United States Department of Agriculture

Office of Inspector General

Food and Nutrition Service's Financial Statements for Fiscal Years 2014 and 2013

27401-0004-21

November 2014

Food and Nutrition Service's Financial Statements for Fiscal Years 2014 and 2013

Audit Report 27401-0004-21

What Were OIG's Objectives

Our audit objectives were to determine whether (1) the comparative financial statements were presented fairly, in all material respects, in accordance with accepted principles, (2) the internal control objectives over financial reporting were met; (3) FNS complied with laws and regulations for transactions and events that could have a direct and material effect to the financial statements and; (4) the information presented in Management's Discussion and Analysis was materially consistent with the information in the comparative financial statements.

What OIG Reviewed

We performed tests at the FNS Headquarters in Alexandria, VA, and the Federal Reserve Bank in Richmond, VA, to assess whether information in the underlying accounting records and other sources is reliable and sufficient to serve as the basis of FNS' financial statements.

What OIG Recommends

This report does not include any recommendations.

OIG performed the annual audit of the Food and Nutrition Service's financial statements for fiscal years 2014 and 2013.

What OIG Found

The Food and Nutrition Service (FNS) received an unmodified opinion from the Office of Inspector General's (OIG) audit of the FNS comparative financial statements. We determined that the agency's financial statements for the fiscal years 2014 and 2013 present fairly, in all material respects, FNS' financial position as of September 30, 2014 and 2013, and that they conform with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources.

Our consideration of FNS' internal control over financial reporting identified no significant deficiencies or material weaknesses. However, our consideration of compliance with laws and regulations noted an instance of noncompliance with the Improper Payments Elimination and Recovery Act of 2010.

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

DATE: November 7, 2014

AUDIT NUMBER: 27401-0004-21

TO: Audrey Rowe
Administrator
Food and Nutrition Service

ATTN: David Burr
Chief Financial Officer and Deputy Administrator
for Financial Management

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Food and Nutrition Service's Financial Statements for Fiscal Years 2014 and 2013

This report represents the results of our audit of the Food and Nutrition Service's financial statements for the fiscal years ending September 30, 2014 and 2013. The report contains an unmodified opinion on the financial statements, as well as the results of our assessment of the Food and Nutrition Service's internal controls over financial reporting and compliance with laws and regulations.

Based on information provided during the audit, we are making no further recommendations within this report. We appreciate the courtesies and cooperation extended to by members of your staff during our audit.

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.

Table of Contents

Independent Auditor's Report

Audrey Rowe
Administrator
Food and Nutrition Service

The Office of Inspector General (OIG) has audited the accompanying comparative financial statements of the Food and Nutrition Service (FNS), which are comprised of the following: consolidated balance sheets as of September 30, 2014, and 2013; the related statements of net cost; changes in net position; the combined statements of budgetary resources for the fiscal years then ended; and, the related notes to the financial statements (herein referred to as "financial statements"). The objective of our audit was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2014 audit, we also considered FNS' internal controls over financial reporting and tested FNS' compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on these comparative financial statements.

Exhibit A of this report provides an update to a previously reported instance of noncompliance with laws and regulations.

The following sections provide our report on FNS' financial statements, which includes management's responsibility for the financial statements, the auditor's responsibility, our opinion on the financial statements; our report on FNS' internal control over financial reporting, our report on compliance and other matters, and our report on management's responsibility for internal control and compliance.

Report on Financial Statements

We have audited the accompanying comparative financial statements of FNS, which are comprised of the consolidated balance sheets as of September 30, 2014, and 2013, and the related statements of net cost; changes in net position; and the combined statements of budgetary resources for the fiscal years then ended, and the related notes to the financial statements (herein referred to as "financial statements"). The objective of our audit was to express an opinion on the fair presentation of these financial statements.

Management's Responsibility for the Financial Statements

FNS' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.). This includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 14-02, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin 14-02 require that we plan and perform audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion on the Financial Statement

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FNS as of September 30, 2014, and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information and Required Supplementary Stewardship Information

Accounting principles generally accepted in the U.S. require that FNS' Required Supplementary Information (RSI), including the Management Discussion and Analysis (MD&A), and Required Supplementary Stewardship Information (RSSI) be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Federal Accounting Standards Advisory Board, which it considers to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As required by OMB Bulletin 14-02, we have applied certain limited procedures to RSI, including the MD&A, and RSSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements, RSI, or RSSI. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered FNS' internal control over financial reporting (internal controls) to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FNS' internal controls or on management's assertion on the internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of FNS' internal control or on management's assertion on the internal control included in the MD&A.

Our consideration of the internal control was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the FNS' financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

OMB Bulletin 14-02 requires us to describe significant deficiencies and material weaknesses identified during our audit; and in the event that no material weaknesses were identified, to so report. For both our fiscal years 2014 and 2013 financial statement audits, we did not identify and report any material weaknesses or significant deficiencies not identified by FNS in its annual assurance statements.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FNS' financial statements were free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and Governmentwide policy requirements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain provisions of other laws and regulations specified in OMB Bulletin 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which FNS' financial management systems did not substantially comply with FFMIA.

In Audit Report No. 50024-0005-11, *U.S. Department of Agriculture, Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2013*, issued April 15, 2014, OIG identified FNS' Child and Audit Care Food Program (CACFP) was noncompliant with the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA)[1] for a third consecutive year. Therefore as required by law, the Department of Agriculture (USDA) must submit to Congress proposed statutory changes necessary to bring CACFP into compliance. Specifically, CACFP only reported a partial estimate of improper payments for the meal claims component of CACFP's high risk family day care homes (FDCH) meal claims. FNS did not report improper payment rates of less than 10 percent for the National School Lunch program (NSLP) and School Breakfast program (SBP). FNS did not meet their annual reduction targets for the SBP, the NSLP, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Exhibit A provides additional information regarding this noncompliance.

Management's Responsibility for Internal Control and Compliance

FNS management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act of 1982 (FMFIA), (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, (3) ensuring FNS' financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

[1] IPERA amended the "Improper Payments Information Act of 2002," Public Law 107-300.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing whether FNS' financial management systems substantially comply with the FFMIA requirements referred to above, (3) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and (4) applying certain limited procedures with respect to the RSI and all other information included with the financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance, may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to FNS. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 14-02 that we deemed applicable to FNS' financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes. Also, our work on FFMIA would not necessarily disclose all instances of noncompliance with FFMIA requirements.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the "Report on Internal Control over Financial Reporting" and the "Report on Compliance and Other Matters" sections of this report is solely to describe the scope of our testing of internal controls and compliance with applicable laws and regulations, and the result of that testing. The purpose was not to provide an opinion on the effectiveness of FNS' internal controls or compliance with applicable laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FNS' internal controls and compliance. Accordingly, these reports are not suitable for any other purpose.

Gil H. Harden

Gil H. Harden
Assistant Inspector General
for Audit
November 5, 2014

Abbreviations

CACFP	Child and Adult Care Food Program
FDCH	Family Day Care Home
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Manager's Financial Integrity Act
FNS	Food and Nutrition Service
IPERA	Improper Payment Elimination and Recovery Act of 2010
MD&A	Management Discussion and Analysis
NSLP	National School Lunch Program
OIG	Office of Inspector General
OMB	Office of Management and Budget
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SBP	School Breakfast Program
SNAP	Supplemental Nutrition Assistance Program
USDA	Department of Agriculture
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: Status of Prior Year Noncompliance Finding

Report 50024-0005-11, *U.S. Department of Agriculture, Improper Payments Elimination and Recovery Act of 2010 Compliance Review for FY 2013*, issued April 15, 2014.

Reported Noncompliance

In Report 50024-0005-11, U.S. Department of Agriculture, Improper Payments Elimination and Recovery Act (IPERA) of 2010 Compliance Review for Fiscal Year 2013, issued April 15, 2014, the Office of Inspector General identified FNS as being noncompliant with IPERA for the third consecutive year. Specifically, FNS was not compliant with three of the seven IPERA requirements. The CACFP was noncompliant with the requirements of IPERA for the third consecutive year. Therefore, as required by law, USDA must submit to Congress proposed statutory changes necessary to bring CACFP into compliance. Specifically, CACFP only reported a partial estimate of improper payments. FNS has not yet developed a reliable method to estimate improper payments for the meal claims component of CACFP's high risk FDCH meal claims. FNS did not report improper payment rates of less than 10 percent for NSLP and SBP, which reported improper payment rates of 15.69 and 25.26 percent respectively. FNS did not meet their annual reductions targets for SBP, NSLP, and WIC by 0.90, 0.59, and 0.38 percent, respectively.

FNS will be conducting a study of improper payments in CACFP centers. This study will provide a comprehensive measure of the level of erroneous payments (dollars and rates) to child care centers and center sponsors participating in CACFP. It builds on the methods developed for school meals in the Access, Participation, Eligibility and Certification study series. Estimates will be designed to meet the measurement requirements of IPERA. The findings from this study would complement the annual measure of reimbursement "tiering" errors in FDCH for IPERA reporting on CACFP. FNS stated in section 4 of its MD&A that the current statute only provides authority to recover improper payments identified through reviews, audits, or other operational oversight activity. FNS also stated that an estimated recovery target amount for the SNAP is not feasible because claim collections are tied to the ability of States to identify, pursue, and collect erroneous payments.

Food and Nutrition Service
Fiscal Years 2014 and 2013
Financial Statements
Prepared by
Food and Nutrition Service

MANAGEMENT DISCUSSION AND ANALYSIS

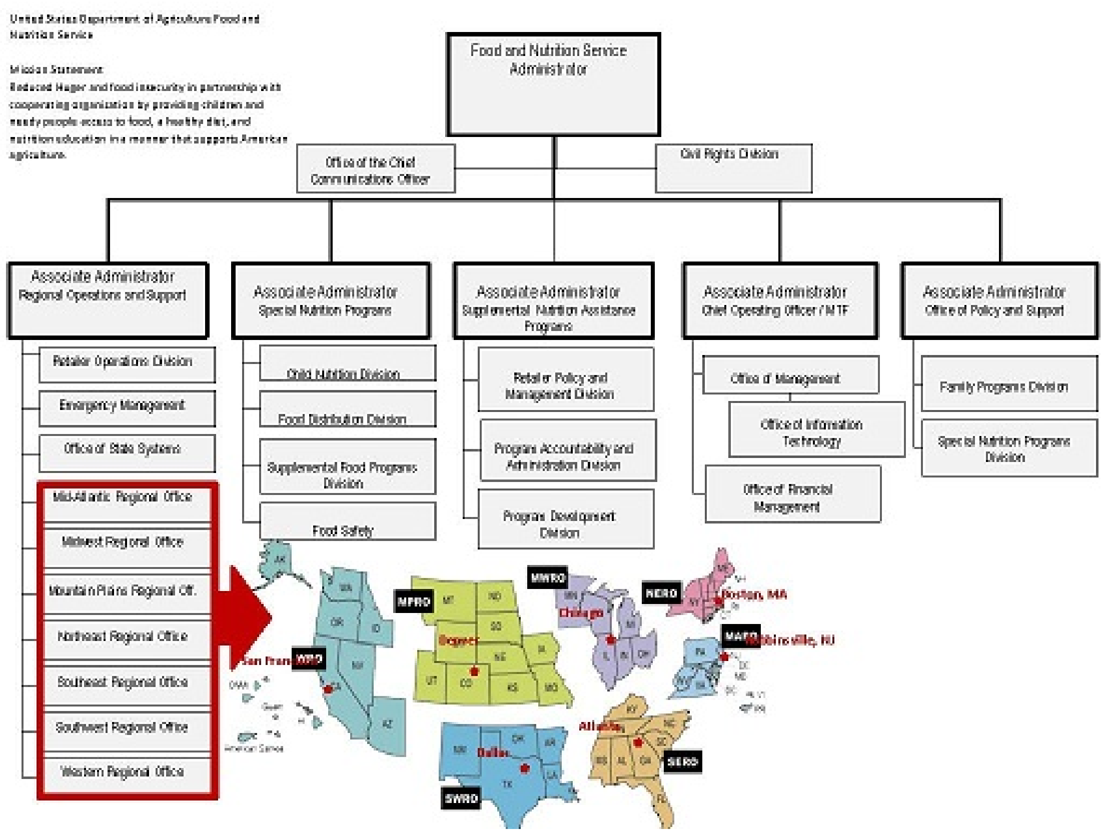
SECTION 1: MISSION, ORGANIZATIONAL STRUCTURE AND PROGRAMS

The Food and Nutrition Service (FNS) is an agency within the U.S. Department of Agriculture (USDA). FNS was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953.

FNS is the Federal agency responsible for managing the domestic nutrition assistance programs. Its mission is to increase food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food, a healthful diet, and nutrition education in a manner that supports American agriculture and inspires public confidence.

The FNS annual appropriation for administrative funds includes a very small percentage of funds for the administration of the Center for Nutrition Policy and Promotion (CNPP). CNPP links scientific research to the nutrition needs of consumers through science-based dietary guidance, nutrition policy coordination, and nutrition education. CNPP develops integrated nutrition research, education, and promotion programs and provides science-based dietary guidance.

FNS FY 2014 Organization Chart



Descriptions of FNS Programs:

Over the past half-century – beginning with the National School Lunch Program in 1946 – the Nation has gradually built an array of nutrition assistance programs designed to help the most vulnerable populations meet their food needs. Taken together, the current programs form a nationwide safety net supporting low-income families and individuals in their efforts to escape food insecurity and hunger and achieve healthy, nutritious diets. Currently, the programs administered by FNS touch the lives of one in four Americans over the course of a year.

The nutrition assistance programs described below works both individually and in concert with one another to improve the Nation's nutrition and health by improving the diets of children and low-income households.

- *Supplemental Nutrition Assistance Program (SNAP):* Authorized by the Food and Nutrition Act of 2008, SNAP serves as the primary source of nutrition assistance for over 47 million low-income people. It enables participants, about 49 percent of whom are children, to improve their diets by increasing food purchasing power using benefits that are redeemed at authorized retail grocery stores across the country. State agencies are responsible for the administration of the program according to national eligibility and benefit standards set by Federal law and regulations. Benefits are 100 percent Federally-financed, while administrative costs are shared between the Federal and State Governments.

  SNAP provides the basic nutrition assistance benefit for low-income people in the United States; other FNS programs supplement this program with benefits targeted to special populations, dietary needs and delivery settings. (Puerto Rico, American Samoa, and the Commonwealth of the Northern Mariana Islands receive grant funds with which to provide food and nutrition assistance in lieu of SNAP.)

- *Food Distribution Program on Indian Reservations (FDPIR):* FDPIR distributes USDA-purchased foods as an alternative to SNAP for Indian households on or near reservations. State agencies and Indian Tribal Organizations (ITOs) that operate the program are responsible for certifying recipient eligibility, nutrition education, local warehousing and transportation of food, distribution of food to recipient households, and program integrity. The Federal Government pays 100 percent of the cost of commodities distributed through the program, and cash payments for administrative expenses.

- *Child Nutrition Programs (CNP):* The Child Nutrition Programs - National School Lunch (NSLP), School Breakfast (SBP), Special Milk (SMP), Child and Adult Care Food (CACFP), and Summer Food Service (SFSP) - provide reimbursement to State and local governments for nutritious meals and snacks served to almost 32 million children in schools, child care institutions, and after school care programs. CACFP also supports meal service in adult day care centers. FNS provides cash and USDA-purchased food on a per-meal basis to offset the cost of food service at the local level and a significant portion of State and local administrative expense, and provides training, technical assistance, and nutrition education. Payments are substantially higher for meals served free or at a reduced price to children from low-income families.

- *Special Supplemental Nutrition Program for Women, Infants and Children (WIC):* WIC addresses the supplemental nutritional needs of at-risk, low-income pregnant, breastfeeding and postpartum women, infants and children up to five years of age. It provides participants monthly supplemental food packages targeted to their dietary needs, breastfeeding support to nursing mothers, nutrition education, and referrals to a range of health and social services – benefits that promote a healthy pregnancy for mothers and a healthy start for their children. Appropriated funds are provided to States for food packages and nutrition services and administration for the program; States operate the program pursuant to plans approved by FNS. WIC is augmented in some localities by the Farmers' Market Nutrition Program, funded within the Commodity Assistance Program account, and authorized by the WIC Farmers' Market Nutrition Act of 1992, which provides fresh produce to WIC participants.

- *The Emergency Food Assistance Program (TEFAP):* This program supports the emergency food organization network by distributing USDA-purchased food for use by emergency feeding organizations including soup kitchens, food recovery organizations, and food banks. TEFAP also provides administrative funds to defray costs associated with processing, repackaging, storage, and distribution of Federal and privately donated food. The allocation of both Federal food and administrative grants to States is based on a formula that considers the States' unemployment levels and the number of persons with income below the poverty level.

- *The Commodity Supplemental Food Program (CSFP):* This program provides foods purchased by USDA to low-income infants and children up to age six, low-income pregnant and postpartum women, and to low-income senior citizens. In recent years, there has been a shift towards low-income elderly in this program; in FY 2011, elderly participation comprised almost 97 percent of total participation. Foods are distributed through State agencies to supplement food acquired by recipients from other sources. The CSFP is operated as a Federal/State partnership under agreements between FNS and State health care, agricultural or education agencies. In FY 2011, 39 States, the District of Columbia, and two Indian reservations operate CSFP.

- *Senior Farmers' Market Nutrition Program (SFMNP):* This program provides coupons to low-income seniors that can be exchanged for fresh, nutritious, unprepared, locally grown fruits, vegetables and herbs at farmers' market, roadside stands, and community-supported agriculture programs.

- *Pacific Island and Disaster Assistance:* Pacific Island Assistance includes assistance to the nuclear-affected zones of the Republic of the Marshall Islands in the form of USDA purchased food, or cash-in-lieu of food, and administrative funds and is authorized under the Compact of Free Association Amendments Act of 2003, (P.L. 108-188). Disaster relief funds are provided for use in non-Presidentially declared disasters.

Federal nutrition assistance programs operate as partnerships between FNS and the State and local organizations that interact directly with program participants. States voluntarily enter into agreements with the Federal Government to operate programs according to Federal standards in exchange for program funds that cover all benefit costs, and a significant portion of administrative expenses.

Under these agreements, FNS is responsible for implementing statutory requirements that set national program standards for eligibility and benefits, providing Federal funding to State and local partners, and monitoring and evaluating to make sure that program structures and policies are properly implemented and effective in meeting program missions. State and local organizations are responsible for delivering benefits efficiently, effectively, and in a manner consistent with national requirements.

(Amounts shown are in Millions except as noted)

FNS Staff:

The public servants of FNS are an important resource for advancing the key outcomes sought through the nutrition assistance programs. The agency staff serves to ensure and leverage the effective use of the other program appropriations.

FNS staff is funded primarily out of the Nutrition Programs Administration account, which represents approximately one-third of one percent of the total FNS budget. The agency employment level represents less than two percent of the total employment within USDA and is similarly small in proportion to the total State-level staff needed to operate the programs. The agency employs people from a variety of disciplines, including policy and management analysts, nutritionists, computer and communication experts, accountants, investigators, and program evaluators. Because of the small size of the agency's staff relative to the resources it manages, FNS has created clear and specific performance measures and must focus its management efforts in a limited number of high-priority areas.

Program operations are managed through FNS' seven regional offices and 18 field offices/satellite locations as well as five SNAP compliance offices. A regional administrator directs each regional office. These offices maintain direct contact with State agencies that administer the FNS programs and conduct on-site management reviews of State operations. The Retailer Policy and Management Division monitor the 257,445 stores and other outlets as of June 30, 2014 authorized to redeem SNAP benefits.

As of September 30, 2014, there were approximately 1,359 full-time permanent employees in the agency. There were 524 employees in the Washington headquarters office and 835 employees in the field. The chart below displays staff year utilization.

Project	2013 Actual	2014 Estimate	2015 Requested
Supplemental Nutrition Assistance Program	170	238	333
Child Nutrition Programs	221	245	221
Commodity Assistance	1	2	3
Supplemental Nutrition Program -WIC	30	32	35
Nutrition Programs Administration	905	781	980
Center for Nutrition Policy and Promotion	32	27	35
Total Available	1,359	1,325	1,607

(Amounts shown are in Millions except as noted)

SECTION 2. PERFORMANCE GOALS, OBJECTIVES and RESULTS

The FNS agency goals and objectives are fully integrated into USDA's Strategic Goal 4 with three related Department Strategic objectives. Each Department Strategic Objective has a key outcome and indicator, as discussed below.

USDA Strategic Goal	USDA Strategic Objective	Programs that Contribute[1]	Key Outcomes	Key Indicators
USDA Goal 4: Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals	USDA Strategic Objective 4.1: Increase Access to Nutritious Food	SNAP, CN, WIC, CAP, FDPIR, TEFAP	Key Outcome 1: Reduce hunger and improve nutrition.	Program Participation Rates
	USDA Strategic Objective 4.2: Promote Healthy Diet and Physical Activity Behaviors	SNAP, CN, WIC CNPP[2]	Key Outcome 2: Promote more healthful eating and physical activity across the Nation.	Nutrition Guidance Distribution Volume
	USDA Strategic Objective 4.3: Protect Public Health by Ensuring Food is Safe	SNAP, CN, WIC	Key Outcome 3: Maintain a high level of integrity in the nutrition assistance programs.	SNAP Payment Accuracy Rate

STRATEGIC GOAL 4: ENSURE THAT ALL OF AMERICA'S CHILDREN HAVE ACCESS TO SAFE, NUTRITIOUS, AND BALANCED MEALS

Nutrition is the link between agriculture and the Nation's health, and the Department made strong progress in advancing our nutrition and health goal in 2014. USDA's leadership of the Federal nutrition assistance programs made a healthier diet available for millions of children and low-income families. And the cutting-edge nutrition promotion efforts of the Center for Nutrition Policy and Promotion harnessed interactive technologies to motivate all Americans to make positive dietary behavioral changes consistent with the *Dietary Guidelines for Americans* and the Healthier US initiative. Key 2014 accomplishments include:

Promoting access to the Supplemental Nutrition Assistance Program (SNAP). SNAP is the Nation's largest nutrition assistance program, serving 46.5 million people in June 2014. The latest information on the rate of participation among eligible people showed that in 2012, 83 percent of all who were eligible participated.

Continuing to ensure that SNAP benefits are accurately issued. The SNAP payment accuracy rate for FY 2013, announced in June 2014, was 96.8 percent, a new record-high that reflects effective partnerships with State administering agencies and extensive use of policy options to streamline program administration while improving access for working families.

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[1] SNAP = Supplemental Nutrition Assistance Program (formerly the Food Stamp Program), CN=Child Nutrition (includes the National School Lunch Program, the School Breakfast Program, and the Special Milk Program), WIC = Special Supplemental Nutrition Program for Women, Infants & Children, CAP = Commodity Assistance Programs, FDPIR = Food Distribution Program on Indian Reservations, TEFAP = The Emergency Food Assistance Program
[2] CNPP = Center for Nutrition Policy & Promotion (Partner agency to FNS within USDA)

In FY 2014, USDA continued to improve the quality of Americans' diets through research-based nutrition enhancements to the Nation's food supply and better knowledge and education to promote healthier food choices. In FY 2014, USDA pursued national policies and programs to ensure that everyone has access to a healthy diet regardless of income, and that the information is available to support and encourage good nutrition choices.

USDA's success in promoting public health through good nutrition and the effectiveness of its nutrition assistance education programs rely heavily on research. The research provides critical knowledge of what we need to eat to stay healthy and how that knowledge can be conveyed to the public in a manner that leads to true changes in our diets. Research also supports development of new healthy and tasty food products providing another avenue for helping consumers eat well.

STRATEGIC GOAL 4: ENSURE THAT ALL OF AMERICA'S CHILDREN HAVE ACCESS TO SAFE, NUTRITIOUS AND BALANCED MEALS

OBJECTIVE 4.1: INCREASE ACCESS TO NUTRITIOUS FOODS

4.1.1 Annual percentage of eligible people participating in the SNAP

Overview

The Supplemental Nutrition Assistance Program (SNAP) is the foundation of America's nutrition assistance program system. SNAP provides benefits that can be used to purchase food at authorized retailers for preparation and consumption at home. It makes resources that can be used for food available to most households with little income. Benefit levels are based on the Thrifty Food Plan, a representative healthful and minimal cost meal plan that shows how a nutritious diet may be achieved with limited resources. The amount received by a household depends on its income, expenses, and household size.

Analysis of Results

USDA and its program delivery partners sustained effective access to SNAP.

USDA's efforts to support and encourage SNAP participation included:

- Continued efforts with States to develop outreach strategies. However, the Agriculture Act of 2014, Section 4018 makes several changes to recruitment activities allowed with Federal funding. Some of the changes will be implemented immediately by States, whereas others will require rulemaking before implementation. States are to implement immediately the following provisions. Federal funds are banned from being used for television, radio, or billboard advertisements that are designed to promote SNAP benefits and enrollment.
- Supported innovative State practices to promote access by simplifying the application process. Thirty-eight States use an Internet-based application filing system. Thirty-one States use call centers.
- Provided numerous strategies to help States manage workloads because of increasing participation and decreasing State resources due to the economic downturn. These strategies

(Amounts shown are in Millions except as noted)

include policy waivers; policy guidance on implementation of the Affordable Care Act (as it impacts SNAP); and the Agriculture Act of 2014, assistance on development of clear and accurate household notice.

USDA estimates the number of people eligible for the program along with the rate at which eligible people are participating. The latest study shows that in 2012, of nearly 51 million individuals eligible for SNAP benefits in an average month in FY 2012, approximately 42 million participated (83 percent), and nearly 9 million did not. Nationally, the participation rate among individuals increased by 5 percentage points between FY 2011 and FY 2012. From FY 2011 to FY 2012, the number of SNAP participants increased by about 4 percent and the number of eligible individuals decreased by about 3 percent.

Annual Performance Goals, Indicators and Trends	2009	2010	2011	2012	2013	Fiscal Year 2014		
						Target	Actual	Result
4.1.1 Annual percentage of eligible people participating in the SNAP	72.0%	72.0%	78.0%	83.0%	Not Available	79.2%	Not Available	Deferred
	FY 2013 data will be available in 2015 **Rationale for Met Range**: The 90% confidence interval around the FY 2012 participation rate of 83% is ± 1.0 percent.							
	Data Assessment of Performance Measure 4.1.1							
	The SNAP individual participation rate represents the ratio of SNAP participants to SNAP-eligible individuals. Participant counts are based on SNAP Program Operations data and SNAP Quality Control (QC) data. Eligible individual counts are based on the Census Bureau's Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) data. Both counts are derived from samples of the relevant population. ☐**Completeness of Data**—The most current data available for this measure are for FY 2012. The SNAP individual participation rate of 83 percent met the performance goal/measure target. ☐**Reliability of Data**—QC data are valid and accepted by State SNAP agencies as a basis for performance measures. The CPS ASEC is collected by the Census Bureau and is likewise a valid source of income and poverty data. ☐**Quality of Data**— As described above, the data used to develop this measure are used widely within and outside USDA. The SNAP participation rate is frequently cited as an important, high-quality indicator of program performance.							

Challenges for the Future

The Agriculture Act of 2014 includes provisions intended to reduce participation in the program by individuals who are not working and reduces the number of households receiving the heating and cooling Standard Utility Allowance (SUA) due to receipt of minimal energy assistance. This reduction will make some households ineligible and reduce benefits to others. It also restricts the use of federal funding for certain outreach efforts. Within these parameters, USDA will continue its efforts to reduce hunger and improve nutrition. Continued efforts will be made to ensure proper program administration, including timely determination of eligibility.

4.1.2 Annual percentage of eligible people participating in the NSLP

Overview

The National School Lunch Program (NSLP) is a federally assisted meal program operating in almost 100,000 public and non-profit private schools and residential child care institutions. Schools and districts that choose to participate in the NLSP receive cash subsidies and USDA foods from the U.S. Department of Agriculture (USDA) for each meal they serve that meet the Federal requirements. Any child at a participating school may purchase meals through the NSLP and children from families with income at or below 130 percent of the poverty level are eligible for free meals and families with incomes between 130 percent and 185% are eligible for reduced price meals.

Analysis of Results

During the school day over 51 million children attend schools operating the National School Lunch Program with over 30 million children participating each day. Of the 30 million children participating, over 21 million are receiving free or reduced price lunches each day. Through the implementation of the Healthy Hunger-Free Kids Act (HHFKA), participation among the nation's neediest children has substantially increased due to new provisions designed to improve access and eliminate barriers to participating in the school meal programs. Participation among free students has increased by 23% since 2008.

- The HHFKA implemented benchmark rates for States to meet in directly certifying children in families receiving SNAP benefits--80 percent in School Year (SY) 2011-2012, 90 percent in SY 2012-2013, and 95 percent in SY 2013-2014 and future years. As of SY 2012-2013, 91 percent of school districts used direct certification, and 89 percent of SNAP children were directly certified for free meals. This is a notable increase from 2009-10 (prior to implementation of HHFKA), with only 83 percent of school districts using direct certification and 72 percent of SNAP children directly certified for free meals.

- HHFKA authorized demonstration projects for selected States and Local Educational Agencies (LEAs) to evaluate the effectiveness of conducting direct certification with the Medicaid Program. During the demonstrations, eligible children will be directly certified for free school meals based on income and participation information received from Medicaid agencies through automated data matching processes, with no further action required of the household. The demonstrations are currently being phased in over a three year period in a limited number of LEAs and States across the country. By SY 2014-2015, the demonstration will operate in selected LEAs that collectively serve ten percent of children in low-income families

- In 2011, the Agency began implementation of the Community Eligibility Provision (CEP) which provides an alternative to household applications for free and reduced price meals in high poverty LEAs and schools. In order to be eligible for the CEP, LEAs and schools must meet a minimum level of identified students for free meals, agree to serve free lunches and breakfasts to all students, and agree to cover with non-Federal funds any costs of providing free meals to all students above amounts provided in Federal assistance. CEP has already been implemented in Kentucky, Illinois and Michigan beginning in SY 2011-2012; New York, Ohio, West Virginia, and the District of Columbia in SY 2012-2013; and Florida, Georgia, Maryland, and Massachusetts in SY 2013-2014. As of July 2014, the provision is available nationwide to eligible LEAs.

- The results of the CEP evaluation study found that there was a high take up among eligible districts and participation in both the NSLP and SBP significantly increased through operating CEP with a 5% increase in NSLP participation and 9% increase in School Breakfast Program (SBP) participation. Across the 11 States currently participating in CEP over 600 districts have at least one school participating covering over 4,000 schools that are currently participating. The seven States participating in CEP for more than one year experienced a large growth in the number of eligible districts participating in CEP, with three of the seven States doubling or tripling the number of participating districts from the first year.

(Amounts shown are in Millions except as noted)

Annual Performance Goals, Indicators and Trends	2009	2010	2011	2012	2013	Fiscal Year 2014		
						Target	Actual	Result
4.1.2 Annual percentage of eligible people participating in the NSLP	57.0%	57.9%	58.0%	57.6%	55.7%	56.4%	54.8%	Met

Rationale for Met Range: Thresholds for 4.1.2 reflect the margin of error in forecasts of future participation, estimated at 5 percent for school meals programs. This reflects the pattern of variance between actual and target performance for both programs during the past 5 years. For FY 2014, this percentage range allows for actual performance that meets the targets in the range of 53.6-59.2 percent.

Data Assessment of Performance Measure 4.1.2

The indicator is a ratio of school meals participation data, drawn from USDA administrative records, as a proportion of total public and private school enrollment, projected by the Department of Education's National Center for Education Statistics (NCES), and reported in NCES's *Projections of Education Statistics to 2021* report.

NSLP administrative data is drawn from State agency reports are certified accurate and submitted to regional offices. There, they are reviewed for completeness and consistency. If the data are acceptable, the regional analyst posts them to the National Data Bank (NDB) Preload System. NDB is a holding area for data review prior to release. Otherwise, regional-office personnel reject the report and the State agency is contacted. Data posted by regional personnel into NDB are reviewed at USDA. If data are reasonable and consistent with previous reports, they will be downloaded to NDB for public release. If not, USDA works with regional offices and States to resolve problems and inconsistencies. This process of review and revision ensures that the data are as accurate and reliable as possible.

NCES projections of public and private school enrollment are constructed using the Common Core of Data (CCD), "State Non fiscal Survey of Public Elementary/Secondary Education," 1996–97 through 2010–11; Private School Universe Survey (PSS), selected years 1997–98 through 2009–10; and National Elementary and Secondary Enrollment Model, 1972–2010. Detailed explanation of these sources are available on the web at http://nces.ed.gov/programs/projections/projections2021.

☐**Completeness of Data**— Figures for NSLP participation are based on 9-month (school year) averages. Participation data are collected and validated monthly before being declared annual data. Reported estimates are based on data through May 30, 2014, as available August 2014. NCES projections are based on nationally-representative surveys.
☐**Reliability of Data**— Participation data reporting is used to support program financial operations. All of the data are used in published analyses, studies and reports. They also are used to support dialogue with and information requests from the Government Accountability Office, the Office of Inspector General, and the Office of Management and Budget. Survey data supporting NCES projections are conducted using high-quality, well-documented methodologies.
☐**Quality of Data**— As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance. Survey data supporting NCES projections are conducted using high-quality, well-documented methodologies.

Challenges for the Future

Major changes resulting from the Healthy Hunger-Free Kids Act (HHFKA) may continue to challenge program participation. The new school meal patterns for lunch went into effect on July 1, 2012 and the standards for all foods served in schools went into effect on July 1, 2014. Anytime major changes are implemented disruptions in the system can be expected as schools and students adapt to the healthier standards. FNS has and will continue to listen to stakeholders and provide guidance to support schools in creating a healthy environment for children.

The HHFKA also enacted the requirement for districts to increase the prices charged for paid lunches to ensure adequate revenue is generated to cover the costs of producing these meals and Federal reimbursements provided for free and reduced price meals are not used. The increase in paid lunch prices may have impacted participation in some districts and may continue to be a challenge for districts to maintain participation among their paid students. Districts may also decide to contribute non Federal funds to meet the requirement in lieu of raising prices. FNS recognized that not all districts need the additional revenue from increasing prices and provided flexibilities. Districts in good financial standing may be exempt from the requirement and not have to increase paid lunch prices.

4.1.3 Annual percentage of children participating in the free/reduced price school lunch program that participate in summer feeding programs

Overview

The summer meal programs are part of the 15 USDA nutrition assistance programs that provide healthy meals to those in need, while providing nutrition education and expanding employment and training opportunities. When school lets out, millions of children no longer have access to their healthy free or reduced school breakfast or lunch. USDA's summer meal programs help fill the gap for children who depend on free and reduced price meals when they are in school. The Summer Food Service Program and the National School Lunch Program Seamless Summer Option provide meals to children in low-income areas during the summer months.

Analysis of Results

To reach children during the summer, FNS has made extensive efforts to increase access to summer meals for children through legislative, policy, research, targeting and partnership efforts. Through these efforts 168 million meals were served in 2013 which is 7 million meals over the previous summer. This exceeded the goal set forth at the beginning of the summer to serve 5 million more meals than the previous year.

- In 2013, FNS provided targeted technical assistance to 5 selected States to coordinate with State leaders and partners to leverage resources and optimize outreach efforts. Specific issues that were targeted included delivery of meals in rural areas, transportation to meal sites, informing low-income families about the availability of summer meals, and increasing the number of sites in underserved areas. In the 5 target States, the number of meals served increased by 13% and the number of sites and sponsors increased by 10% and 12%.
- FNS expanded this campaign for 2014 and targeted 22 States for increased attention and technical assistance. There was an additional focus on States with lower than average growth rates to provide targeted technical assistance and guidance. Additional States will receive targeted technical assistance in 2015.

Over the past few years, FNS has looked for ways to feed more eligible children through its summer programs. FNS created the Summer Electronic Benefits Transfer for Children (SEBTC) demonstration to study the use of SNAP and WIC electronic benefits transfer (EBT) technology to provide food assistance to children during the summer by providing their families with more resources to use at food stores. The Summer EBT program, where eligible households receive a supplement to their SNAP or WIC EBT card, has shown promise in reducing food insecurity among children during the summer months. Initial evaluations have indicated that SEBTC has resulted in significant decreases in food insecurity in pilot areas.

(Amounts shown are in Millions except as noted)

Annual Performance Goals, Indicators and Trends	2009	2010	2011	2012	2013	Fiscal Year 2014		
						Target	Actual	Result
4.1.3 Annual percentage of children participating in the free/reduced price school lunch program that participate in summer feeding programs.	17.4%	16.3%	15.5%	15.5%	16.0%	16.3%	Not Available	Deferred

Rationale for Met Range: Thresholds for 4.1.3 reflect the margin of error in forecasts of future participation, estimated at 5 percent for child nutrition This reflects the pattern of variance between actual and target performance for both programs during the past 5 years. For FY 2014, this percentage range allows for actual performance that meets the targets in the range of 15.5-17.1 percent.

Data Assessment of Performance Measure 4.1.3

The measure is calculated through the following equation:

$$\frac{\text{SFSP Average Daily Participation in July + NSLP Free\&RP Participation in July}}{\text{NSLP Free\&RP Participation in Previous March}} = \text{Participation Rate}$$

The school and summer meals participation data used in the calculation are drawn from USDA administrative records. The data used for this State agency reports are certified accurate and submitted to regional offices. There, they are reviewed for completeness and consistency. If the data are acceptable, the regional analyst posts them to the National Data Bank (NDB) Preload System. NDB is a holding area for data review prior to release. Otherwise, regional-office personnel reject the report and the State agency is contacted. Data posted by regional personnel into NDB are reviewed at USDA. If data are reasonable and consistent with previous reports, they will be downloaded to NDB for public release. If not, USDA works with regional offices and States to resolve problems and inconsistencies. This process of review and revision ensures that the data are as accurate and reliable as possible.

☐**Completeness of Data**— Figures for NSLP free/reduced price participation are based on 9-month (school year) averages. Participation data are collected and validated monthly before being declared annual data. Figures for summer feeding participation are drawn from July data; initial reports for 2014 will be available in December 2014.

☐**Reliability of Data**— Participation-data reporting is used to support program financial operations. All of the data are used in published analyses, studies and reports. They also are used to support dialogue with and information requests from the Government Accountability Office, the Office of Inspector General, and the Office of Management and Budget.

☐**Quality of Data**— As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance.

Challenges for the Future

The key factor to serving more children summer meals is expanding the number of sites open for feeding children. FNS will continue to work with schools, park and recreation departments, libraries, and faith and other community organizations across the nation to encourage participation in summer meal programs. FNS has developed Geographic Information System (GIS) maps that will enable States to identify low-income areas where there are significant numbers of children and few meal sites. This will enable States to better target outreach efforts.

State agency capacity to conduct outreach activities continues to be a challenge as well. As part of the targeted technical assistance project, FNS will continue to work with National, State, and local partners to leverage resources and encourage collaboration in summer meal expansion efforts.

In order to continue the Summer EBT project in any meaningful way in 2015 and beyond, new funding will be necessary. FNS has requested $30 million in additional funding in the 2015 budget. Once a budget is passed, if additional funding is provided, FNS will work with States to implement the project proportionate to the available funding.

(Amounts shown are in Millions except as noted)

4.1.4 Prevalence of food insecurity in households with children

Overview

Food security is defined as access by all people at all times to enough food for an active, healthy life. Food insecurity is defined as unable to acquire adequate food for one or more household members because they had insufficient money and other resources for food. Federal nutrition assistance programs are an important strategy in the effort to prevent and reduce food insecurity, so USDA monitors food security as an ongoing measure of the effectiveness of these programs in coordination with other public and private initiatives.

The extent and severity of food insecurity in U.S. households is measured through an annual, nationally representative survey sponsored by USDA's Economic Research Service. Specifically, the responses to the Current Population Survey Food Security Supplement (CPS-FSS) questions are used to monitor food security. CPS-FSS has 18 core items for assessing food security of households with children and 10 items for households without children. The CPS-FSS questions ask about experiences in the last 12 months and may also probe about the past 30 days.

Analysis of Results

The most recent annual report, Household Food Security in the United States in 2012[3], notes that 14.5 percent or 17.6 million households were food insecure at some time during 2012.

In 2013, 19.5 percent of households with children—over 7.5 were food insecure. This level of prevalence has remained relatively unchanged since 2008. While in many of these households, children are protected from food insecurity, because adults often reduce their own food variety or intake to provide for children, in over 3.8 million households, one or more children were food insecure.

Annual Performance Goals, Indicators and Trends	2009	2010	2011	2012	2013	Fiscal Year 2014		
						Target	Actual	Result
4.1.4 Prevalence of food insecurity in households with children.	21.3%	20.2%	20.6%	20.0%	19.5%	19.4%	Not Available	Deferred

Rationale for Met Range: The 90% confidence interval around the measure is ± 0.65 percent.

Data Assessment of Performance Measure 4.1.4

The data come from the annual survey conducted by the U.S. Census Bureau as a supplement to the nationally representative Current Population Survey (CPS). The data are collected annually in December.

☐**Completeness of Data**— The CPS includes about 54,000 households and is representative at the State and national level of the civilian non-institutionalized U.S. population. About 45,000 households complete the food security module each year, and data are weighted by the U.S. Census Bureau to provide the national prevalence.

[3] Coleman-Jensen, Alisha, Mark Nord, and Anita Singh. *Household Food Security in the United States in 2012,* ERR-155, U.S. Department of Agriculture, Economic Research Service, September 2013.

(Amounts shown are in Millions except as noted)

Annual Performance Goals, Indicators and Trends	2009	2010	2011	2012	2013	Fiscal Year 2014		
						Target	Actual	Result
☐**Reliability of Data**—The US Census Bureau conducted cognitive and field tests of the food security questionnaire before it was finalized and included as a supplement to the CPS in April 1995. Minor modifications were made to the format and screening procedures during the first years of administration. In 1998 the screener and format were substantially revised to reduce respondent burden and improve the quality of the data. However, the content of the 18 food security questions has remained constant. In 2003-2006 an expert panel convened by the Committee on National Statistics (CNSTAT) of the National Academy of Sciences reviewed the food security measurement methodology. This expert panel concluded that the general methodology for measuring food insecurity was appropriate. ☐**Quality of Data**— The food security statistics are based on a nationally representative food security survey conducted as an annual supplement to the monthly CPS by the U.S. Census Bureau for the Bureau of Labor Statistics. The CPS provides data for the monthly U.S. unemployment statistics and annual income and poverty statistics								

Challenges for the Future

The prevalence of food insecurity in households with children has remained relatively constant since rising to 21 percent in 2008 from 15.8 percent in 2007. There is a need for developing and implementing evidence-based strategies to reduce the prevalence of food insecurity in households with children. Section 141 of the Healthy Hunger Free Kids Act (HHFKA) of 2010 authorized the development of a research program to study the causes and consequences of childhood hunger and food insecurity. The HHFKA also provided funding to conduct demonstration projects designed to reduce childhood hunger and food insecurity.

The alignment of the timeline for the annual performance measure with the availability of the annual food security statistics is also a challenge. The actual measure for 2014 will be released in September 2015.

4.1.5 SNAP payment accuracy rate

Overview

Ensuring that SNAP and other Federal nutrition assistance programs are administered with integrity is central to USDA's mission. Waste and abuse draw scarce resources away from those who need them the most. Just as important, the programs are ultimately not sustainable without public confidence that benefits go to those who qualify, are used appropriately, and achieve their intended purposes. The Department seeks to increase food security and reduce hunger in a manner that inspires public confidence that taxpayer dollars are used wisely.

Designed to respond to economic conditions, participation in the program has recently grown and benefits have increased, yet USDA remains strongly committed to program integrity. The Department takes its stewardship responsibilities for taxpayer dollars seriously through an established Quality Control (QC) system and long-standing support for payment accuracy initiatives. The Department continually works to improve payment accuracy through partnerships with States and regulatory and statutory requirements for a system that rewards exemplary program performance while holding low-performing States accountable. It also uses an early detection system to target States that may be experiencing a higher incidence of errors based on preliminary QC data. Actions then are taken by regional offices to address these situations in the individual States.

(Amounts shown are in Millions except as noted)

Analysis of Results

SNAP payment accuracy reached a record-high 96.8 percent in 2013, the latest for which data are available. The number reflects the excellent performance by State agencies in administering the program. This combined rate reflects 2.60 percent in overpayments and 0.60 percent in underpayments for a total of 3.20 percent in erroneous payments.

Forty-seven States had a payment accuracy rate greater than 94 percent, including 29 States with rates greater than 96 percent. This is one more State with greater than 94 percent accuracy. There were 3 fewer States with greater than 96 percent accuracy from the previous year.

Annual Performance Goals, Indicators and Trends		2009	2010	2011	2012	2013	Fiscal Year 2014		
							Target	Actual	Result
4.1.5	Improve SNAP Payment Accuracy Rate Baseline: 2001 = 91.34%	94.9%	96.19%	96.2%	96.58%	96.80%	96.20%	Not Available	Deferred

FY 2014 data will be available in 2015.
Rationale for Met Range: FNS does not have the information to calculate confidence intervals for Payment Accuracy. However, FNS does have information on Payment Error. In FY 2013 we had a Payment Accuracy of 96.8 percent and a payment error rate of 3.20 percent (calculated from State Quality Control samples). From the sample data we can calculate a 95.0 percent confidence interval of 3.20 plus or minus 0.196 or a range of 3.00-3.40 percent. For FY 2013, based on this confidence level of our payment error rate from the sample data the target is considered met.

Data Assessment of Performance Measure 4.1.5

The Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, uses annual payment accuracy data from the Quality Control (QC) process to support SNAP management. The data are based upon statistically valid methodology. The QC process uses a systematic random sampling of SNAP participants to determine a combined payment error rate for each State. The combined error rate is composed of over-issuances and under-issuances of SNAP benefits. A regression formula is applied to the results of the reviews to calculate official error rates. State agencies review selected cases monthly to determine the accuracy of the eligibility and benefit-level determination. The process includes a client interview and verification of all elements of eligibility and the basis of issuance. Federal reviewers validate a sample of the State's reviews by conducting a re-review. The process has proven to be a sound method of calculating reliable data.

☐**Completeness of Data**—The most current data available for this measure are for FY 2013. The payment accuracy rate of 96.80 percent met the performance goal/measure target. FY 2014 performance will be deferred until next year's report.

☐**Reliability of Data—**QC data are valid and accepted by State SNAP agencies as a basis for performance-incentive payments and penalties. The U.S. Government Accountability Office and the Office of Inspector General also use the data regularly.

☐**Quality of Data**—As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is frequently cited as an important, high-quality indicator of program performance.

Challenges for the Future

The most critical challenge impacting future success is continuing resource limitations for State agencies. State budgets have been and will continue to be extremely tight. This factor could hurt State performance in payment accuracy. USDA will continue to provide technical assistance and support to maintain payment accuracy in the context of this difficult program environment.

OBJECTIVE 4.2: PROMOTE HEALTHY DIET AND PHYSICAL ACTIVITY BEHAVIOR

4.2.1 SNAP benefits redeemed at farmers markets and direct marketing (DM) farmers annually

Overview

USDA is committed to supporting local food systems and expanding access for SNAP participants' to healthy foods. For that reason, USDA has made it a priority to increase the availability of SNAP at farmers' markets.

In fiscal year (FY) 2012, the Retailer Policy and Management Division (RPMD) provided $4 million to SNAP State agencies to provide wireless Electronic Benefits Transfer (EBT) equipment to farmers' markets not currently participating in SNAP and direct-marketing farmers participating at such markets. States were able to retain and use these funds through FY 2013 and FY 2014, and will be allowed to retain and use them through FY 2016.

In FY 2013, RPMD received an additional $4 million to provide EBT equipment for farmers' markets not currently participating in SNAP. These funds were awarded to a contractor, who was tasked with identifying and recruiting eligible farmers' markets and direct-marketing farmers to become SNAP-authorized, assisting them through that process, and providing them with such equipment. That contract has been extended through the end of FY 2015.

In FY 2014, RPMD received an additional $4 million to "support the participation of farmers' markets in SNAP by providing equipment and support grants to new markets and those currently participating in the program." With funds provided in previous years still available, RPMD expects to have sufficient funds to satisfy demand for SNAP EBT equipment by newly-authorized markets through FY 2015.

As such, RPMD intends to use FY 2014 funds to contracting with an entity, or entities that have experience working with the farmers' market community to provide markets and farmers with different types of assistance. That contract would address the most commonly requested types of assistance, which are: (1) personnel costs to operate farmers' markets; (2) materials to inform SNAP participants of their ability to use their benefits at farmers' markets; (3) miscellaneous equipment, such as scrip, and technology infrastructure (wifi hotspots, phone lines, electrical lines, etc.); and (4) replacement equipment for existing markets and farmers that are in situations of hardship.

Analysis of Results

In July of 2014, FNS exceeded 5,000 total SNAP-authorized farmers' markets and direct-marketing farmers. This represents an increase of 566 percent over the 753 that were SNAP-authorized in 2008. Meanwhile, SNAP redemptions increased 305% from FY 2008 to FY2013, from $4.3 to $17.4 million.

(Amounts shown are in Millions except as noted)

Annual Performance Goals, Indicators and Trends	2009	2010	2011	2012	2013	Fiscal Year 2014		
						Target	Actual	Result
4.2.1 SNAP benefits redeemed at farmers markets and direct marketing farmers annually. (Millions)	$4.3	$7.5	$11.7	$16.6	$17.4	$17.9	Not Available	Deferred

FY 2014 data will be available in 2015.

Rationale for Met Range: The target amount was selected based on previous annual changes in the amount of SNAP benefits redeemed at farmers' markets, and inferences regarding the likely increase for FY 2014 due to our continued efforts to increase such redemptions.

Data Assessment of Performance Measure 4.2.1

The data consist of redemptions reported by benefit providers and fed into our retailer database. FNS performs quarterly searches of the database to ensure that farmers' markets and direct-marketing farmers are correctly coded in the system and to confirm that the data reported is accurate, reliable and complete.

☐**Completeness of Data**—This is the same data Retailer Policy and Management Division (RPMD) uses when administering this initiative. FNS performs quarterly searches of the database to ensure that farmers' markets and direct-marketing farmers are correctly coded in the system and to confirm that the data reported is complete and accurate.

☐**Reliability of Data**— This is the same data RPMD uses when administering this initiative. FNS performs quarterly searches of the database to ensure that farmers' markets and direct-marketing farmers are correctly coded in the system and to confirm that the data reported is accurate and reliable.

☐**Quality of Data**— This is the same data RPMD uses when administering this initiative. FNS performs quarterly searches of the database to ensure that farmers' markets and direct-marketing farmers are correctly coded in the system and to confirm that the data reported is high quality.

Challenges for the Future

RPMD continues to face several challenges to increasing the availability of SNAP at farmers' markets. For example, RPMD must identify farmers' markets and direct-marketing farmers who are eligible to participated in SNAP; successfully recruit markets and farmers to become SNAP-authorized; provide technical assistance (to complete the application process, securing EBT equipment, operating that equipment, etc.). RPMD also anticipates encountering additional, unforeseen challenges once it awards its new farmers' market contract in September of 2014.

SECTION 3. ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The information in this section is consistent with the findings of the USDA OIG's FY 2014 financial statements audit report.

Federal Managers' Financial Integrity Act (FMFIA) Assurance

Management is responsible for developing and maintaining internal controls to ensure the effectiveness of operations, reliability of reporting, compliance with applicable laws and regulations and safeguarding of assets. Internal control encompasses accounting and administrative controls. Such controls include program, operational and administrative areas as well as accounting and financial management.

FNS has conducted its assessment of internal control and financial systems pursuant to Sections 2 and 4 of FMFIA, for the period ending September 30, 2014. Based on the results of this evaluation, FNS can provide reasonable assurance that internal controls are operating effectively. For FY 2013, FNS had no existing material weaknesses or significant deficiencies on which to report. No new material weaknesses or significant deficiencies were identified for FY 2014.

Federal Financial Management Improvement Act (FFMIA) Assurance

FNS has evaluated its financial management systems under FFMIA for the period ended September 30, 2014. Based on the result of our evaluation, the agency is in substantial compliance with the FFMIA for the following sections:

1. Federal Financial Systems Requirements,
2. Applicable Federal Accounting Standards,
3. Standard General Ledger at the Transaction Level, and
4. Information Security, Policies, Procedures, and Practices

Assurance for Internal Control over Financial Reporting

FNS conducted its assessment of the effectiveness of internal control over financial reporting as of June 30, 2014, in accordance with USDA's Implementation Guide and as required by the Office of Management and Budget Circular A-123, Appendix A.

This assessment included an evaluation of entity level controls, risk assessments, process descriptions and flowcharts, documentation of key controls, an assessment of the design of key controls, tests of operating effectiveness of properly designed controls, summary of deficiencies, and the development of corrective action plans for control deficiencies. Key controls in the following cycles/processes were tested:

Processes

a. Reimbursable Agreements – Accounts Payable
b. Reimbursable Agreements – Accounts Receivable
c. Reimbursable Agreements - Advances
d. Reimbursable Agreements – Authorizations/Approvals
e. Reimbursable Agreements – Reconciliations
f. Awards – Entitlements
g. Draws and Expenditures – Entitlements
h. Closeouts – Entitlements
i. Monitoring – Financial Reporting
j. User Access and GL Maintenance
k. Period End Reporting
l. Significant Management Estimates
m. Obligations/Un-liquidated Obligations

Management recognizes its responsibility for monitoring and correcting all control deficiencies. With regard to these cycles and the internal controls within these cycles, management certifies that there have been no changes in the operations of controls tested from the sample selection date through June 30, 2014. FNS provides reasonable assurance that the internal controls, financial processes and financial systems are adequate to insure the accuracy of financial reporting for FY 2014.

FNS has identified control deficiencies in the General Computer Controls (GCC) access control family as well as an un-liquidated obligation deficiency, each of these deficiencies were elevated by the Department as material weaknesses. Corrective action plans will be submitted in the OCFO's A-123 Document Tracking System (ADTS) for the identified control deficiency.

Disaster Relief Appropriations Act

FNS has established appropriate policies and controls, and corrective actions have been taken to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy and other disaster-related activities for The Emergency Food Assistance Program (TEFAP). According to the Disaster Relief Appropriations Act, all programs receiving funding under the act were to be considered at a high risk for improper payments, and required to develop error measurement and corrective action plans for FY 2014. FNS determined that the entire $5.7 million States were allocated in Hurricane Sandy funding was obligated by September 30, 2013, and that all funds were spent properly and for intended purposes. In July 2014 FNS submitted a sampling methodology to OMB to be approved for FY 2014 reporting for TEFAP. After submission, the proposed methodology was reviewed by OMB staff from the Office of Federal Financial Management and the Resource Management Office. Based on that review, OMB approved the proposed methodology and part 7 of the corrective action plan template for this program to begin with FY 2014 reporting.

Improve Data Quality Reporting for USAspending.gov

1. The prime Federal award financial data reported on USAspending.gov is correct at the percentage of accuracy;
2. The agency has implemented adequate internal controls over the underlying spending; and
3. The agency has implemented processes to ensure data completeness and accuracy on USA.Spending.gov by using control totals with financial statement data and comparing samples of financial data to actual award documents.

In conclusion, FNS continues to struggle with diminishing staff resources. Any future reductions in FNS resources, any increases in responsibilities or change in program design without compensating Administrative resources increases may compromise the gains we have achieved in the areas of Program integrity and FNS' ability to adequately execute internal controls already put in place or to develop any additional controls that may be needed in the future.

OIG Audit Handling Process and Performance

USDA's Office of the Inspector General (OIG) performs audits of FNS programs, systems and operations. The results of this work are reports detailing, at a minimum, what was examined, findings that should be addressed and recommendations for changes/improvements. Upon release of each final report, FNS submits to OIG a written corrective action plan listing actions planned and dates by which these actions will occur. *Management decision* is reached when OIG accepts FNS's proposed corrective actions.

(Amounts shown are in Millions except as noted)

Upon reaching management decision, FNS's Financial Management organization oversees follow-up activities to assure that planned actions for each recommendation are implemented and completed. As this occurs, FNS notifies the Department's Office of the Chief Financial Officer (OCFO) and requests concurrence that all actions described in the management decision agreement have occurred. *Final action* is achieved for each finding/recommendation when all actions necessary to fulfill the management decision agreement have been performed.

Delays in reaching *Final Action* status most often occur for two categories of reasons:

- The amount of time needed to complete certain activities cannot be accurately estimated. Examples of these are:
  - Specific legislation, policy or guidance needs to be developed;
  - An investigation, negotiation, or administrative appeal action must be completed;
  - An automated system needs to be developed, implemented, or enhanced;
  - The results of additional monitoring or program review activity must be completed;
  - Disallowed costs must be collected;
  - Legal advice or opinion from the Office of General Counsel is needed; or
  - Certain external (state) or administrative actions must occur.

- Changes that could not be anticipated at the time management decision was reached:
  - A change must be made to the management decision agreement. For example, the agreed upon management decision calls on the Agency to publish a regulation, but Congress initiates a moratorium on regulations.
  - Additional information, explanation, advice or action from OIG is needed.

USDA agencies submit quarterly progress reports to OCFO for all audits that remain open more than one year past the management decision date. These interim reports show incremental progress toward completion of planned actions, changes in planned actions, actual or revised completion dates, and explanations for revised dates.

Audits Without Final Action More Than One Year Past the Management Decision Date

Audit Number	Date Issued	Audit Title	Completion Date For Actions (Est.)	Reason for Lack of Final Action
27099-49-TE	9-4-07	Food and Nutrition Service Disaster Supplemental Nutrition Assistance Program for Hurricanes Katrina and Rita	5-31-15	Proposed rule pending publication.
27601-16-AT	3-31-08	Food Stamp Employment and Training Program	8-31-15	Proposed rule pending publication.
27601-12-SF	11-18-11	Review of Management Controls for the Child and Adult Care Food Program	9-30-14	Pending publication of final regulation; completion of new web-based system; and completion of administrative actions by FNS to closed audit.

(Amounts shown are in Millions except as noted)

270601-0012-SF	1-3-13	National School Lunch Program-Food Service Management Company Contracts	12-31-14	Pending FNS release of methods for reviewing local administrative costs within the NSLP; and receiving State information from OIG.
27002-0011-13	9-28-12	Analysis of FNS' Supplemental Nutrition Assistance Program (SNAP) Fraud Prevention and Detection Efforts	12-31-16	Pending completion of the 5 State pilot program; release of the National Fraud Rate Feasibility Recommendations and Options Report; and completion of SNAP study for calculating the national trafficking rate.
50601-0014-AT	8-16-10	Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture	12-31-13	Pending receipt of documentation and OIG meeting on corrective actions.

The Inspector General Act Amendments of 1988 requires an annual report on the status of audits. In compliance with this Act the below table reflects FNS audits that were closed during FY 2014.

	Auditor	Agency	Audit Number	Audit Name	Status
1	OIG	FNS	27401-0003-21	FNS Financial Statements for FY 2013 - 2012	CLOSED – December 2013
2	OIG	FNS	27099-01-DA	Identifying Areas of Risk in the Child and Adult Care Feeding Program Using Automated Data Analysis Tools	CLOSED – January 2014
3	OIG	FNS	27901-0001-13	Effectiveness of Tools Used by States to Disqualify SNAP Participants	CLOSED - Canceled January 2014
4	OIG	FNS	27002-0010-13	Analysis of New York's Supplemental Nutrition Assistance Program (SNAP) Eligibility Data	CLOSED – February 2014
5	OIG	FNS	27001-0001-10	Overlap and Duplication in FNS Programs	CLOSED – July 2014
6	OIG	FNS	27601-38-CH	Vendor Monitoring and Participant Eligibility in the Supplemental Nutrition Assistance Program for Women, Infants, and Children (WIC)	CLOSED – July 2014
7	GAO	USDA/ FNS Lead	GAO-14-91	College Debit Cards: Actions Needed to Address ATM Access Student Choice and Transparency	CLOSED – February 2014
8	GAO	USDA/	GAO-14-31	Puerto Rico: Information on How	CLOSED – March 2014

(Amounts shown are in Millions except as noted)

		FNS Lead		Statehood Would Potentially Affect Selected Federal Programs and Revenue Sources	
9	GAO	USDA/ FNS Lead	GAO-10-346	Actions Needed to Reduce Overlap Among Domestic Food Assistance Programs	CLOSED – June 2014
10	GAO	USDA/ FNS Lead	GAO-14-557	School Meal Programs: Implications of Adjusting Income Eligibility Thresholds and Reimbursement Rates by Geographic Differences	CLOSED – July 2014
11	GAO	USDA/ FNS Lead	GAO-13-290	WIC: Improved Oversight of Income Eligibility Determination Needed	CLOSED – August 2014

Assurance for Legal Compliance

The Office of the Inspector General (OIG) found that FNS did not fully comply with three of seven Improper Payment Elimination and Recovery Act (IPERA) requirements. FNS did not always report estimates for high-risk programs, meet annual reduction targets, and report error rates below specific thresholds. Below is a summary of the noncompliance and FNS' accomplishments with planned actions for becoming compliant with IPERA.

Outstanding Initiatives to Achieve Compliance			
Initiative	**Section of Non-compliance**	**Agency**	**Target Completion Date**
Improper Payments Elimination and Recovery Act of 2010 (IPERA)	Published improper payment estimates for all high-risk programs and activities.	FNS	12/2020
	Published, and has met, annual reduction targets for each program assessed to be at risk and measured for improper payments.	FNS	09/2015
	Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.	FNS	12/2020

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Improper Payment Elimination and Recovery Act of 2010 (IPERA)	IPERA	Overall Estimated Completion Date	FY 2021
	IPERA non-compliance issues. (FNS)		
FY 2014 Accomplishments:		**FY 2015 Planned Actions:**	
FNS did the following:		**FNS will do the following:**	
• Implemented and supported a unified State monitoring process for compliance with school meal requirements; • Implemented the Community Eligibility in all States and conducted outreach, education, and promotion efforts; • Proposed professional standards for school food service personnel, requiring professional education and training standards for certification of local school food service directors and staff, and criteria and standards for the selection of State Directors (the proposed rule was published on February 4, 2014); • Strengthened local requirements for review of 2nd applications (published final rule for 2nd review for high risk Local Education Agencies (LEA); • Developed a system to provide State administering agencies and sponsoring organizations with the names of institutions, day care home providers and individuals that have been terminated or otherwise disqualified from participating in the Child and Adult Care Food Program (CACFP); and • Reported a FY 2014 improper payment rate of 1.05 percent for the CACFP, which met the reduction target of 1.48 percent.		• Continue to implement direct certification with Medicaid in the fourth year; • Develop reauthorization proposals to improve program operations and reduce error; • Continue to implement and promote the expansion of the Community Eligibility Provision; • Continue to strengthen and improve the direct certification process; • Implement professional standards for hiring State and local staff as well as standards for training and certification requirements for food service personnel; • Fund technological improvements through Administrative Review and Training Grants; • Obtain updated error estimates for Program Access, Participation, Eligibility, and Certification (APEC II) study; • Begin work on study to measure the levels and rates of improper payments in CACFP-participating child care centers due to certification and non-certification error; and • Begin a new round of work study to develop and test a reliable methodology to measure improper payments due to meal claiming error in CACFP family day care homes.	

SECTION 4. IMPROPER PAYMENTS INFORMATION ACT (IPIA)

The Improper Payments Information Act (IPIA) requires all agencies to 1) review all programs and activities, 2) identify those that may be susceptible to significant improper payments, 3) estimate the annual amount of improper payments for each program and activity and 4) report results.

Appendix C of OMB Circular A-123 defines significant improper payments as an annual amount that exceeds both 2.5% of program payments and $10,000,000. For programs/payments that fit this description, agencies must:

- Measure and reduce the improper payments,
- Identify the causes and take action to correct them,
- Implement necessary infrastructure to support activities,
- Develop proposals to obtain necessary infrastructure, and
- Hold managers accountable for results.

FNS assessed all food assistance programs as well as its Nutrition Programs Administration (NPA) funding, which support FNS's Federal administrative operations. Assessments were conducted in conjunction with USDA-coordinated procedures. FNS, with OMB concurrence, has designated five programs as susceptible to significant improper payments: the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the Child and Adult Care Food Program (CACFP), the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). Improper payment measurement activities for each are described briefly below.

- The **Supplemental Nutrition Assistance Program (SNAP –** formerly known as the Food Stamp Program**)**, sampling and erroneous payment measurement processes, [the accepted hallmark of the IPIA environment] has been a legislative mandate for more than 30 years. This process compares the certification criteria upon which a household's benefit issuance is determined with the household's circumstances at the time of issuance. All case results are accumulated by state. The state results are validated and the validated results are combined into a national cumulative (overpayments plus underpayments) error rate. No other payment lifecycle steps are included. Improper payment measurement activities predate the passage of the IPIA. SNAP processes were compliant with the intent of the law when it was passed. State agencies are required to establish and collect SNAP claims in accordance with the requirements found in the Program regulations. Debts that become delinquent are subsequently submitted by the State agencies for collection through the Treasury Offset Program. In past years, FNS has used target measures to gauge the success of recipient claims activity. Claims collection by States is ongoing, however, success in this area can be challenging, since collections are to a large extent tied to the ability of each individual State to pursue and collect erroneous payments. To complicate matters, State error rates fluctuate over time with changes in the economy and in the numbers of the recipient population

- In the **Special Supplemental Nutrition Program for Women, Infants and Children (WIC),** work is underway to report improper payment error rates on two segments of the program: certification error and vendor error.

- FNS first reported a *vendor* improper payment error rate in FY 2006. Over and under payment rates for FY 2005 were developed through a nationally representative study of a probability sample of WIC vendors. Data from this study along with information on vendor investigations by State WIC Agencies is used to prepare a statistically estimated improper payment amount for each subsequent year. The WIC Vendor Management Study was replicated in FY 2012 with results available in late 2013. For the FY 2013 error rate, FNS estimated the rates of overpayment and underpayment by applying the average annual percent changed in the rates from 2005 and 2012 to the estimated 2012 rates.

- Certification rate: The National Survey of WIC Participants-II (NSWP-II_) included a measurement of the amount of erroneous payments associated with certification error in FY 2009. WIC participants were interviewed and the household income at the time of benefit issuance was verified through the review of household income documents. The NSWP-II that contains a final estimate of erroneous payments due to certification error in FY 2009 was published in April 2012.

- Because erroneous payment estimates need to be produced annually, and given that surveys such as the NSWP-II are extremely expensive to mount, FNS required a methodology to “age” the estimates produced in that study. The generation of improper payments associated with erroneous WIC eligibility in the years beyond FY 2009, is based on a three-stage model. In the first stage, equations were developed from the NSWP-II survey data to predict the probability that a WIC participant was certified erroneously (i.e., deemed eligible when the participant’s actual income was not within eligibility guidelines) and to predict the average annual cost of an erroneous determination for those in error. The second stage of the process focuses on predicting the size and changes in the composition of the WIC population. The files used for gaining the WIC population included WIC Participant Characteristics data a census of all WIC participants enrolled within a particular target month (April of every even year) and WIC administrative data obtained from the National Data Bank that can provide information on overall trends within WIC certification category and region. The third stage of the process is to apply the predictions generated from the first stage to the second stage population. This approach results in population-adjusted estimates of the incidence of eligibility errors and dollar impact.

Current statutory authority allows USDA to recover improper payments from state agencies when identified through reviews, audits or other operational oversight activities. This authority does not support collection of improper payments identified on the basis of a statistical sample or estimation procedure, as is used to develop the national estimates of improper payments reported here.

- The **Child and Adult Care Food Program (CACFP)** has three distinct parts: Child Care Centers, Adult Day Care facilities and Family Day Care Homes (FDCHs). Overall program funding is provided to state agencies who in turn, provide funds to sponsoring organizations to pay for claims for reimbursable meals served at provider sites. Sites can be as large as an institution or as small as a household. Each part of CACFP has its own reimbursement structure.

  Payments and claim information are transferred among FNS, State agencies, program sponsors and program sites; each such transaction represents a risk for improper payment. However, because requirements vary significantly for each different type of program sponsor and site, a comprehensive assessment of improper payments is extremely complex.

Recognizing that the agency was limited in resources needed to develop a measurement approach for program-wide erroneous payments in CACFP, FNS submitted a request for resources in the fiscal year (FY) 2006 budget process. The goal of the funding request was to conduct a nationally-representative CACFP erroneous payments program-wide study which would examine reimbursements for meals served and to develop program error measurements that complied with the requirements of the 2002 IPIA. Due to the complexities of the program, FNS estimated that it would cost $20 million to measure improper payments at the precision required by IPIA. Although the FY 2006 Budget request included funds designated for the nationally-representative CACFP erroneous payments study, funds were not provided by Congress.

FNS has identified the FDCH component of this program as potentially high risk, and measures error in this part of the program in lieu of the unfunded comprehensive measure. FDCHs participate in CACFP through public or private nonprofit sponsoring organizations. FDCH improper payments are most likely caused by sponsor error in determining a participating home's reimbursement tier (*tiering error*) or by FDCH error in reporting the number of meals which are eligible for reimbursement (*claiming error*).

The following activities have informed FNS on improper payments in the FDCH component of CACFP.

- In July 2009 FNS issued the final report of the Child Care Assessment Project (CCAP). This project was designed to measure the effectiveness of efforts to improve the integrity of CACFP FDCHs and provide information from a broadly representative national sample of sponsors and providers. Data were collected by FNS in cooperation with State agencies and sponsors administering the CACFP, during the period 2004-2007. The CCAP process was designed to measure whether the two interim management improvement rules issued by FNS in 2002 and 2004 had been properly implemented, and whether the rules had effectively addressed the serious program management and integrity problems that had been uncovered in the 1990s. In the three and one-half years during which assessments were conducted, FNS gathered the program records of 58 FDCH sponsors and over 3,000 of their providers. Overall, the findings of the CCAP final report indicated that the serious problems which had prompted the previous legislative and regulatory action were not common in 2004-2007. However, some concerns were identified, including the accuracy of recordkeeping by family day care home providers and the use of the serious deficiency process by program sponsors.

  While the CCAP report identified areas of potential weakness in the local-level management of the CACFP in FDCHs, it indirectly raised questions about State and Federal oversight of CACFP—specifically, why existing review mechanisms do not identify some of the serious Program management weaknesses.

  In order to more closely examine State agency administration of the CACFP in these identified areas of management weakness, FNS implemented the Targeted Management Evaluation (TME) process for FYs 2010 and 2011 as one part of FNS's response to the findings of the CCAP. Three of the four areas covered in the TMEs (State agency budget review and approval, State agency monitoring, and State agency implementation of the serious deficiency and appeals process) were identified by CCAP as particular areas of management concern in the CACFP.

FNS continues to address ongoing integrity concerns in the CACFP**.** In FYs 2012 and 2013, FNS regional offices conducted focused follow up with State agencies to address deficiencies identified during TMEs. For FYs 2014, 2015, and 2016, an in-depth Management Evaluation (ME), which includes a local-level component, is being conducted in each State agency to form a basis for a risk-based ME selection process.

- <u>Sponsor error measurement</u> – Beginning in 2005 and annually thereafter, FNS has measured the level of erroneous payments due to sponsor error for the two types of program reimbursement (Tier 1 and Tier 2). FNS has developed an annual sponsor tiering error measure and tested it. CACFP sponsors are responsible for determining whether FDCHs receive meal reimbursement at the higher rate (Tier 1) or lower rate (Tier 2). The improper payment rate (cost of improper payments due to tiering errors as a percentage of all CACFP FDCH reimbursement) has been between 1% and 2% from 2005 to 2013. Annual reports are available at http://www.fns.usda.gov/report-finder.

  The report for FY 2013 was released in September 2014. FNS has awarded the 2014 CACFP Tiering Assessment Project and plans to expand the project to 2015, 2016, 2017, and 2018.

- <u>Claiming error measurement</u> – In addition to the annual sponsor error assessments, FNS has continued to use its limited available resources to explore potential methodologies to develop other measures of high-risk program components – in particular, the accuracy of meal claims in FDCHs participating in CACFP.

  FNS has identified two potential methods of estimating the risk of claiming error:

  1. *State data approach*: Use data from State monitoring visits of FDCHs; and
  2. *Sponsor data approach*: Federal staff selects a random sample of sponsoring organizations and from each uses a random selection of the sponsor's monitoring visits of FDCHs.

  Both approaches compare the number of participants observed during a monitoring visit to the average number of meals claimed for reimbursement for the meal or snack closest to the time of the visit. FNS pilot tested and evaluated both approaches in conjunction with the CCAP reviews. FNS concluded that comparing meal claims to a sponsor's report of the number of children observed during a monitoring visit does not provide a reliable estimate of FDCH day care meal claiming error.

- FNS contracted with Mathematica Policy Research, Inc. (MPR) to evaluate the feasibility of the three different data collection methods for validating FDCHs' meal reimbursement claims. The pilot-tested methods were based on observations of meal services, analysis of sign-in/sign-out (SISO) logs, and parent interviews.

  SISO logs were found ineffective for creating a valid indicator of the risk of erroneous payments. The pretest found that in FDCHs where SISO logs are used, their design and use is not consistent across parents, FDCH providers, and sponsoring organizations. Parents' recall of meals/snacks served to their children correspond to independent observations in some situations. Parent recall data cannot validate the degree to which *all children at a specific provider* have erroneous payments.

However, parent recalls, when restricted to their own children, do correspond to independent observations of meals served to *their children* by the day care provider. While parent reports generally resulted in slightly higher estimates of the number of meals served than were observed, none of the differences are statistically significant. Therefore, parent recalls hold promise for validating whether meals claimed *for children of interviewed parents* are erroneous. The 2009 report is at http://www.fns.usda.gov/child-and-adult-care-food-program-cacfp-improper-payments-data-collection-pilot-project.

An expanded feasibility study was conducted in FY 2013 and FY 2014 to assess the validity of using parent-recall telephone interviews to develop estimates of the meals served to the children of the parents against meal claims reimbursed to FDCH providers. This assessment found that parental recall of meals served to their children while in attendance at the FDCH was unreliable due to a low match rate between parent-recalled meals and actual meals served. The study concluded that it was not feasible to use the parent recall data on specific meals (breakfast, morning snack, lunch, afternoon snack, supper, and evening snack) to estimate erroneous meal claims.

There are two additional CACFP studies on the FY 2014 Research and Evaluation Plan related to CACFP improper payments that were recently awarded:

- Improper Payments in CACFP Centers. This study will provide a comprehensive measure of the level of erroneous payments (dollars and rates) to child care centers and center sponsors participating in CACFP. It builds on the methods developed for school meals in the Access, Participation, Eligibility and Certification (APEC) study series. Estimates will be designed to meet the measurement requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The findings from this study would complement the annual measure of reimbursement "tiering" errors in FDCHs for IPERA reporting on CACFP.

- CACFP Family Day Care Homes Meal Claims Feasibility Study. The study would examine ways to provide a measure of erroneous payments to FDCHs participating in CACFP. Different methods of estimating improper payments and their rates will be developed and a feasibility study will be conducted in an effort to determine the best means to meet requirements under the IPERA.

Improper payments identified through the course of a review, audit, or through other operational oversight activities can be recovered either through direct billing or through an offset of future program payments earned. Current statutes only provide authority to recover improper payments identified through reviews, audits or other operational oversight activity. Program regulations allow States to waive claims against a single institution for improper payments of up to $600 in a single fiscal year. CACFP does not have authority to pursue collection of improper payments identified on the basis of a statistical sample or estimation procedure.

- The **National School Lunch Program** and **School Breakfast Program** do not have a sampling and erroneous payment measurement process comparable to SNAP. Instead, FNS relies on nationally representative studies to produce estimates of erroneous payments. The most recent study was USDA's *NSLP/SBP Access, Participation, Eligibility and Certification Study (APEC)* reported in 2007, which examined improper payments in a nationally-represented sample of schools. To update the erroneous payment rate estimates in NSLP since the 2007 APEC study was released, a series of econometric models were developed that captured the relationship between characteristics of the districts that participated in the APEC study and their estimated rates of certification error. Estimated coefficients from these models were used in conjunction with updated values of district characteristics obtained from the *School Food Authorities Verification Collection Report* (Form FNS-742) to predict certification error. Certification error rates were then translated into amounts and rates of erroneous payments in each district. Aggregating the district level estimates produced a national measure of predicted erroneous payments. An updated study (*APEC-II*) that collected data in School Year 2012-13 is nearly completed. Results of this study are expected in December 2014. Contingent upon available funding, FNS will continue to produce an erroneous payment measurement by updating this study every five years. FNS also uses data available from other sources to estimate erroneous payments due to certification error on an annual basis. Current statutory authority allows USDA to recover improper payments from state agencies when identified through review, audits or other operational oversight activities. Current statutory authority does not support collection of improper payments identified on the basis of a statistical sample or estimation procedure, as is used to develop the national estimates of improper payments reported here.

1. Policy Options for Addressing Improper Payments:

FNS recognizes its fundamental responsibility to promote effective program management and reduce and prevent improper payments; however, identifying strategies to address this problem is complicated by the linkages between an environment with management controls, its operation in thousands of schools balancing multiple responsibilities, and the need to avoid barriers to free or reduced price meals for eligible children. To date, proposed strategies have generally been unacceptable to policymakers and other stakeholders unless they:

- *Improve payment accuracy without compromising access for low-income families.* A process that keeps eligible children from participating would undermine the program.
- *Avoid significant new burden on schools.* Many schools consider the program burdensome now; adding burden without offsetting incentives could discourage schools from participating.
- *Are cost-effective*. Improving accuracy is potentially resource-intensive; policymakers must not create a process that increases net program costs.
- *Answer the needs of other users of program data*, which often use certification data to distribute millions of dollars in other kinds of benefits to schools. As these needs contribute to the problem, a solution may also require new commitments from those users.

Program changes to address NSLP payment accuracy are currently being implemented as a result of the Healthy Hunger-Free Kids Act of 2010 (HHFKA).

One such Program change is the revamped Administrative Review (AR) process. FNS has conducted five national trainings for Federal and State reviewers on the new AR process, which was designed to ensure a more comprehensive evaluation of school meal programs to improve program integrity. The new process was updated to include a review of the SBP requirements and was designed to ensure the monitoring process provides effective review of the complex requirements within the school meal programs while also recognizing the resource constraints facing the State agencies. The new process includes approaches to reduce improper and erroneous payments and document compliance, and strives to ensure proper implementation of the school meals and other nutrition assistance programs. FNS also incorporated review procedures to assess the financial health of the nonprofit school food service account, including assessing compliance with cost allowability requirements.

Certification Error

As reported in USDA's FY 2013 Agency Financial Report (AFR), there were approximately $996 million in NSLP improper payments in FY 2013 arising from misclassification of student eligibility for the appropriate level of per-meal federal payment (free, reduced-price, or paid). About two-thirds of this "certification error" results from the misreporting of income by households on program applications. The balance is due to administrative error at the school or school district. The estimated certification error for SBP is $312 million in SY 2011-2012, as reported in the FY 2013 AFR.

- Misreporting Error – Currently, the application process for school meals relies on attestation by households of their income, rather than any documentation by the applicant or use of third-party data to verify claims at certification. Policy reforms to address certification error arising from income misreporting by families have focused on requiring information beyond the applicant's claim to support the application. To date, the most successful of these have been categorical eligibility and direct certification, which rely on participation in means-tested programs that do require income documentation, such as the SNAP, to ensure eligibility for free meals.

  Steps beyond this, to require documentation or increase verification after certification, have largely been opposed in Congress and the advocacy community due to concerns that such requirements would reduce access to meals by low-income families.

- Administrative Error – These kinds of certification errors reflect mistakes made by school personnel in processing applications – misreading the attested income information, or applying the eligibility standards incorrectly. Traditionally, school districts have had significant discretion regarding their internal procedures for application review.

Significant reforms to the certification process require legislative action; and some legislative changes in this area were included in the HHFKA; these are noted when relevant in the descriptions of the options below:

Increase verification: Currently, a small number of household applications (up to 3%) are selected for verification of income after approval. Free or reduced price eligibility status may be changed based on the documentation received, and those who do not respond to the verification request have their eligibility revoked.

During the 2004 reauthorization, the Administration informally offered a proposal for "graduated" verification, which would require larger verification samples (25% or more) in school districts which found significant misreporting in the initial sample. Opponents of expanded verification cited an FNS analysis which found high rates of "non-response" to the request for income documentation, resulting in loss of certification, and further found that approximately half of non-respondents were eligible for free or reduced price benefits. Moreover, a demonstration of graduated verification did not show a measurable reduction in improper payments. In the end, this proposal was rejected on a bipartisan basis, due to concerns about the impact on eligible families, and Congress prohibited school districts from verifying more than the statutorily-required 3 percent, making that requirement both a minimum and a maximum.

We could reconsider the graduated verification approach tested in the pilots, or options such as removing or increasing the 3 percent ceiling. However, as with up-front income documentation, the current impact of any increased verification requirements on program costs or on eligible families is not clear, as direct certification and changes to the verification process in recent years have likely impacted the characteristics of the applications subject to verification. But the requirement of an affirmative response to the documentation request would almost certainly lead some families, including some eligible families, to lose benefits due to non-response. As with the up-front documentation requirement, additional resources would be required at the SFA level to conduct additional verification activities.

Eliminate the reduced-price category: The reduced-price benefit category (between 130 and 185 percent of the poverty level) is considerably more prone to error than the free category, with approximately one-third of students approved for reduced price actually eligible for free meals and another quarter only eligible for the paid reimbursement level. Eliminating this category by making free meals available to these children would eliminate the first category of errors, and also simplify the application approval process at the school level to some degree.

This option has been strongly promoted by some in the advocacy community in prior years as an administrative reform that would also increase access to meals for families that may not be able to afford the charges (up to 40 cents) for reduced-price meals. And authority exists for a pilot to eliminate the reduced-price category (though it has never been funded). However, the cost of this option is significant. Making reduced price meals free will increase Federal reimbursements for lunch and breakfast by an estimated $204 million in FY 2015 due to the increased costs to the Federal government for meals that are already being served. However, if eliminating the need to pay even a nominal amount encourages more frequent participation by these students, the annual cost could be significantly in excess of this amount.

Establish universal free meal programs: Reimbursing all meals at the free rate would, by definition, eliminate the $996 million in estimated NSLP payment errors associated with the eligibility certification process. This approach would also be welcomed by many in the school nutrition and anti-hunger community, as it would simplify the program; underscore the importance of nutritious school meals for all students; and eliminate stigma associated with receipt of free or reduced-price meals.

However, because this option is so costly, it is not likely to be feasible in the current fiscal environment. When last estimated, it was found that the cost of providing universal free school meals would almost double program costs, from $15.7 billion in FY 2013 to over $31 billion.

Enhance local requirements for review of applications: As noted, school districts traditionally have had significant discretion regarding their internal procedures for application review. However, the HHFKA requires school districts at high risk for error (as defined by USDA) to conduct a second-level review of applications prior to notifying families of their eligibility status. FNS implemented this provision through a final regulation in February of 2014. In addition, the frequency of the required State review of local operations has been increased from once every five years to once every three years.

Expand the pool of students certified using non-application based methods: Direct certification with SNAP, FDPIR and Temporary Assistance for Needy Families (TANF) records has been shown to be a highly accurate method of identifying eligible students. The HHKFA contained numerous provisions designed to increase direct certification, including rewarding States for improvement in direct certification rates; and establishing a large-scale demonstration project for direct certification with Medicaid.

In addition, the HHFKA established the Community Eligibility Provision (CEP), which provides an alternative to paper application systems in low-income areas. CEP relies on data obtained from direct certification for claiming federal reimbursement, in lieu of paper applications and household reporting. CEP was phased in over a three year period in a limited number of States, and became available in eligible local educational agencies in all States beginning July 1, 2014.

Non-Certification Error:

In FY 2013, NSLP improper payments of approximately $778 million were due to the submission of claims for payments reflecting inaccurate counts of reimbursable meals. About half of these non-certification errors result from meals being claimed for reimbursement which do not actually meet Federal standards for the types and amounts of food served. The other half arises from errors in the aggregation and submission of meal service data to school districts and State agencies. The estimate for non-certification error in the SBP is $519 million.

Options for reducing non-certification error focus on strengthening capacity at the local level to avoid errors, and strengthening oversight by State agencies to correct errors prior to payment of claims. Both approaches require increased authority and increased administrative resources, some of which were provided by the HHFKA:

***Training of school food service personnel*:** Improved training at the local level would focus on advancing understanding of the requirements associated with a reimbursable meal. Under the HHFKA's Professional Standards provision, SFA directors, managers and other staff will be required to have training each year in a variety of topics related to the operation of a school nutrition program. State agency directors will also be required to take and to give training each year. The HHKFA establishes requirements and modest funding for such training. FNS is currently working in collaboration with professional food service organizations to develop on-line resources. However, improvements in the error rate associated with recognizing reimbursable meals may be made more difficult by the recent significant changes in meal requirements. A final rule implementing the professional standards provisions is expected in early 2015.

***Improved technology for counting and claiming of meals*:** While automated tools for counting and claiming meals exist, they have not been consistently utilized, at either the local or State level. Currently, there is no targeted local-level funding for this purpose. At the State level, $4 million per year is available for grants to improve State oversight, including systems that utilize data mining concepts to identify districts at high risk for errors. FNS has in recent years focused these funds on technology-centered approaches which allow States to identify and correct counting and claiming errors at the school district level and target appropriate action. However, to date, such systems are still largely in the different developmental stages and are still being evaluated.

The primary barrier to this approach is cost for evaluation and funding of local-level technology. We believe that $20-30 million annually would support evaluation efforts at the State and local level (see section 3 below). While we do not have a precise estimate of the cost of funding improved technology at the local level, we believe an investment of several hundred million dollars in targeted grant funding would be required.

Improved oversight and enhanced consequences for repeated failure to correct identified problems: As noted, the HHFKA reduced the cycle for State reviews of local school operations from five years to three. These reviews include non-certification as well as certification error. In addition, the HHFKA provided

FNS with new authority to impose fines and penalties against States and local program operators for repeated or willful noncompliance. While this authority can be used to address all types of program error, it is likely that it will be most useful in dealing with serious counting and claiming problems for which little recourse previously existed. USDA expects to publish a proposed rule on this requirement in late 2014 or early 2015.

Conceptually, systematic penalties for States with performance below required standards in this area (or rewards for those with outstanding performance) are another option for consideration. However, this would require the development of measurement systems yielding reasonably accurate State-level estimates, which are currently not in place. The Quality Control system currently used in SNAP costs in the area of $114 million per year. Given the expense of developing and operating a similar system for school meals, and given the greater diversity and decentralization of the NSLP at the sub-State level, we estimate such a system would cost at least as much for the NSLP.

2. Measurement Issues

USDA identified three actions that we intend to pursue in this area:

Repeat and/or Enhance National Study: FNS completed the initial nationally-representative estimates of NSLP improper payments with the 2007 APEC study, which examined School Year 2005-06. USDA re-programmed funds for APEC II to allow data collection in School Year 2012-13. Results of this updated study are expected in December, 2014.

Explore Additions to the Annual Estimation Model: FNS uses an econometric model to “age” the data from the 2007 APEC study to reflect changes in program size, as well as changes in certification accuracy, based on State-reported administrative data. One of the major sources of non-certification error, the process of identifying reimbursable meals and collecting and reporting meal counts for reimbursement claims, was not built into the model of the initial APEC study because of data limitations. The Agency has placed a major focus on administrative efforts to improve counting and claiming, but has been unable to model the impact of these efforts over time. To the extent that improvements in counting and claiming may have occurred, the annual estimates may overstate the actual level of payment errors.

FNS is exploring the potential of using data from the AR process, which includes information on counting and claiming, to improve its modeling. Because the AR process is a Federal-State oversight mechanism for local schools, and AR data is not designed to be representative, this effort may require changes to that process to make the data usable, and thus may require significant time and resources, and an increase in reporting burden.

Identify and Measure Technical vs. Substantive Errors: OMB noted that one of the strategies frequently used by Federal agencies in reporting improper payments is to distinguish between substantive errors and technical errors. The latter may include:

- payments that were substantively appropriate in amount and to the correct payee, but were incorrect because of application problems or other minor violations of program rules;
- payments that may have been to a correct payee, but incorrect in amount, for which the whole payment is reported as entirely incorrect; and
- payments that are below a threshold or tolerance of errors that can be disregarded.

The 2007 APEC study leaves out the first two categories of errors, but provides no threshold of error levels. One question that remains open is whether thresholds that may be different from program policy are acceptable to incorporate into measurement methods.

FNS will identify one or more school-level thresholds for improper payments, and seek to analyze existing data to determine how such thresholds would change the substantive error rate.

3. Proposed Short-Term Strategies

Obtain funding for measurement improvements: FNS re-programmed funds to promptly launch APEC-II, which allowed data collection in School Year 2012-13.

Request $20-30 million to pilot test and evaluate technology-based program management tools: FNS recommends the establishment of a mandatory annual funding stream in the budget to provide consistent resources to develop and evaluate program integrity tools. This resource would be used to fund and evaluate local-level pilots of comprehensive counting and claiming systems, and analysis techniques (such as data mining). It would also be available to evaluate the effectiveness of State-level oversight systems. These efforts would inform development of future proposals for technology enhancements targeted at the local level, as well as informing future use of existing funds for State systems.

Implement HHFKA provisions: As noted, the HHFKA has provided authority for a number of policy changes which have an impact on improper payments. FNS will continue to move expeditiously to implement these provisions.

Additional information on FNS's IPIA activities can be found in the USDA Agency Financial Report.

The tables below summarize the results of measurement activities for FNS programs identified as subject to a significant risk of improper payments. The first table shows improper payment rates for the last two years and the second table reflects future reduction targets. All results reported each year represent measures of outlays and program activity for the previous year.

Preliminary Data as of 7/31/14 – FNS Measures for IPIA Reporting 2014 Agency Financial Report

Improper Payment Reporting Results ($ in millions)						
Program	Results Reported in FY 2013			Results Reported in FY 2014		
	Outlays	**IP%**	**IP$**	**Outlays**	**IP%**	**IP$**
Supplemental Nutrition Assistance Program, FNS	**74,638**	**3.42%**	**2,552**	**76,087**	**3.20%**	**2,437**
National School Lunch Program, FNS	**11,304**	**15.69%**	**1,774**	**11,463**	**15.25%**	**1,748**
School Breakfast Program, FNS	**3,290**	**25.26%**	**837**	**3,605**	**25.61%**	**923**
Women, Infants and Children, FNS						
Total Program	**4,520**	**4.38%**	**198**	**4,517**	**4.55%**	**206**
Certification Error Component	**N/A**	**2.97%**	**134**	**N/A**	**2.87%**	**130**
Vendor Error Component	**N/A**	**1.41%**	**64**	**N/A**	**1.68%**	**76**
Child and Adult Care Food Program, FNS						
Total Program	**2,817**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
FDC Homes – Tiering Decisions	**917**	**1.09%**	**10**	**930**	**1.05%**	**10**
FDC Homes – Meal Claims	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Detailed Breakout of Improper Payment Rates reported in FY 2014 ($ in millions)					
	Total Payments	IP%	Over-payments	Under-payments	Other
Supplemental Nutrition Assistance Program, FNS	**2,437**	**3.20%**	**2.61%**	**.60%**	**N/A**
National School Lunch Program, FNS	**1,748**	**15.25%**	**11.57%**	**3.67%**	**N/A**
School Breakfast Program, FNS	**923**	**25.61%**	**22.04%**	**3.57%**	**N/A**
Women, Infants and Children, FNS	**206**	**4.55%**	**3.20%**	**1.35%**	**N/A**
Child and Adult Care Food Program, FNS	**10**	**1.05%**	**.98%**	**0.07%**	**N/A**

Improper Payment Reduction Outlook ($ in millions)									
Program	FY 2014 Reporting			FY 2015 Reporting			FY 2016 Reporting		
	Outlays	**IP%**	**IP$**	**Outlays**	**IP%**	**IP$**	**Outlays**	**IP%**	**IP$**
Supplemental Nutrition Assistance Program, FNS	**76,030**	**3.78%**	**2,897**	**79,741**	**3.42%**	**2,718**	**77,624**	**3.42%**	**2,655**
National School Lunch Program, FNS	**11,414**	**14.67%**	**1,674**	**11,717**	**15.17%**	**1,777**	**11,950**	**14.79%**	**1,767**
School Breakfast Program, FNS	**3,617**	**23.57%**	**853**	**3,843**	**24.43%**	**939**	**4,075**	**23.62%**	**963**
Women, Infants and Children, FNS	**5,290**	**3.92%**	**207**	**4,647**	**4.18%**	**194**	**4,900**	**4.08%**	**200**
Child and Adult Care Food Program, FNS	**951**	**1.48%**	**14**	**956**	**1.43%**	**14**	**960**	**1.38%**	**13**

(Amounts shown are in Millions except as noted)

SECTION 5. LIMITATIONS OF FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Food and Nutrition Services (FNS), an agency of the United States Department of Agriculture, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of FNS in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a Sovereign entity.

SECTION 6. FINANCIAL STATEMENTS HIGHLIGHTS AND ANALYSIS

FNS' FY 2014 financial statements reflect the nutrition assistance programs' responsiveness to the Nations' economic performance. By design, the level of activity within the nutrition assistance programs varies with the level of need experience by the populations we serve. A key determinant of this level of need is the condition of the economy. In FY 2013 the economy performed weaker than was anticipated by the President's FY 2013 budget request. As a result, program participation and costs, as reflected in the financial statements are, on average, higher than was anticipated.

In accordance with the US Standard General Ledger and the Treasury Financial Manual 1TFM 4700, in FY 2008 FNS clarified its reporting of the Grant Award (GAD) Accrual. FNS performed an analysis of the GAD Accrual and determined that the GAD Accrual consisted of Entitlement Benefits and Non Entitlement Benefits. For the FY 2014 Financial Statements FNS will report Entitlement Benefits as "Benefits Due and Payable" and report Non Entitlement Benefits as "Other Liabilities" on the Balance Sheet and related footnotes. The classifications of these accruals have no impact on the amounts reported for Total Liabilities.

Balance Sheet

	2014		2013	
	Dollars (mil)	Percent	Dollars(mil)	Percent
Fund Balance With Treasury	37,781	98.96%	27,442	96.61%
Accounts Receivable	324	0.84%	364	1.28%
General PP& E	-	0.00%	-	0.00%
Other	71	0.20%	598	2.11%
Total Assets	38,176	100.00%	28,404	100.00%
Accounts Payable	102	0.27%	8	0.03%
Federal Employee and Veterans Benefits	8	0.02%	8	0.03%
Benefits Due and Payable	4,362	11.43%	4,040	14.22%
Other Liabilities	2,159	5.66%	1,521	5.35%

(Amounts shown are in Millions except as noted)

Total Liabilities	6,677	17.49%	5,615	19.77%
Unexpended Appropriations	31,300	81.99%	22,547	79.38%
Cumulative Results of Operations	199	0.52%	242	.85%
Total Net Position	31,499	82.51%	22,789	80.23%
Total Liabilities & Net Position	38,176	100%	28,404	100%

The Balance Sheet composition (comparative composition of account balances to the totals) remained substantially the same in FY 2014 as the prior year. The vast majority of FNS assets are held in Fund Balance with Treasury (FBWT) - approximately 99% in FY 2014 and 96% in FY 2013. This cash-like account largely represents the aggregate amount of funds in the FNS accounts with the U.S. Treasury from which the agency is authorized to make expenditures and pay liabilities. As financial statement Note 3 presents, a substantial portion of the fund balance is unavailable as they are associated with either expired years or are contingency funds which were not made available.

“Other assets” amounts changed from the prior year due to commodity advances being process through direct fund cite. Accounts receivable levels remained relatively unchanged from the prior year.

Benefits Due and Payable represents the largest liability of the agency, typically representing amounts that are currently payable to grantees on Entitlement Benefits Programs. The FY 2014 and FY 2013 Net Position of the agency is concentrated in Unexpended Appropriations.

Statement of Net Cost

	2014		2013	
	Dollars(mil)	Percent	Dollars(mil)	Percent
Gross Cost	104,867	100.06%	109,934	100.06%
Less: Earned Revenue	(65)	-0.06%	(63)	-0.06%
Net Cost of Operations	104,802	100.00%	109,871	100.00%

The FNS mission addresses USDA Strategic Goal 4 “Ensure That All of America’s Children Have Access to Safe, Nutritious, and Balanced Meals”. All program costs are reported under that strategic goal. Gross Costs decreased from $109,934 million in FY 2013 to $104,867 million in FY 2014, reflecting the overall decrease in programs participation levels.

As the chart above displays, Earned Revenue represents an extremely small offset to Gross Costs (less than one percent), in both fiscal years. Earned revenue largely represents funds from the State Option Supplemental Nutrition Assistance Program authorized under P.L. 105-18. One State participating in this program (California) reimburses FNS for benefits paid to legal immigrants who do not qualify for the Federal Supplemental Nutrition Assistance Program to whom the States have “opted” to provide benefits. Additional earned revenue is received from other Federal agencies for reimbursement of expenses related to information technology services and facility-related services including WBSCM, Commodity Improvement Initiative and Whole Grain Study.

(Amounts shown are in Millions except as noted)

The Net Cost of Operations decreased from $109,871 million in FY 2013 to $104,802 million in FY 2014.

Statement of Changes in Net Position

	2014		2013	
	Dollars(mil)	Percent	Dollars(mil)	Percent
Cumulative Results of Operations				
Beginning Balance	242		378	
Budgetary Financing Sources				
Other Adjustments	(1)	0.00%	-	
Appropriations Used	95,719	91.37%	100,802	91.86%
Transfers In (Out) without Reimbursements	8,190	7.82%	7,891	7.19%
Other Financing Sources				
Imputed Financing	851	0.81%	1,042	.95%
Total Financing Sources	104,759	100.00%	109,735	100.00%
Less: Net Cost of Operations	104,802		109,871	
Cumulative Results of Operations				
Ending Balance	199		242	
Net Change	(43)		(136)	
Unexpended Appropriations				
Beginning Balance	22,547		20,514	
Appropriations Received	107,281		103,847	
Appropriations Transferred in/out	1		3	
Adjustments	(2,810)		(1,015)	
Appropriations Used	(95,719)		(100,802)	
Total: Financing Sources	8,753		2,033	
Ending Balance	31,300		22,547	
Total Net Position	31,499		22,789	

The Statement of Changes in Net Position explains the changes in the two components of Net Position of the Balance Sheet from year to year, the Cumulative Results of Operations and the Unexpended Appropriations.

The FY 2014 appropriations used was $95,719 million, which decreased $5,083 million from FY 2013, based on actual participation levels and food costs.

(Amounts shown are in Millions except as noted)

Cumulative Results of Operations decreased $43 million, from $242 million in FY 2013 to $199 million in FY 2014, as the net cost of operations is greater than the total financing sources. The proportional distribution of financing sources among appropriations, transfers, and imputed financing remained relatively unchanged from FY 2013 to FY 2014. Transfers are largely made up a single large transfer made in the annual appropriations act from funds available to the Secretary under Section 32 of the Act of 1935 for support of Child Nutrition programs. Additionally, FNS received transfers from the Commodity Credit Corporation for the Senior Farmers Market Program. Transfers represented approximately eight percent and seven percent of total financing sources in FY 2014 and FY 2013 respectively.

Unexpended Appropriations increased from $22,547 million in FY 2013 to $31,300 million in FY 2014 as less carryover appropriation balances were expended in the current year. Adjustments which increased from $1,015 million in FY 2013 to $2,810 million in FY 2014 are due to permanent reductions and cancellations of expired accounts.

Statement of Budgetary Resources

	2014		2013	
	Dollars(mil)	Percent	Dollars(mil)	Percent
Budgetary Resources				
Beginning Unobligated Balance	20,210	15.08%	18,365	14.11%
Recoveries	1,011	0.75%	987	.75%
Other Changes In Unobligated Balances	-1,902	-1.42%	-388	-.30%
Appropriations	114,563	85.47%	111,115	85.31%
Spending Authority from Offsetting Collections	154	0.12%	173	.13%
Total Budgetary Resources	134,036	100.00%	130,252	100.00%
Status of Budgetary Resources				
Obligations Incurred	104,786	78.18%	110,042	84.48%
Apportioned	11,033	8.23%	4,789	3.68%
Unapportioned	18,217	13.59%	15,421	11.84%
Total: Status of Budgetary Resources	134,036	100.00%	130,252	100.00%
Net Outlays	102,323	76.34%	108,843	83.56%

The Statement of Budgetary Resources displays the source of all budgetary resources for the fiscal year as well as the status of those resources as of the end of the fiscal year.

Appropriations were increased from $111,115 million in FY 2013 to $114,563 million in FY 2014. Total budgetary resources were higher than in the prior year due primarily to an increase in the unobligated balance brought forward from the previous year. FNS had $134,036 million in total budgetary resources during FY 2014, largely from appropriations received, but also from recoveries and available unobligated balances from prior periods. In addition FNS has included in the FY 2014 financial statements the ARRA supplemental appropriations used to stimulate the U.S. economy. The ARRA appropriations for FY 2014 totaled $5.8 billion.

At fiscal yearend 2014, most ($104,786) million or 78% of those resources were obligated, though $11,033 million or 8% remained unobligated and available, and another $18,217 million (13%) was unobligated and not available (including apportioned unavailable Contingency Reserve funds for WIC and SNAP). In FY 2014, Net Outlays represented 76% of Total Budgetary Resources, compared to 83% in FY 2013.

Food and Nutrition Service

CONSOLIDATED BALANCE SHEET
As of September 30, 2014 (CY) and 2013 (PY)
(Dollars in Millions)

	FY 2014 (CY)	FY 2013 (PY)
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury	$ 37,781	$ 27,442
Other (Note 6)	71	598
Total Intragovernmental	37,852	28,040
Accounts Receivable, net (Note 4)	324	364
General Plant, Property, and Equipment, net (Note 5)	-	-
Other (Note 6)	-	-
Total Assets	$ 38,176	$ 28,404
Liabilities (Note 7):		
Intragovernmental:		
Accounts Payable	$ -	$ -
Other (Note 8)	46	38
Total Intragovernmental	46	38
Accounts Payable	102	8
Federal Employee and Veterans Benefits	8	8
Benefits Due and Payable	4,362	4,040
Other (Note 8)	2,159	1,521
Total Liabilities	6,677	5,615
Net Position:		
Unexpended Appropriations - Other Funds	31,300	22,547
Cumulative Results of Operations - Other Funds	199	242
Total Net Position	$ 31,499	$ 22,789
Total Liabilities and Net Position	$ 38,176	$ 28,404

The accompanying notes are an integral part of these statements.

Note: CY denotes Current Year; PY denotes Prior Year.

Food and Nutrition Service
CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2014 (CY) and 2013 (PY)
(Dollars in Millions)

	FY 2014 (CY)	FY 2013 (PY)
Program Costs:		
Strategic Goal:		
Improve the Nation's Nutrition and Health:		
Gross Costs (Note 10 and 11)	$ 104,867	$ 109,934
Less: Earned Revenue	65	63
Net Program Costs	104,802	109,871
Net Cost of Operations	$ 104,802	$ 109,871

The accompanying notes are an integral part of these statements.

Food and Nutrition Service
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
As of September 30, 2014 (CY) and 2013 (PY)
(Dollars in Millions)

	FY 2014 (CY)	FY 2013 (PY)
Cumulative Results of Operations:		
Beginning Balance	$ 242	$ 378
Beginning Balance, as adjusted	242	378
Budgetary Financing Sources:		
Other Adjustments	(1)	-
Appropriations Used	95,719	100,802
Transfers in/out without reimbursement	8,190	7,891
Other	-	-
Other Financing Sources (Non-Exchange):		
Imputed Financing	851	1,042
Total Financing Sources	104,759	109,735
Less: Net Cost of Operations	104,802	109,871
Net Change	(43)	(136)
Cumulative Results of Operations	199	242
Unexpended Appropriations:		
Beginning Balance	22,547	20,514
Beginning Balance, as adjusted:	22,547	20,514
Budgetary Financing Sources:		
Appropriations Received	107,281	103,847
Appropriations Transferred in/out	1	3
Other Adjustments	(2,810)	(1,015)
Appropriations Used	(95,719)	(100,802)
Total Budgetary Financing Sources	8,753	2,033
Total Unexpended Appropriations	31,300	22,547
Net Position	$ 31,499	$ 22,789

The accompanying notes are an integral part of these statements.

Food and Nutrition Services
CONSOLIDATED STATEMENTS OF BUDGETARY RESOURCES
For the years ended September 30, 2014 (CY) and 2013 (PY)

(Dollars in Millions)

	FY 2014 (CY)	FY 2013 (PY)
Budgetary Resources:		
Unobligated balance, brought forward, October 1:	$ 20,210	$ 18,365
Adjustments to unobligated balance brought forward, October 1	-	-
Unobligated Balance brought forward, October 1, as adjusted	20,210	18,365
Recoveries of prior year unpaid obligations	1,011	987
Other Changes in unobligated balance (+ or-)	(1,902)	(388)
Unobligated balance from prior year budget authority, net	19,319	18,964
Appropriations (discretionary and mandatory)	114,563	111,115
Borrowing authority (discretionary and mandatory)	-	-
Contract authority (discretionary and mandatory)	-	-
Spending Authority from offsetting collections (discretionary and mandatory)	154	173
Total Budgetary Resources	134,036	130,252
Status of Budgetary Resources:		
Obligations Incurred	104,786	110,042
Unobligated balance, end of year:	-	-
Apportioned	11,033	4,789
Exempt from apportionment	-	-
Unapportioned	18,217	15,421
Total unobligated balance, end of year	29,250	20,210
Total budgetary resources	134,036	130,252
Change in Obligated Balances:		
Unpaid obligations, brought forward, October 1 (gross)	7,237	7,195
Adjustment to obligated balance,start of year (net) (+ or-)	-	-

(Amounts shown are in Millions except as noted)

Obligated Incurred	104,786	110,042
Outlays gross (-)	(102,480)	(109,013)
Actual transfer, unpaid obligations (net) (+ or -)	-	-
Recoveries of prior year unpaid obligations (-)	(1,011)	(987)
Unpaid obligations, end of year 2014	8,532	7,237
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, October 1 (-)	-	-
Adjustments to uncollected payments, Federal sources, start of year (+ or -)	-	-
Change in uncollected payments, Federal sources, start of year (+ or -)	-	-
Actual transfer, uncollected payments, Federal sources (net) (+ or -)	-	-
Uncollected payments, Federal sources, end of year (-)	-	-
Memorandum (non-add) entries:		
Obligated balance, start of the year (+ or -)	7,236	7,195
Obligated balance, end of year (+ or -)	8,532	7,236
Budget Authority and Outlays, Net:		
Budget Authority, gross (discretionary and mandatory)	114,717	111,288
Actual offsetting collections (discretionary and mandatory) (-)	(154)	(173)
Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -)	-	-
Anticipated offsetting collections (discretionary and mandatory (+ or -)	-	-
Budget Authority, net (discretionary and mandatory)	114,563	111,115
Outlays, gross (discretionary and mandatory)	102,480	109,013
Actual offsetting collections (discretionary and mandatory) (-)	(154)	(173)
Outlays, net (discretionary and mandatory)	102,326	108,840
Distributed offsetting receipts (-)	(3)	3

Agency outlays, net (discretionary and mandatory)	102,323	108,843

FOOD and NUTRITION SERVICE

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

These financial statements have been prepared to report significant assets, liabilities, net cost of operations, changes in net position, and budgetary resources for the Food and Nutrition Service (FNS), as required by the Chief Financial Officers Act of 1990 as amended and OMB Circular A-136 dated September 18, 2014. They have been prepared from the books and records of FNS in accordance with the Generally Accepted Accounting Principles (GAAP) as applied to the Federal Government. GAAP for Federal financial reporting entities recognizes the Federal Accounting Standards Advisory Board (FASAB) as the standard setting body.

In accordance with the Office of Management and Budget and the Budget Execution of the American Recovery and Reinvestment Act (ARRA) of 2009 Appropriations, FNS has included in the FY 2014 financial statements the supplemental appropriations used to stimulate the U.S. economy. The ARRA appropriations for FY 2014 totaled $5.8 billion.

B. Reporting Entity

FNS, including the Center for Nutrition Policy and Promotion (CNPP), is under the jurisdiction of the Under Secretary for Food and Nutrition Consumer Service of the United States Department of Agriculture. FNS is headed by an administrator with overall policy formulated in the FNS headquarters in Alexandria, Virginia, and implemented through seven regional offices, 18 field offices/satellite offices' and five Supplemental Nutrition Assistance Program (SNAP) compliance offices. State departments of education have responsibility for food programs serving children in schools, child care centers, and summer recreation centers. State departments of health, welfare, and agriculture usually have responsibility for programs providing SNAP benefits or supplemental foods. For the FY 2014 financial statement presentation, data classified as "Other" is primarily comprised of Nutrition Program Administration (NPA) appropriations. A detailed description of the FNS programs is contained in the Management Discussion & Analysis (MD&A).

C. Basis of Accounting

FNS records transactions on an accrual accounting and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. These financial statements include all funds for which the FNS is responsible and were prepared in accordance with the GAAP hierarchy of accounting principles for the Federal Government.

D. Accounts Receivable

The $324 million recognized as non-federal accounts receivable includes debts owed to FNS by individuals, businesses, States and local governments. The largest single component of this item consists of SNAP recipient claims. States establish claims against households to recover over issued food stamp benefits. States are responsible for pursuing collection of such claims. Collections, less an authorized State retention amount, are remitted to FNS. The portion of total net realizable receivables consisting of SNAP recipient claims is the expected amount of such remittance from States. The data generated by the State systems of gross account receivables has been determined to be unreliable. Accordingly, FNS does not know what the State gross account receivable is. FNS has an alternative method for acquiring reliable State receivable information.

FNS estimates net realizable SNAP accounts receivable through a regression-based statistical model. This model estimates future collections by the States, which the States will remit to the Federal Government as of the end of the accounting period based on the actual SNAP issuance and net claims collections for prior years. The forecasting model draws its predictive power from the strong historical relationship between the level of SNAP benefit issuance and the level of recipient claims collections by States. Applying the model to actual data covering the periods FY 1984 through FY 2014, the model explains 96 percent of the variation in claims collections. Historically, collections projected by the model have proved to be accurate within approximately 4 percent of actual net collections. Because the expected cash flow from collections of such claims beyond one year is not expected to be material, FNS does not estimate collections after the initial year or discount the estimate produced by the statistical model to its present value.

The SNAP has a system for monitoring and controlling program issuance called the Quality Control (QC) system. It is an ongoing, comprehensive monitoring system required by the SNAP Act to promote program integrity. A statistically valid sample of cases, consisting of active cases and "negative case actions" (terminations and denials of benefits), is chosen each month. State officials review the sampled case records to measure and verify the accuracy of eligibility and benefits determinations, made by State eligibility workers, against Program standards for the month under review. QC errors detected through the review process include both under issuance and over issuance to eligible households and issuance to households that are not eligible for benefits.

Because reliable data is not available addressing gross FNS accounts receivable, the SNAP QC estimate of SNAP benefits over issued nationwide provide the best statistically valid estimate of invalid program payments. Fiscal Year 2013 QC error rates were announced in June 2014. Using this methodology, FNS estimates the value of benefit over issuance in Fiscal Year 2013 (the most recent year for which data are available) at $1.985 billion. Statement of Federal Financial Accounting Standards (SFFAS) #1 permits Federal entities to estimate its accounts receivable. The QC error rate over issuance estimate is considered the best estimate available. However, since this is an estimate of all SNAP overpayments, the actual State gross account receivable amount would be lower but the variance cannot be quantified. The amount of over issued benefits is included in the total program cost of the SNAP as reflected in the Statement of Net Cost.

FNS does not receive information to calculate States' QC liabilities for approximately 7 months after the end of the fiscal year; therefore, current information is not available for the FY 2014 financial statements. For FY 2013, four States were assessed amounts for having excessive error rates for two consecutive years. The aggregate total of the liability was $2 million. The four States signed payment agreements in lieu of immediately repaying in cash. The agreements called for each State to invest 50 percent of its liability in program improvement activities. The remaining 50 percent of the liability was placed at risk pending future improved performance.

(Amounts shown are in Millions except as noted)

The QC over Issuance error rate data for the past 3 years follows:		
Fiscal Year	**Rate Amount**	**Total $ (Billions)**
2013	2.60 %	$ 1.985
2012	2.77 %	$ 2.069
2011	2.99 %	$ 2.148

E. Grants and Program Benefits

FNS records grant obligations based on the grant awards and SNAP benefits based on the issuance of benefits to Account Management Agent (AMA). Funds for FNS grant programs and SNAP electronic benefits transfer (EBT) benefits are provided to States through a Letter of Credit process. This process allows the grantees or the EBT processor to draw on established credit balances, as needed, to pay expenses associated with their grants or SNAP EBT transactions at retailers. This allows the U. S. Treasury to hold funds until the grantees need the funds to pay program expenses or until the SNAP EBT benefits are actually used. Expenses are recognized and obligations liquidated as grantees or EBT processors drawdown on the Letter of Credit.

F. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from current or future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

G. Retirement Plan

FNS employees participate in both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). FNS makes matching contributions to both CSRS and FERS total plans. For most employees hired since December 31, 1983, FNS also contributes the employer's matching share for Social Security. FERS went into effect pursuant to Public Law 99-335 on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. A primary feature of FERS is that it offers a savings plan to which FNS automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. FNS makes these and other contributions to employee retirement plans as shown in the following table:

FNS Retirement Contributions (In Millions)

Type of Contribution	Amount 2014	Amount 2013
CSRS/Transitional retirement contributions - Civil Service	$1.2	$1.5
FERS regular contributions	$12.3	$12.4
Thrift Savings Plan contributions	$4.6	$4.6
TOTAL	$18.1	$18.5

These contributions are reported as expenses in the Statement of Net Cost. FNS does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management's Federal Retirement System.

Statement of Federal Financial Accounting Standards No. 5, Accounting for Liabilities of the Federal Government, requires Federal entities to recognize an expense for pensions and other retirement benefits at the time the employee's services are rendered. The purpose of recognizing this expense is to record and report the full cost of each entity's operation. Corresponding revenue, Imputed Financing Sources, is recognized to the extent pension and other retirement benefit expenses exceed the amount paid to the Office of Personnel Management (OPM).

H. Recognition of Financing Sources and Appropriations Used

FNS receives the majority of the funding it needs to support its programs through annual and multi-year appropriations. FNS recognizes appropriations as used at the time that program or administrative expenses are delivered and recognized. FNS recognizes appropriations expended for capitalized property or equipment as expenses when the assets are consumed in operations. Appropriations used are the amount of appropriations expended during the current period to fund FNS' nutrition programs. This includes the NPA appropriation, which provides funds for salaries and administrative expenses.

At the time grant awards are made, FNS records obligations for the full amount of expected expenses as unexpended obligations-unpaid (undelivered orders). Reductions in unexpended obligations occur as expenses are incurred by grantees. At year-end, grant obligations are accrued and reflected on the financial statements as accounts payable. At grant closeout, the unused portions of grant awards are deobligated; increasing the unobligated balances and is shown on the balance sheet as part of unexpended appropriations. Unobligated balances available for future periods are also shown as unexpended appropriations.

I. Fund Balance with Treasury Accounts

The Fund Balance with Treasury represents the aggregate amount of funds in the FNS accounts with Treasury for which the agency is authorized to make expenditures and pay liabilities. The FNS Fund Balance with Treasury is primarily appropriated funds.

J. Direct versus Reimbursable Obligations Incurred

FNS' direct and reimbursable obligations incurred are represented as amounts apportioned under category A and B. The amounts apportioned by Fiscal Quarter consist of FNS' category A obligations and the amounts apportioned for Special Activities consist of category B obligations as reported on the agency's year-end SF133s, Report on Budget Execution and Budgetary Resources.

K. Allocation Transfers

FNS is a party to allocation transfers with other federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Financial activity related to these allocation transfers is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. FNS has reported all activity relative to these allocation transfers in the FY 2014 financial statements. FNS receives allocation transfers, as the child, from the Agricultural Marketing Service (AMS) and the Commodity Credit Corporation (CCC).

(Amounts shown are in Millions except as noted)

Note 2. Non-Entity Assets

	FY 2014	FY 2013
Intragovernmental:		
Fund balance with Treasury	$0	$0
Investments	-	-
Accounts Receivable	-	-
Loans Receivable	-	-
Other	-	-
Total Intragovernmental	-	-
With The Public		
Cash and other monetary assets	-	-
Accounts receivable	38	37
Taxes receivable	-	-
Loan receivable and related foreclosed property	-	-
Inventory and related property	-	-
Other	-	-
Total With the Public	38	37
Total non-entity assets	38	37
Total entity assets	38,138	28,367
Total assets	$ 38,176	$ 28,404

FNS' Non-Entity Assets related to Accounts Receivable consists of FNS' Miscellaneous Receipts, Interest, Fines & Penalties, and Miscellaneous Receipts for Cancelled Years.

Note 3. Fund Balance with Treasury

Fund Balances:	FY 2014	FY 2013
Trust Funds	$ -	$ -
Revolving Funds	-	-
Appropriated Funds	37,782	27,446
Other Fund Types	(1)	(4)
Total	37,781	27,442
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	11,033	4,789
Unavailable	18,217	15,421
Obligated Balance not yet Disbursed	8,532	7,236
Non-Budgetary Fund Balance with Treasury:	(1)	(4)
Total	$ 37,781	$ 27,442

(Amounts shown are in Millions except as noted)

Note 4. Accounts Receivable, Net

FY 2014	Gross Accounts Receivable	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ -	$ -	$ -
With the Public	$ 328	$ 4	$ 324
Total	$ 328	$ 4	$ 324

FY 2013	Gross Accounts Receivable	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ -	$ -	$ -
With the Public	$ 368	$ 4	$ 364
Total	$ 368	$ 4	$ 364

(1) See Note 1.D. for further explanation of FNS' accounts receivable activity with the public.

(Amounts shown are in Millions except as noted)

Note 5. General Property, Plant and Equipment

Property and equipment are depreciated over their useful economic lives, which average 5-10 years, using the straight-line method. For FY 2014 FNS' capitalization threshold for property and equipment is $25 thousand. FNS' capitalization threshold for internal-use software is $100 thousand. FNS owns no buildings or land. FNS follows recognition and measurement criteria in SFFAS No. 6 as amended by SFFAS No. 11 and 23, and USDA Departmental Regulation 2200-002, dated December 24, 2003. At year end, balances for Property, Plant, and Equipment were as follows:

FY 2014 Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ -	$ -	$ -
Improvements to Land		-	-	-
Construction-in-Progress		-	-	-
Buildings, Improvements and Renovations		-	-	-
Other Structures and Facilities		-	-	-
Equipment	5-10	5	5	-
Assets Under Capital Lease		-	-	-
Leasehold Improvements		-	-	-
Internal-Use Software	5	3	3	-
Internal-Use Software in Development		-	-	-
Other Natural Resources		-	-	-
Other General Property, Plant and Equipment		-	-	-
Total		$ 8	$ 8	$ -

FY 2013 Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ -	$ -	$ -
Improvements to Land		-	-	-
Construction-in-Progress		-	-	-
Buildings, Improvements and Renovations		-	-	-
Other Structures and Facilities		-	-	-
Equipment	5-10	5	5	-
Assets Under Capital Lease		-	-	-
Leasehold Improvements		-	-	-
Internal-Use Software	5	3	3	-
Internal-Use Software in Development		-	-	-
Other Natural Resources		-	-	-
Other General Property, Plant and Equipment		-	-	-
Total		$ 8	$ 8	$ -

Note 6. Other Assets

	FY 2014	FY 2013
Intragovernmental:		
Advances to Others	$ -	$ -
Prepayments	-	-
Other Assets	71	598
Total Intragovernmental	71	598
With the Public:		
Advances to Others	-	-
Prepayments	-	-
Other Assets	-	-
Total With the Public	-	-
Total Other Asssets	$ 71	$ 598

FNS' "Intragovernmental-Other Assets" consist of Advances to Farm Service Agency/Commodity Credit Corporation for the purchase of commodities.

(Amounts shown are in Millions except as noted)

Note 7. Liabilities Not Covered by Budgetary Resources

Intragovernmental:	FY 2014	FY 2013
Accounts payable	$ -	$ -
Debt	-	-
Other	2	1
Total Intragovernmental	2	1
With the Public:	-	-
Accounts Payable	-	-
Debt held by the public	-	-
Federal employee and veterans' benefits	8	8
Environmental and disposal liabilities	-	-
Benefits due and payable	-	-
Other	12	12
Total With the Public	20	20
Total liabilities not covered by budgetary resources	22	21
Total liabilities covered by budgetary resources	6,655	5,594
Total liabilities	$ 6,677	$ 5,615

FNS' "Intragovernmental-Other Liabilities" consist of Unfunded FECA Liability and Other Unfunded Employment Related Liability. FNS' "With the Public-Other Liabilities" consist of Custodial Liability and Unfunded Leave.

(Amounts shown are in Millions except as noted)

Note 8. Other Liabilities

FY 2014	Non-Current	Current	Total
Intragovernmental:			
Contract Holdbacks	$ -	$ -	$ -
Other Accrued Liabilities	-	4	4
Employer Contributions and Payroll Taxes	-	1	1
Other Post-Employment Benefits Due and Payable	-	-	-
Unfunded FECA Liability	-	1	1
Other Unfunded Employment Related Liability	-	-	-
Advances from Others	-	1	1
Deferred Credits	-	-	-
Liability for Deposit Funds, Clearing Accounts	-	-	-
Contingent Liabilities	-	-	-
Capital Lease Liability	-	-	-
Liability for Subsidy Related to Undisbursed Loans	-	-	-
Accounts Payable from Canceled Appropriations	-	-	-
Resources Payable to Treasury	-	-	-
Custodial Liability	-	39	39
Other Liabilities	-	-	-
Total Intragovernmental	-	46	46
With the Public:			
Contract Holdbacks	-	-	-
Other Accrued Liabilities	-	2,141	2,141
Accrued Funded Payroll and Leave	-	5	5
Withholdings Payable	-	-	-
Employer Contributions and Payroll Taxes Payable	-	-	-
Other Post-Employment Benefits Due and Payable	-	-	-
Pension Benefits Due and Payable to Beneficiaries	-	-	-
Benefit Premiums Payable to Carriers	-	-	-
Life Insurance Benefits Due and Payable	-	-	-
Unfunded Leave	-	13	13
Other Unfunded Employment Related Liability	-	-	-
Advances from Others	-	-	-
Deferred Credits	-	-	-
Liability for Deposit Funds, Clearing Accounts	-	-	-
Prior Liens Outstanding or Acquired Collateral	-	-	-
Contingent Liabilities	-	-	-
Capital Lease Liability	-	-	-
Accounts Payable from Canceled Appropriations	-	-	-
Custodial Liability	-	-	-
Other Liabilities	-	-	-
Total With the Public	-	2,159	2,159
Total Other Liabilities	$ -	$ 2,205	$ 2,205

(Amounts shown are in Millions except as noted)

FY 2013	Non-Current	Current	Total
Intragovernmental:			
Contract Holdbacks	$ -	$ -	$ -
Other Accrued Liabilities	-	2	2
Employer Contributions and Payroll Taxes	-	1	1
Other Post-Employment Benefits Due and Payable	-	-	-
Unfunded FECA Liability	-	2	2
Other Unfunded Employment Related Liability	-	-	-
Advances from Others	-	-	-
Deferred Credits	-	-	-
Liability for Deposit Funds, Clearing Accounts	-	(4)	(4)
Contingent Liabilities	-	-	-
Capital Lease Liability	-	-	-
Liability for Subsidy Related to Undisbursed Loans	-	-	-
Accounts Payable from Canceled Appropriations	-	-	-
Resources Payable to Treasury	-	-	-
Custodial Liability	-	37	37
Other Liabilities	-	-	-
Total Intragovernmental	-	38	38
With the Public:			
Contract Holdbacks	-	-	-
Other Accrued Liabilities	-	1,505	1,505
Accrued Funded Payroll and Leave	-	4	4
Withholdings Payable	-	-	-
Employer Contributions and Payroll Taxes Payable	-	-	-
Other Post-Employment Benefits Due and Payable	-	-	-
Pension Benefits Due and Payable to Beneficiaries	-	-	-
Benefit Premiums Payable to Carriers	-	-	-
Life Insurance Benefits Due and Payable	-	-	-
Unfunded Leave	-	12	12
Other Unfunded Employment Related Liability	-	-	-
Advances from Others	-	-	-
Deferred Credits	-	-	-
Liability for Deposit Funds, Clearing Accounts	-	-	-
Prior Liens Outstanding or Acquired Collateral	-	-	-
Contingent Liabilities	-	-	-
Capital Lease Liability	-	-	-
Accounts Payable from Canceled Appropriations	-	-	-
Custodial Liability	-	-	-
Other Liabilities	-	-	-
Total With the Public	-	1,521	1,521
Total Other Liabilities	$ -	$ 1,559	$ 1,559

Note 9. Leases

Entity as Lessee:

Operating Lease (amounts shown are in thousands):

Description of Lease Arrangements: FNS' holds one operating lease that includes office space leased from May 1, 2009 through April 30, 2019. The cost of the lease is $405 per year. From May 1, 2014, through April 30, 2019; the office space annual rent is reduced to $186 per year. The lease may be renewed at the option of the Government for one 5 year term with the Government having the right to terminate, in whole or in part, at anytime, by giving at least 120 days' notice in writing to the Lessor.

Future Payments Due:

	Asset Category
Fiscal Year	Office Space
2015	$ 186
2016	$ 186
2017	$ 186
2018	$ 186
2019	$ 109

Total future lease payments $853

(Amounts shown are in Millions except as noted)

Note 10. Intragovernmental Cost and Exchange Revenue

Child Nutrition	FY 2014	FY 2013
Intragovernmental Costs	$ 503	$ 520
Public Costs	$ 19,996	$ 19,294
Total Costs	$ 20,499	$ 19,814
Intragovernmental Earned Revenue	$ -	$ -
Public Earned Revenue	$ -	$ -
Total Earned Revenue	$ -	$ -
SNAP		
Intragovernmental Costs	$ 311	$ 403
Public Costs	$ 76,750	$ 82,350
Total Costs	$ 77,061	$ 82,753
Intragovernmental Earned Revenue	$ -	$ -
Public Earned Revenue	$ 64	$ 62
Total Earned Revenue	$ 64	$ 62

Other	FY 2014	FY 2013
Intragovernmental Costs	$ 202	$ 162
Public Costs	$ 269	$ 360
Total Costs	$ 471	$ 522
Intragovernmental Earned Revenue	$ 1	$ 1
Public Earned Revenue	$ -	$ -
Total Earned Revenue	$ 1	$ 1
Women, Infants & Children		
Intragovernmental Costs	$ -	$ -
Public Costs	$ 6,534	$ 6,543
Total Costs	$ 6,534	$ 6,543
Intragovernmental Earned Revenue	$ -	$ -
Public Earned Revenue	$ -	$ -
Total Earned Revenue	$ -	$ -

Commodity Assistance Program	FY 2014	FY 2013
Intragovernmental Costs	$ 36	$ 33
Public Costs	$ 266	$ 269
Total Costs	$ 302	$ 302
Intragovernmental Earned Revenue	$ -	$ -
Public Earned Revenue	$ -	$ -
Total Earned Revenue	$ -	$ -

FNS' intragovernmental costs are exchange transactions made between FNS and another entity within the Federal government. FNS cost with the public are exchange transactions made between FNS and a non-Federal entity. FNS' intragovernmental exchange revenues are exchange transactions made between FNS and another entity within the Federal government. FNS exchange revenues with the public are exchange transactions made between FNS and a non-Federal entity.

Note 11. Program Costs By Segment

For the year ended September 30, 2014

	CHILD NUTRITION	SNAP	WIC	CAP	OTHER	Consolidated Total
Total Gross Costs	20,499	77,061	6,534	302	471	104,867
Less Earned Revenue:	0	64	0	0	1	65
Net Goal Costs:	20,499	76,997	6,534	302	470	104,802
Net Cost of Operations						104,802

For the year ended September 30,2013

	CHILD NUTRITION	SNAP	WIC	CAP	OTHER	Consolidated Total
Total Gross Costs	19,814	82,753	6,543	302	522	109,934
Less Earned Revenue:	0	62	0	0	1	63
Net Goal Costs:	19,814	82,691	6,543	302	521	109,871
Net Cost of Operations						109,871

(Amounts shown are in Millions except as noted)

Note 12. Exchange Revenues

FNS' earned revenue from nonfederal parties consists largely of the $65 from the state option Supplemental Nutrition Assistance Program.

On June 12, 1997, the President signed into law the Supplemental Appropriations Act, Public Law 105-18. This law authorized the state option Supplemental Nutrition Assistance Program. In this program, States issue SNAP benefits through the Federal government for use in a State-funded food assistance program for legal immigrants, and childless, able-bodied adults ineligible for the Supplemental Nutrition Assistance Program.

States operating a state option Supplemental Nutrition Assistance Program utilize FNS' SNAP infrastructure. That is, they utilized electronic benefits transfer (EBT) issued benefits from FNS which are transacted at FNS authorized SNAP retailers. These benefits are subsequently redeemed through the Federal Reserve Banking (FRB) system.

Prior to issuance, States are required to remit payment to FNS for the amount of the benefits issued as well as reimburse FNS for the costs of redeeming benefits. During fiscal year 2014, one State participated in this program, which generated earned revenues of $65.

Note 13. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

FY 2014	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	$ 30,972	$ -	$ 30,972
Apportionment for Special Activities	73,749	65	73,814
Exempt from Apportionment	-	-	-
Total Obligations Incurred	$ 104,721	$ 65	$ 104,786

FY 2013	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	$ 30,425	$ -	$ 30,425
Apportionment for Special Activities	79,554	63	79,617
Exempt from Apportionment	-	-	-
Total Obligations Incurred	$ 109,979	$ 63	$ 110,042

Note 14. Undelivered Orders at the end of the Period

Budgetary resources obligated for undelivered orders as of September 30, 2014 and 2013 was $ 1.4 billion and $1.8 billion, respectively.

Note 15.Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

Differences exist between FNS' FY 2013 Statement of Budgetary Resources (SBR) (as provided to the Department for consolidation purposes) and the FY 2013 actual numbers presented in the FY 2015 Budget of the United State Government (Budget). These differences are summarized below:

(Amounts shown are in Millions except as noted)

Description	Budgetary Resources	Outlays
2013 SBR	$130,252	$108,843
Less: Expired Accounts not Included in Budget	$14,550	$-
Add: Parent Child Relationship (NIFA)	$5	$4
Less: Appropriation Transfer not Included in Budget	$1	$-
Less: Differences due to Rounding	$2	$-
Less: Distributed Offsetting Receipts	$-	$3
Budget of the U.S. Government	$115,704	$108,844

The actual numbers for the FY President's Budget have not yet been published as of FNS' FY 2014 financial statements, and it is expected that the actual numbers will be published in February of the following fiscal year and will be available on the website at www.whitehouse.gov.

Note 16. Incidental Custodial Collections

Revenue Activity:	FY 2014	FY 2013
Sources of Collections:		
Miscellaneous	$ 10	$ 12
Total Cash Collections	10	12
Accrual Adjustments	(2)	(4)
Total Custodial Revenue	8	8
Disposition of Collections:		
Transferred to Others:		
Treasury	-	-
States and Counties	-	-
(Increase)/Decrease in Amounts Yet to be Transferred	(8)	(8)
Refunds and Other Payments	-	-
Retained by the Reporting Entity	-	-
Net Custodial Activity	$ -	$ -

FNS' FY 2014 custodial activity represents all accounts receivable activity related to cancel year appropriations for interest, fines & penalties assessed and collected. For example; civil money penalties, interest, retailer and wholesaler fines and penalties. (See Note 1D., "Accounts Receivable", for further disclosures on FNS' collection activities). FNS transfers these types of collections to the Department of Treasury. FNS' custodial collection activities are considered immaterial and incidental to the mission of FNS.

(Amounts shown are in Millions except as noted)

Note 17. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

Resources Used to Finance Activities:	FY 2014	FY2013
Budgetary Resources Obligated		
Obligations Incurred	$ 104,786	$ 110,042
Less: Spending authority from offsetting collections and recoveries	1,165	1,160
Obligations net of offsetting collections and recoveries	103,621	108,882
Less: Distributed Offsetting Receipts	3	(3)
Net Obligations	103,618	108,885
Other Resources		
Donations and forfeitures of property	-	-
Transfers in (out) without reimbursement	-	-
Imputed financing from costs absorbed by others	850	1,042
Other	-	-
Net other resources used to finance activities	850	1,042

	FY 2014	FY 2013
Total resources used to finance activities	104,468	109,927
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	289	(49)
Resources that fund expenses recognized in prior periods	-	-
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Credit Program collections which increases liabilities for loan guarantees or allowances for subsidy	-	-
Change in Unfilled Customer Orders	-	-
Decrease in exchange revenue receivable from the public	-	-
Other	-	-
Resources that finance the acquisition of assets	-	28
Other resources or adjustments to net obligated resources that do not affect net cost of operations	3	(3)
Total resources used to finance items not part of the net cost of operations	292	(24)
-		
Total resources used to finance the net cost of operations	104,760	109,903
Components of the Net Cost of Operations that will not require or		

Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	1	-
Increase in environmental and disposal liability	-	-
Upward/Downward re-estimates of credit subsidy expense	-	-
Increase in exchange revenue receivable from the public	-	-
Other	44	(3)
	----------	----------
Total components of Net Cost of Operations that will require or generate resources in future periods	45	(3)
Components not Requiring or Generating Resources:		
Depreciation and amortization	-	(28)
Revaluation of assets or liabilities	-	-
Other Components not Requiring or Generating Resources:		
Bad Debt Expense	(3)	(1)
Cost of Goods Sold	-	-
Other	-	-
	-----------	----------
Total components of Net Cost of Operations that will not require or generate resources	(3)	(29)
	-----------	---------
Total components of Net Cost of Operations that will not require or generate resources in the current period	42	(32)
	----------	---------
Net Cost of Operations	$ 104,802	$109,871
	======	======

FOOD AND NUTRITION SERVICE
REQUIRED SUPPLEMENTARY STEWARDHIP INFORMATION
STEWARDSHIP INVESTMENTS
(Amounts shown are in millions)

Nonfederal Physical Property

1. A. Supplemental Nutrition Assistance Program (SNAP)

B. Program Expense	2014	2013
1. ADP Equipment & Systems	$18	$25

FNS' nonfederal physical property consists of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Supplemental Nutrition Assistance Program. The total SNAP Expense for ADP Equipment & Systems has been reported as of the date of FNS' financial statements.

2. A. Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

B. Program Expense	2014	2013
1. ADP Equipment & Systems	$7	$13

FNS' nonfederal physical property also consists of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Special Supplemental Nutrition Program for Women, Infants and Children.

Human Capital

1. A. Supplemental Nutrition Assistance Program

B. Program Expense	2014	2013
1. Employment and Training	$25	$81

FNS' human capital consists of employment and training (E&T) for the Supplemental Nutrition Assistance Program. The E&T program requires recipients of SNAP benefits to participate in an employment and training program as a condition to SNAP eligibility.

Outcome data for the E&T program is only available through the third quarter. As of this period, FNS' E&T program has placed 449,062 work registrants subject to the 3 - month SNAP participant limit and 1,451,012 work registrants not subject to the limit in either job-search, job-training, job-workfare, education, or work experience.

(Amounts shown are in Millions except as noted)

OTHER INFORMATION

Food and Nutrition Service
Schedule of Spending
For the Years Ended September 30, 2014 (CY) and 2013 (PY)

	FY 2014 Budgetary	FY 2014 Non-budgetary Credit Reform Financing Accounts	FY 2013 Budgetary	FY 2013 Non-budgetary Credit Reform Financing Accounts
What Money is Available to Spend?				
Total Resources	$ 134,036	$ -	$ 130,252	$ -
Less Amount Available but Not Agreed to be Spent	11,033	-	4,789	-
Less Amount Not Available to be Spent	18,217	-	15,421	-
Total Amounts Agreed to be Spent	**104,786**	**-**	**110,042**	**-**
How was the Money Spent/Issued?				
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:				
11, 12, 13 - Personnel Compensation and Benefits	-	-	-	-
21, 22 - Travel and transportation	-	-	-	-
23 - Rent, communications, and utilities	-	-	-	-
24, 25 - Other contractual services	-	-	-	-
26 - Supplies and materials	-	-	-	-
31, 32 - Equipment, land, and structures	-	-	-	-
33 - Investments and loans	-	-	-	-
41 - Grants, subsidies, and contributions	-	-	-	-
42 - Insurance claims and indemnities	-	-	-	-
43, 44 - Interest, dividends, and refunds	-	-	-	-
90 - Other	-	-	-	-
Total	-	-	-	-
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:				
11, 12, 13 - Personnel Compensation and Benefits	-	-	-	-
21, 22 - Travel and transportation	-	-	-	-
23 - Rent, communications, and utilities	-	-	-	-
24, 25 - Other contractual services	-	-	-	-
26 - Supplies and materials	-	-	-	-
31, 32 - Equipment, land, and structures	-	-	-	-
33 - Investments and loans	-	-	-	-
41 - Grants, subsidies, and contributions	-	-	-	-
42 - Insurance claims and indemnities	-	-	-	-
43, 44 - Interest, dividends, and refunds	-	-	-	-
90 - Other	-	-	-	-
Total	-	-	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:				
11, 12, 13 - Personnel Compensation and Benefits	-	-	-	-
21, 22 - Travel and transportation	-	-	-	-
23 - Rent, communications, and utilities	-	-	-	-
24, 25 - Other contractual services	-	-	-	-
26 - Supplies and materials	-	-	-	-
31, 32 - Equipment, land, and structures	-	-	-	-
33 - Investments and loans	-	-	-	-
41 - Grants, subsidies, and contributions	-	-	-	-
42 - Insurance claims and indemnities	-	-	-	-
43, 44 - Interest, dividends, and refunds	-	-	-	-
90 - Other	-	-	-	-
Total	-	-	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:				
11, 12, 13 - Personnel Compensation and Benefits	162	-	162	-
21, 22 - Travel and transportation	6	-	5	-
23 - Rent, communications, and utilities	3	-	4	-
24, 25 - Other contractual services	236	-	204	-
26 - Supplies and materials	1,361	-	1,460	-
31, 32 - Equipment, land, and structures	6	-	3	-
33 - Investments and loans	-	-	-	-
41 - Grants, subsidies, and contributions	103,011	-	108,203	-
42 - Insurance claims and indemnities	-	-	-	-
43, 44 - Interest, dividends, and refunds	-	-	-	-
90 - Other	1	-	1	-
Total	104,786	-	110,042	-
Total Amounts Agreed to be Spent	104,786	-	110,042	-

Who did the Money go to?				
Federal	220	-	322	-
Non-Federal	104,566	-	109,720	-
Total Amounts Agreed to be Spent	104,786	-	110,042	-

The Schedule of Spending (SOS) presents an overview of how and where FNS is spending (i.e. obligating) money for the reporting period. The data used to populate this schedule is the same underlying data used to populate the Statement of Budgetary Resources (SBR). The "Total Amounts Agreed to be Spent" line item of the schedule is reconciled to the "Obligations Incurred' line in the SBR. These amounts may not reconcile to USAspending.gov because the SOS and website have different reporting requirements.

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