estimated Completion Date: May 1, 2017

OIG Recommendation 5:

Issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.7 Work Provisions, specifically the requirements associated with verifying and documenting voluntary quit (7 CFR 273.7 (i) and(j)) and with work registration (7 CFR 273.7 (c)).

FNS Response:

FNS concurs with this recommendation and will issue an updated policy clarification memorandum reiterating the importance of State compliance with 7 CFR 273.7 Work Provisions, specifically the requirements associated with verifying and documenting voluntary quit (7 CFR 273.7 (i) and(j)) and with work registration (7 CFR 273.7 (c)).

Estimated Completion Date: May 1, 2017

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