



U.S. Department of Agriculture
Office of Inspector General
Southwest Region



Audit Report

Follow-up on FNS Disaster Supplemental Nutrition Assistance Program for Hurricanes Katrina and Rita

Report No. 27601-11-Te
June 2009



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



June 2, 2009

REPLY TO

ATTN OF: 27601-11-Te

TO: Julie Paradis
Administrator
Food and Nutrition Service

ATTN: Lael Lubing
Director
Grants Management Division

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

SUBJECT: Follow-up on FNS Disaster Supplemental Nutrition Assistance Program for Hurricanes Katrina and Rita

The Department of Agriculture's (USDA) Food and Nutrition Service (FNS) is responsible for providing nutrition assistance to the victims of natural disasters, including hurricanes. This assistance is provided through the Disaster Supplemental Nutrition Assistance Program (D-SNAP), administered by FNS through State agencies. During 2005, D-SNAPs were operated in Louisiana and Texas as a result of Hurricanes Katrina and Rita. The Office of Inspector General (OIG) initiated a review in 2006 to determine if these programs were adequately administered and if the States were following FNS guidance. In September 2007, OIG issued a report¹ which concluded that FNS could improve how it administers State disaster programs by finalizing its regulations to ensure States comply with key requirements of the Food Stamp Act and the FNS Handbook as well as ensuring that State disaster systems include controls to minimize participant fraud and abuse.

In 2009, OIG initiated a follow-up review to determine if these improvements had been made. We found that due to a moratorium on new regulations, issued by the previous administration, FNS has not fully implemented corrective action in response to one of the four recommendations from our September 2007 audit report; however, action was initiated during the fieldwork of our review by establishing new proposed deadlines for regulation revisions. In regards to the remaining three recommendations, OIG concluded that sufficient corrective action has been taken.

¹ Audit Report No. 27099-49-Te, "FNS Disaster Food Stamp Program for Hurricanes Katrina and Rita – Louisiana, Mississippi, and Texas," dated September 2007.

BACKGROUND:

Within the USDA, FNS provides food benefits to low-income families through the Supplemental Nutrition Assistance Program (SNAP). States are responsible for distributing this assistance through electronic benefit transfer systems. During times of disaster, D-SNAPs may be implemented for which States must design their own plans, evaluate the need for assistance, submit to FNS a request to operate a D-SNAP, effectively implement the program, perform post-disaster reviews, and report their findings to FNS. FNS supports the State's efforts by providing policy guidance, training, and technical assistance. FNS also provides approval for State D-SNAP plans and requests to operate a D-SNAP and uses the information provided in post-disaster reviews and assessments to improve D-SNAP in the future.

Hurricanes Katrina and Rita struck the Gulf Coast of Louisiana, Mississippi, and Texas, on August 29, 2005, and September 24, 2005, respectively. When the President declared disaster areas affected by Hurricanes Katrina and Rita, FNS became responsible for providing \$680 million in disaster benefits to over 1.6 million affected households.

In 2006, OIG conducted a review to determine if FNS adequately administered D-SNAP and if the State agencies responsible for operating them followed FNS' guidance. The audit report, issued in September 2007, noted that FNS quickly provided nutrition assistance to millions of disaster victims and the distribution of benefits should be regarded as one of the successes of the Federal response to the hurricanes. However, it did note areas where improvements should be made to ensure State agencies are adequately prepared in future disaster situations. Specifically, OIG found that State agencies did not have adequate disaster plans in place that met all requirements of the FNS Handbook and the Food Stamp Act. In addition, food stamp regulations had not been finalized and did not provide specific requirements for disaster plans. We also found that the State agencies' systems used to process applications did not track denied applications and/or account for all family members and none of the systems had been tested to ensure controls were in place to prevent duplicate participation and other forms of fraud, waste, and abuse. Therefore, OIG made four recommendations to finalize regulations, develop and implement procedures to review disaster plans annually, and ensure that State disaster certification systems include controls to minimize participant fraud and abuse. This audit was initiated to assess the actions taken by FNS, to date, in response to these four recommendations.

OBJECTIVE:

The objective was to determine if FNS had taken sufficient corrective actions in response to OIG Audit Report No. 27099-49-Te, Food and Nutrition Service Disaster Food Stamp Program for Hurricanes Katrina and Rita – Louisiana, Mississippi, and Texas, dated September 2007. Specifically, we followed up on the progress of FNS' SNAP regulation revisions and improvements and verified that the process and responsibility for reviewing State D-SNAP plans were clear and adequate.

SCOPE AND METHODOLOGY:

We performed fieldwork for our audit at the FNS Southwest Regional Office in Dallas, Texas, and obtained information from FNS' National Office in Alexandria, Virginia. The Louisiana and Texas State agencies were also contacted for information.

We reviewed documentation of FNS' corrective actions taken in response to the prior OIG audit report issued in September 2007. Specifically, we reviewed the prior 2007 audit report and interviewed FNS national and regional officials as well as State agency officials responsible for the disaster programs. In addition, we obtained and reviewed the following:

- FNS' guidance for developing and reviewing disaster plans;
- FNS' guidance for administering D-SNAP;
- Program waivers issued during the 2008 hurricane season;
- 2008 disaster plans for Louisiana and Texas;
- FNS' guidance related to disaster certification system testing; and
- 2008 disaster status reports and management evaluations.

We conducted our fieldwork from February 6, 2009, through April 29, 2009.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS:

Of the four recommendations from the September 2007 OIG audit report, we found that FNS had not implemented one of the previous recommendations (Recommendation 1). FNS officials stated that work on this recommendation had been delayed because a moratorium on rulemaking was issued on May 9, 2008.

Recommendation 1² required FNS to finalize Federal regulations pertaining to disaster assistance. FNS agreed to make revisions and improvements to their regulations and anticipated having an Office of Management and Budget approved Regulatory Review Work Plan by June 2008, publishing proposed regulations by June 2009, and finalizing regulations by August 2010. However, through interviews with national office personnel, we determined that FNS had not taken any actions concerning these regulations. The agency stated that a moratorium³ on rulemaking was issued on May 9, 2008. It stated the following: "To the extent permitted by law, the heads of executive departments and agencies should continue to minimize costs and maximize benefits for each of their upcoming regulations, and should avoid issuing regulations that are unnecessary. Except in extraordinary circumstances, regulations to be finalized in this Administration should be proposed no later than June 1, 2008, and final regulations should be issued no later than November 1, 2008." Since the moratorium ended with the change in Administration, FNS has now initiated action on this recommendation. According to national office officials, the Office of Management and Budget

² **Recommendation 1:** "Finalize Federal food stamp regulations pertaining to disaster assistance. At a minimum, the regulations should include the Disaster Food Stamp Program (DFSP) requirements of the Food Stamp Act and a requirement for States to adhere to the mandatory requirements of the DFSP Handbook."

³ This moratorium was issued in memorandum format to the heads of executive departments and agencies and the administrator of the Office of Information and Regulatory Affairs by the White House's Chief of Staff on May 9, 2008.

cleared the Regulatory Review Work Plan on May 1, 2009, and the agency anticipates proposed regulations by May 2010 and final regulations by November 2011.

For the remaining three recommendations, we found that FNS has implemented the agreed upon corrective action:

In response to **Recommendations 2**⁴ and **3**,⁵ FNS issued policy memoranda on October 16, 2007, and February 7, 2008, detailing the steps to be taken by the regional offices to review and approve State disaster plans on an annual basis. OIG found these memos to be clear and adequate. Although Recommendation 3 requested that the review of State plans be included in the annual review of State agency operations, FNS' response suggested that the review be a separate comprehensive review, to which OIG agreed. We concluded that FNS' Southwest Regional Office did conduct separate annual reviews of the Louisiana and Texas State disaster plans for the 2008 disaster season. In addition, both State agencies had adequate disaster plans in place that met all requirements of the D-SNAP Guidance.

In response to **Recommendation 4**,⁶ FNS published Eligibility Determination System Anti-Fraud Requirements, as an attachment to FNS' D-SNAP Guidance (revised April 2008) which is issued to the State agencies. This additional guidance requires that all D-SNAP certification and issuance systems have the ability to enter all applicant household member information as well as all denied applications. It also requires all State agencies to test their systems by October 2010, to ensure they include the above requirements and are ready to operate in the aftermath of a disaster. OIG found these anti-fraud requirements to be adequate. FNS stated that they would perform additional tests of their systems when they are upgraded or modified. OIG found this to be a reasonable determination.

In conclusion, OIG determined that FNS had taken sufficient corrective action in response to 3 of the 4 prior recommendations. In regards to the remaining recommendation, OIG noted that FNS has recently initiated actions to finalize Federal regulations pertaining to disaster assistance.

Accordingly, this report presents no findings or recommendations, and no further action is required by your office. We appreciate the courtesies and cooperation extended to us by members of your staff during our review.

⁴ **Recommendation 2:** "Develop and implement procedures detailing how FNS regional offices will review State DFSP plans and determine their adequacy. These procedures should include timeframes for submission and approval, documentation of approvals to State agencies, and actions that will need to be taken if a State disaster plan is found to lack mandatory components."

⁵ **Recommendation 3:** "Require FNS regional offices to include a review of State DFSP plans in annual reviews of State agency operations."

⁶ **Recommendation 4:** "Require States to test their disaster systems used to process applications annually, and document the results. These tests must include checks to ensure denied applications can be tracked and all household members are entered into the system during disaster situations."