USDA
United States Department of Agriculture

Michigan's Compliance with SNAP Certification of Eligible Households Requirements

Audit Report 27601-0004-10

October 2016

OFFICE OF INSPECTOR GENERAL

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

DATE: October 25, 2016

AUDIT NUMBER: 27601-0004-10

TO: Audrey Rowe
Administrator
Food and Nutrition Service

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

FROM: Gil H. Harden
Assistant Inspector General for Audit

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

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

TFC Consulting, Inc. (TFC), an independent licensed Certified Public Accounting firm, was contracted by the Department of Agriculture (USDA), Office of Inspector General (OIG) to conduct an agreed-upon procedures engagement at Michigan and provide the Food and Nutrition Service (FNS) with recommendations to enhance program efficiency and effectiveness. The contract required TFC to perform the engagement in accordance with U.S. generally accepted government auditing standards (GAGAS). In connection with the contract, we reviewed TFC's report and related documentation and inquired of its representatives. Our review of TFC's report was different from an audit in accordance with GAGAS and was not intended to enable us to express, and we do not express, an opinion on Michigan's compliance with 7 C.F.R. 273. TFC is responsible for the enclosed agreed-upon procedures and recommendations report, dated August 31, 2016. However, our review of TFC's audit documentation disclosed no instances in which TFC did not comply, in all material respects, with GAGAS.

TFC reported that Michigan did not always comply with SNAP regulations related to Disqualification for Intentional Program Violation, Office Operations and Application

Processing, Recertification, Requirements for Change Reporting Households, Social Security Numbers, and Work Provisions. FNS concurred with TFC's recommendations and OIG accepted management decision on the report's 10 recommendations.

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

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

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

Final

TABLE OF CONTENTS

Independent Accountant's Report on Applying Agreed-upon Procedures 1

1 Background 5

2 Objective and Purpose 6

3 Scope and Methodology 6

4 Findings and Recommendations 7

4.1 Part 1, Checklist for Review of State's Compliance 7

Finding 1: DHHS disqualified two newborns prior to 6 months after birth or the next recertification 7

FNS Recommendation 1 8

FNS Recommendation 2 8

Finding 2: DHHS did not report an Intentional Program Violation (IPV) to FNS timely 8

FNS Recommendation 3 9

4.2 Part 2, Checklist for Review of Active Cases 9

Finding 3: DHHS did not maintain required documentation in five case files and verify income in one of those five cases prior to certification 10

FNS Recommendation 4 11

FNS Recommendation 5 11

FNS Recommendation 6 11

FNS Recommendation 7 12

Finding 4: DHHS did not comply with *work provisions* for one case 12

FNS Recommendation 8 12

Finding 5: DHHS did not comply with change reporting requirements for one case 13

FNS Recommendation 9 13

Finding 6: DHHS did not meet Recertification requirements for five cases 14

FNS Recommendation 10 15

5 Best Practices/Performance Improvement Opportunities 16

Appendix A: Summary of Test Procedures and Results of Testing 17

Appendix B: Summary of Monetary Results 25

Appendix C: Summary of Active Case Samples with Multiple Findings 26

TFC Consulting, Inc.
9901 Belward Campus Dr., Suite 165
Rockville, MD 20850

August 31, 2016

Independent Accountant's Report on Applying Agreed-upon Procedures

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

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

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

1. <u>The Michigan Department of Health and Human Services (DHHS) disqualified two newborns prior to 6 months after birth or the next recertification</u> - Federal regulation *7 CFR §273.6, Social Security Numbers,* requires that if a household is unable to provide proof of application for a social security number (SSN) for a newborn, the household must provide the SSN or proof of application at its next recertification or within 6 months following the month the baby was born, whichever is later.[1] From a non-statistical

[1] *7 Code of Federal Regulations (CFR) §273.6 Social Security Numbers, (b)(4)*

sample of 15 individuals without SSNs who received benefits during the scope period,[2] our testing disclosed two cases of non-compliance. Specifically, DHHS prematurely disqualified the newborns and denied the household benefits. This case resulted in potential improper payments (underpayments) of $410.

2. DHHS did not report an Intentional Program Violation (IPV) to FNS timely - Federal regulation *7 CFR §273.16, Disqualification for Intentional Program Violation,* states that each State agency shall report to FNS information concerning individuals disqualified for an Intentional Program Violation, and this information shall be submitted to FNS so that it is received no more than 30 days after the date the disqualification took effect.[3] State agencies report this information using the Electronic Disqualified Recipient System (eDRS). In a non-statistical sample of 15 IPVs,[4] we identified one individual who was not reported in the eDRS system timely (for approximately 10 months).

Our performance of Part 2 of the agreed-upon procedures, the testing of 100 randomly selected active cases, disclosed five cases with 14 instances of non-compliance covering four different subsections of *7 CFR 273.* Please refer to Appendix C for a summary of individual cases with multiple findings. Those instances of non-compliance are grouped by *7 CFR 273* subsection as follows:[5]

3. DHHS did not maintain required documentation in five case files and verify income for one of those five cases prior to certification - Federal regulations (7 *CFR §273.2, Office Operations and Application Processing)* requires that case files must be documented to support eligibility, ineligibility, and benefit level determinations. Documentation shall be in sufficient detail to permit a reviewer to determine the reasonableness and accuracy of the determination.[6] In our review of active cases, we identified five cases where required documentation was missing. As of July 6, 2016, the date of our State agency close-out meeting, DHHS was unable to provide the requested documentation in either hard copy or digital form.

---

[2] The universe of individuals sampled that received SNAP benefits without an SSN during the scope period was 1,552 individuals.

[3] *7 CFR §273.16 Disqualification for Intentional Program Violation, (i)(1)*

[4] The universe of Intentional Program Violation (IPV) during the scope period was 4,015.

[5] The 5 cases and 14 instances of non-compliance are detailed in the 4 different subsections of *7 CFR 273* in Findings 3 through 6. This resulted in an error rate of five percent in our sample, enabling us with a 95 percent confidence level, to project an error rate of 10.52 percent or less in the population of 1,075,464 cases. The error rate for our sample is the number of cases with exceptions (five) divided by the sample size (100), or five percent. For the statistical projection over the entire population, we can state with a high level of likelihood that the rate of non-compliance is somewhere under ten and a half percent of our population.

[6] *7 CFR §273.2 Office Operations and Application Processing, (f)(6)*

7 *CFR §273.2, Office Operations and Application Processing,* also states that gross income shall be verified for all households prior to certification.[7] In our review of active cases, we identified one case where DHHS did not verify income prior to certification which may have resulted in potential improper payments.

4. DHHS did not comply with *work provisions* for one case - Per Federal regulation *7 CFR §273.7, Work Provisions*, when a household files an application for participation, or when a participating household reports the loss of a source of income or a reduction in household earnings, the State agency must determine whether any household member voluntarily quit his or her job or reduced his or her work effort. We identified one case where the recipient indicated they had been "laid off" from their job, and the job end date was recorded in the electronic case file, but there was no evidence of verification of the reason for termination.

5. DHHS did not comply with change reporting requirements for one case - Per Federal regulation *7 CFR §273.12, Requirements for change reporting households*, when a household fails to file a periodic report[8], the State agency will send a notice to the household advising it of the missing or incomplete report no later than 10 days from the date the report should have been submitted. If the household does not respond to the notice, the household's participation shall be terminated. We identified one case where there was no evidence the household submitted a required periodic report, but the household continued receiving benefits. DHHS sent the household notice 18 days after the household's participation should have been terminated. The case comments indicated the form was received the next day, however we did not find any evidence of the form in the electronic case file. Potential improper payments (overpayments) amount to $1,273.

6. DHHS did not meet recertification requirements for five cases - *7 CFR §273.14, Recertification*, states that as part of the recertification process, the State agency must conduct a face-to-face interview with a member of the household or its authorized representative at least once every 12 months for households certified for 12 months or less.[9] We identified four cases where there was no evidence in the benefits management system that DHHS had conducted an interview for recertification in accordance with *7 CFR §273.14* requirements. The potential improper payments (overpayment) were $9,777.

---

[7] *7 CFR §273.2 Office Operations and Application Processing, (f)(1)(i)*

[8] State agencies must maintain current and accurate case file information to ensure that eligible individuals and households continue to receive SNAP benefits. State agencies accomplish this through two reporting mechanisms; 1) State agencies will require household changes be reported within ten days, and/or 2) State agencies using the simplified reporting method will require households to complete a periodic report. The purpose for the periodic report, therefore, is to ensure case file information is accurate and supports a proper determination of eligibility.

[9] *7 CFR §273.14 Recertification, (b)(3)*

7 CFR §273.14, Recertification, also states that no household may participate beyond the expiration of the certification period. We identified two households that continued to receive SNAP benefits beyond the period of certification which may have resulted in potential improper payments (overpayments) in the amount of $1,467.

Additional details concerning these findings, along with our recommendations for improvement, are presented in Section 4 of this report. This report is intended solely for the information and use of the OIG, the Food and Nutrition Service, and the State of Michigan. For any questions concerning this report, please contact Tashu Trivedi, TFC Engagement Partner at (240) 453-6288 or at ttrivedi@tfcci.net.

Signed

TFC Consulting, Inc. /s/

1 Background

The Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the Supplemental Nutrition Assistance Program (SNAP) program providing nutrition assistance to some 45.76 million participants a month and economic benefits of approximately $74 billion annually (FY15).[10] SNAP is the largest domestic hunger safety net program in the United States. FNS works with State agencies to ensure that those eligible for nutrition assistance can make informed decisions about applying for the program and can access benefits. FNS also works with State partners, USDA's Office of Inspector General (OIG), and others to improve program administration and ensure program integrity.

SNAP is authorized by the Food and Nutrition Act of 2008, as amended.[11] Regulatory authority for SNAP resides in the *Code of Federal Regulations (CFR), Title 7 CFR, Parts 271 through 283.* The focus of this agreed-upon procedures engagement was on *7 CFR, Part 273*, which addresses Certification of Eligible Households.

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

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

In FY15, the newly formed DHHS was the State's largest department with more than 15,000 employees. It managed a nearly $24 billion budget and issued SNAP benefits to approximately 2,023,609 low-income Michiganians.[12] In FY 14, the State agency issued $2,576,165,148 in SNAP benefits (which nationally represents 3.68% of benefits and 3.60% of all SNAP participants) serving an average of 872,538 households or 1,679,421 individual participants per month, and ranked 8 out of 53 States and territories in benefits issued.[13] DHHS uses the Bridges comprehensive benefits management system to manage some of the larger of its 150 – 200 different State and Federal service programs and to perform program determinations of eligibility.

Before becoming DHHS in early FY15, it was the Department of Community Health and the Department of Human Services, two separate departments focused on serving the needs of the State's most vulnerable residents. In the January 2015 State of the State address, the Governor spoke about combining the two departments and by February the Governor had merged the two departments by executive order. A transformation team was brought in after the merger to

---

[10] SNAP National Level Annual Summary, Participation and Costs, 1969-2015, FNS.

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

[12] 2015 Annual Table: 2 from the GA-002-Annual Cash Report, unduplicated FAP (SNAP) recipients

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

evaluate processes and workflows and determine process improvements to streamline operations. Many, if not all, offices and operations were impacted as workflows changed and staffing resources were reduced. It was in the middle of our testing scope period that this merger took place.

2 Objective and Purpose

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

3 Scope and Methodology

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

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

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

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

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

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

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

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

Assessment fieldwork was performed at the Michigan headquarters of DHHS in Lansing, Michigan in June 2016. This agreed-upon procedures engagement was conducted in accordance with GAGAS.

4 Findings and Recommendations

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

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

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

Finding 1: DHHS disqualified two newborns prior to 6 months after birth or the next recertification

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

Federal statute[14] and implementing regulations state that if a household is unable to provide proof of application for an SSN for a newborn, the household must provide the SSN or proof of application at its next recertification or within 6 months following the month the baby was born, whichever is later.[15]

We requested from DHHS a list of individuals who received SNAP benefits during FY15 and did not have an SSN entered in the benefits management system. We received a file of 1,552 recipients and non-statistically selected a sample of 15 individuals for testing. Many of the recipients were newborns and therefore, are permitted six months or until the next certification, which ever was longer, before they were required to provide an SSN or good cause for not doing so.

As noted, our testing disclosed two cases of non-compliance. Specifically, DHHS prematurely disqualified two newborns; one for not having an SSN or proof of application within six months

---

[14] *USC, Title 7, Chapter 51 § 2015 (e)*

[15] *7 Code of Federal Regulations (CFR) §273.6 Social Security Numbers, (b)(4)*

of birth and the other prior to the next recertification. Both households were denied SNAP benefits for the newborns.

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

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

FNS Recommendation 1

Require DHHS review the two cases identified to determine if the newborns were eligible to receive SNAP benefits and warrant a supplemental payment to the households.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS staff review the two cases and issue supplements as appropriate.
>
> **Estimated Completion Date:** October 31, 2016

FNS Recommendation 2

Require that Michigan DHHS provide guidance and/or training to case workers and new employees to ensure a proper understanding of the requirements of *7 CFR 273.6*, specifically with regards to SSNs, and making a determination of when an SSN or proof of application for a newborn is required prior to disqualification.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of the requirements of *7 CFR 273.6.*
>
> **Estimated Completion Date:** December 31, 2016

Finding 2: DHHS did not report an Intentional Program Violation (IPV) to FNS timely

Our testing disclosed one case that did not meet compliance requirements under *7 CFR §273.16, Disqualification for Intentional Program Violation.*

7 CFR §273.16 reporting requirements require that each State agency shall report to FNS information concerning individuals disqualified for an IPV, including those individuals disqualified based on the determination of an administrative disqualification hearing official or a court of appropriate jurisdiction, and those individuals disqualified as a result of signing either a waiver

of right to a disqualification hearing or a disqualification consent agreement in cases referred for prosecution. This information shall be submitted to FNS so that it is received no more than 30 days after the date the disqualification took effect.[16] This information is to be entered into the FNS Electronic Disqualified Recipient System (eDRS) by the State agency.

We requested from DHHS a list of all IPVs during FY15 and we received a file of 4,015 individuals. TFC tested a non-statistical sample of 15 cases, and identified one case where the State OIG Agent did not enter the IPV into eDRS within the 30 days required. The case was entered approximately 10 months after the administrative judge's decision date.

We determined the cause was due to a software upgrade and setting change, resulting in the email that contained the administrative hearing decision from the Michigan Administrative Hearing System (MAHS) going into the Agent's MS Outlook "Clutter" folder[17] and being overlooked for approximately 10 months.

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

While performing root-cause analyses, we were informed that the State of Michigan's OIG Central Office had created a report to identify administrative hearings referrals that are outstanding in MAHS. This report is reviewed by OIG staff and during this particular review, the outstanding hearing decision was identified, and the Agent was notified to take action, and did so immediately. The Agent has since made settings changes to resolve this MS Outlook issue.

FNS Recommendation 3

Recommend the one case be reconciled with other State/Territory queries to ensure the disqualified individuals did not apply for benefits in other States/Territories.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS reconcile the case (individual) with other State/Territory queries to ensure the disqualified individual did not apply for benefits in other States/Territories.
>
> **Estimated Completion Date:** December 31, 2016

4.2 Part 2, Checklist for Review of Active Cases

Our review of 100 randomly selected active cases[18] followed the review procedures specified in the Part 2 Checklist for Review of Active Cases, and disclosed five cases with fourteen instances of non-compliance as detailed in Findings 3 through 6 below. This resulted in an error

---

[16] *7 CFR §273.16 Disqualification for Intentional Program Violation, (i)(1)*

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

[18] The universe of active cases during the scope period (October 2014 - September 2015) was 1,075,464.

rate of five percent in our sample, enabling us with a 95 percent confidence level, to project an error rate of 10.52 percent or less in the population.[19]

Finding 3: DHHS did not maintain required documentation in five case files and verify income in one of those five cases prior to certification

Our testing of *7 CFR §273.2, Office Operations and Application Processing,* disclosed five cases of non-compliance. Specifically, DHHS did not maintain required documentation in five case files and did not verify income for one of those five cases.

***Office Operations* Finding 3(a) Required Documentation -** Federal regulations require that case files must be documented to support eligibility, ineligibility, and benefit level determinations. Documentation shall be in sufficient detail to permit a reviewer to determine the reasonableness and accuracy of the determination.

We identified five case files that were missing required documentation;

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

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

As a result, case files are incomplete and missing documentation required for testing, quality assurance reviews, case worker reference, and compliance with *7 CFR §273.2.* Please refer to Appendix C for specific cases with multiple instances of non-compliance.

***Office Operations* Finding 3(b) Verification of Income -** Federal regulations require that Gross nonexempt income shall be verified for all households prior to certification.

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

We determined the cause was due to the case worker not being properly trained in mandatory verification requirements. Specifically, the case worker failed to review the Wage Match notices[20] and verify previously unreported sources of income and document the verification in the case file.

As a result, the information in the benefits management system electronic case file may not contain complete and accurate information required to make a determination of

---

[19] The error rate means that we can state with a high level of likelihood that the rate of non-compliance is somewhere under approximately ten and a half percent for the entire population.

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

eligibility in accordance with *7 CFR §273.2*, and the household may have received improper payments.

FNS Recommendation 4

Require Michigan DHHS provide guidance and/or training to case workers and new employees, to ensure required documentation is obtained prior to certification of eligibility and properly maintained in the case file in accordance with *7 CFR 273.2* requirements.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of the requirements of 7 CFR 273.2.
>
> **Estimated Completion Date:** December 31, 2016

FNS Recommendation 5

Require Michigan DHHS thoroughly review the five identified cases to determine if payments were improper and warrant establishment of a claim.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS review the five cases and establish claims as appropriate.
>
> **Estimated Completion Date:** October 31, 2016

FNS Recommendation 6

Recommend Michigan DHHS establish a process in the benefits management system to ensure case files contain the proper documentation prior to recertification or the expiration of the certification period.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS complete an analysis on any potential process that can be implemented in the Bridges Eligibility System to ensure case files contain the proper documentation prior to recertification or the expiration of the certification period.
>
> **Estimated Completion Date:**
>
> December 31, 2016 is the date by which the analysis will be completed. Completion of any system change will be determined by the scope of the potential change.

FNS Recommendation 7

Require Michigan DHHS provide guidance and/or training to case workers and new employees, to ensure mandatory verifications, including income, are properly performed and documented in the case file in accordance with 7 CFR 273.2 requirements.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of verification requirements in accordance with 7 CFR 273.2.
>
> **Estimated Completion Date:** December 31, 2016

Finding 4: DHHS did not comply with *work provisions* for one case

We identified one case where DHHS did not determine whether a household member voluntarily quit their job or reduced their work effort.

Federal regulations require that when a household files an application for participation, or when a participating household reports the loss of a source of income or a reduction in household earnings, the State agency must determine whether any household member voluntarily quit his or her job or reduced his or her work effort.[21]

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

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

Recommendation 5 is applicable to this finding and should mitigate here as well.

FNS Recommendation 8

Require Michigan DHHS provide guidance and/or training to case workers and new employees, to ensure a proper understanding of work provision requirements in accordance with *7 CFR 273.7* requirements.

Agency Response

In its October 4, 2016, response FNS stated:

---

[21] *7 CFR §273.7 (j)(3)*

> FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of work provision requirements in accordance with 7 CFR 273.7.
>
> **Estimated Completion Date:** December 31, 2016

Finding 5: DHHS did not comply with change reporting requirements for one case

We identified one case where DHHS was not in compliance with *7 CFR §273.12, Requirements for change reporting households.* Specifically, we identified one case where there was no evidence the household submitted a required periodic report, but the household continued to receive benefits for 12 months.

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

Federal regulations state, if a household fails to file a complete periodic report by the specified filing date, the State agency will send a notice to the household advising it of the missing or incomplete report no later than 10 days from the date the report should have been submitted. If the household does not respond to the notice, the household's participation shall be terminated.[22]

We determined the cause was due to Michigan's benefit management system failing to automatically deliver the household's periodic report (form DHS-1046 Semi Annual Contact form) when it was required to be delivered.

As a result, one household did not receive or subsequently submit a periodic report at least once during the sixth month certification period in accordance with *7 CFR §273.12* requirements. The household continued to receive SNAP benefits for 12 months after the date the case should have been terminated. The household incorrectly received $194 per month for six months, $29 for one month, and $16 per month for five months from November 2014 through October 2015 resulting in total potential improper payments (overpayment) of $1,273.

Recommendation 5 is applicable to this finding and should mitigate here as well.

FNS Recommendation 9

Recommend Michigan DHHS review the identified electronic case file and the benefits management system to determine why the required documentation was not properly generated and delivered to the household.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS review the one case file to determine why the required documentation was not properly generated, and implement any system correction as needed.

---

[22] *7 CFR §273.12 (a)(i)(C)(5)(iii) (D)*

Estimated Completion Date: March 31, 2017

Finding 6: DHHS did not meet Recertification requirements for five cases

During the testing of *7 CFR §273.14, Recertification,* we identified five cases where DHHS was non-compliant; four cases where there was no evidence that DHHS had performed a recertification interview and two cases where the household continued receiving benefits after the expiration of the certification period (one case had both instances of non-compliance, please see Appendix C for individual cases with multiple findings).

Recertification 6(a) DHHS did not conduct recertification interviews for five cases prior to recertification - *7 CFR §273.14, Recertification*, states that as part of the recertification process, the State agency must conduct a face-to-face interview with a member of the household or its authorized representative at least once every 12 months for households certified for 12 months or less. We identified four cases where there was no evidence in the benefits management system that DHHS had conducted an interview for recertification in accordance with 7 *CFR §273.14* requirements.

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

As a result, four households did not have the required redetermination interview and did not properly complete the recertification process, and may have received potential improper payments as follows:

- One household incorrectly received $16 per month in benefits for 6 months during the Scope period from April 2015 through September 2015 resulting in a potential total overpayment of $96
- One household incorrectly received $1,169 per month in benefits for 6 months during the Scope period from January 2015 through June 2015 resulting in a potential total overpayment of $7,014
- One household incorrectly received $771 one month and $538 another month in benefits during the Scope period from August 2015 through September 2015 resulting in a potential total overpayment of $1,309
- One household incorrectly received $194 per month in benefits for 7 months during the Scope period from March 2015 through September 2015 resulting in a potential total overpayment of $1,358

The total potential improper payments (overpayment) amounted to $9,777.

Recommendation 5 is applicable to this finding and should mitigate here as well.

Recertification 6(b) DHHS continued to provide benefits to two cases beyond the certification period - Per Federal regulation *7 CFR §273.14, Recertific*ation, also states that no household may participate beyond the expiration of the certification period. We identified two households that continued to receive SNAP benefits beyond the expiration of the certification period.

We determined the following causes led to the above conditions:

- For the first household, State personnel informed us the Michigan DHHS benefit management system may have encountered a system error. The system did not auto-generate and provide the household notification of the expiration date of their certification period and provide a recertification application form.
- For the second household, the case worker failed to upload the redetermination application into the household's electronic case file to properly evidence that the household completed a recertification application (DHS-1010 Redetermination) in accordance with *7 CFR §273.14 Recertification* requirements.

As a result;

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

This resulted in total potential improper payments (overpayments) in the amount of $1,467.

Recommendation 5 is applicable to this finding and should mitigate here as well.

FNS Recommendation 10

Require Michigan DHHS provide guidance and/or training to case workers and new employees to ensure interviews are properly performed and documented in the electronic case file in accordance with *CFR §273.14* requirements.

Agency Response

In its October 4, 2016, response FNS stated:

> FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of interview requirements in accordance with 7 CFR 273.14.
>
> **Estimated Completion Date:** December 31, 2016

5 Best Practices/Performance Improvement Opportunities

During our fieldwork, we focused on testing State compliance with *7 CFR 273* requirements, but when we identify areas that impact our testing and provide an opportunity for the State to improve its performance and serve the taxpayers better or more efficiently, we are obligated to share those performance improvement opportunities with management. There were three such opportunities presented during this engagement; assisting OIG in performing root-cause analysis, data warehouse responsiveness, and access to eDRS reports. They are as follows:

- Near the conclusion of our audit fieldwork, and during the evaluation of potential findings, we made many requests for information that would allow us to identify the root cause of non-compliance for our testing of active cases. We met with and exchanged emails with senior SNAP personnel over the course of weeks, but were unable to obtain information that would provide a clear and precise understanding of what happened at the local office level to cause the findings we identified. State agency SNAP personnel were able to provide some high-level explanations for some of the findings, but nothing granular or concrete that would provide a clear understanding of what caused the non-compliance or why. We suggest DHHS consider improvements that would facilitate root-cause analysis of non-compliance at the local office level. For example, DHHS could establish or make more readily available an audit trail that provides identification of the case worker and date when a change or an update is made in the employment section of the Bridges benefits management system.

- Throughout the course of this engagement, data requests were made, but documentation was not provided in a timely manner, and in some cases either partially provided or not provided at all. For example, we requested information on the number of cases that fell below the Federal poverty line and received that number 58 days later and one week after the agency close-out meeting. Similarly, we requested data on caseload aging on the same date and were informed, also on July 13, 2016, the State agency would not be able to provide that information. Altogether there were two PBC data request items that were not provided and five that didn't satisfy the request.

  Based on inquiry of State personnel, it's our understanding that this was due to resource constraints at the data warehouse where data requests were processed. We suggest management review data warehouse operations and assess whether this is an isolated occurrence or whether it is recurring and may present an opportunity to improve State agency operations.

- In trying to obtain eDRS reports, we identified another potential area for improvement. When requesting reports for eDRS we were informed that the employee responsible for providing this information was out on extended sick leave. We were later given access to eDRS reports from an individual who had just been given system access and was generally unfamiliar with eDRS. We did receive all the information required for testing in the prescribed time frame and we appreciate the State's efforts in this regard. However, we do see an opportunity for improvement. We suggest the State consider providing additional staff access to the eDRS system and that they be given adequate training such that a staff member and a back-up are generally available to perform functions as needed. Relying on one knowledgeable individual and an untrained relief staff poses an unnecessary risk to the State agency in the event of illness, vacation, career change, etc.

Appendix A: Summary of Test Procedures and Results of Testing

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.1 Household Concept	Inquire whether the State has any definitions of SNAP "Households" that deviate from the regulations. If so, determine why and if FNS has approved the deviation.	No
§273.2 Office Operations and Applications Processing	For the scope period, determine whether the State's documented operating procedures for SNAP application processing are in accordance with the regulations. Specifically, determine whether the State has maintained information to document the following: a) Households that have failed to cooperate with eligibility determination or re-verification of eligibility, and if so, if those Households were refused benefits. Please capture the number of Households involved. b) Households that have failed to cooperate with the State's Quality Control (QC) reviews, and if so, if those Households were refused benefits. Please capture the number of Households involved.	No
§273.3 Residency	Determine what type of residency documentation the State uses to verify that SNAP applicants reside in the State where they have submitted a SNAP application, and how often it is re-verified.	No
§273.5 Students	Determine whether the State has support for the number of "students' participating in SNAP and the exemption type that each has been designated. If so, obtain copies of the support documentation.	No
§273.6 Social Security Numbers	Determine whether the State has support for the number of SNAP recipients who are participating that have not provided an SSN, and if all of them have proper justification for not doing so. Obtain copies of the support documentation.	Exception noted, reference finding #1
§273.7 Work Provisions	Determine whether the State has support for the number of SNAP recipients who are also working and adequately meeting the SNAP Work provisions. If so, obtain copies of the support documentation.	No
§273.7 Work Provisions	Also, determine the number of SNAP recipients who are required to meet the SNAP work provisions, but for some reason (State waiver, etc.) have not done so.	No

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.8 Resource Eligibility Standards	Determine whether the State has support documentation for the number of SNAP Recipients that have been excluded from the Resource Eligibility standards because of Categorical Eligibility or Broad Based categorical Eligibility. For those SNAP recipients that are subject to the Resource eligibility standards, has the State maintained support documentation to verify that they have met the resource eligibility standards?	No
§273.9 Income and Deductions	Determine whether the State has support documentation to demonstrate how many of the State's SNAP recipients fall under either the a) 130 percent of the Federal poverty level income limit or b) categorical or broad based categorical eligibility	No
§273.10 Determining Household Eligibility and Benefit Levels	Determine whether the State certification of eligibility, including income, deductions, and resources is a) Accomplished using third party documentation or whether these amounts are self-certified by the applicant. b) Affected by the payment(s) of Low Income Energy Assistance Act subsidies to the applicant.	No
§273.11 Action on Households with Special Circumstances	Determine whether the State has support documentation to identify those SNAP Households where one or more members have been disqualified from SNAP, and if so, identify the exact number of disqualified individuals and households compared to the State's total SNAP recipients and Households.	No
§273.12 Requirements for Change Reporting Households	Determine for each of the following eligibility factors whether the State requires SNAP Household changes that trigger reporting to be reported when they happen (or usually within 10 days) or at the next recertification, or never, and what regulations they use to justify those procedural guidelines: a) Earned income b) Unearned income c) Deductions/expenses d) Low Income Heating and Energy Program (LIHEAP) subsidy e) Resources f) Assets g) Household size h) Work provision compliance	No

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.13 Notice of Adverse Action	Determine the number of adverse action notices sent out in the State for the last two Fiscal Years, the number of these that were successfully appealed, and the resulting number of adverse actions that actually were implemented.	No
§273.14 Recertification	Determine the following for the current months' (or select a consistent sample month for all State contracted reviews) SNAP caseload (participating Households): a) How often the entire caseload of Households is recertified; b) How many recertifications involve face-to face interviews; c) How many recertifications require a household's authorized signature; and d) How many include re-verification of eligibility information. For example, 50 percent are recertified every six months and 50 percent are recertified every 12 months.	No
§273.14 Recertification	Also, determine if the State has procedures to ensure that: a) An adequate Notice of Expiration has been developed by the State; and b) Applicant eligibility information is maintained by the authorizing SNAP office.	No
§273.16 Disqualification for Intentional Program Violation	For the Scope period, determine the following: a) The number of Intentional Program Violations (IPV) identified by the State for the last three FYs; b) The number of IPVs reported to FNS by the State; c) The number of IPVs the State has classified as inadvertent household errors using the regulation passage cited in the criteria below; and d) Whether all IPV cases reported to FNS were entered onto the disqualified recipient database in accordance with procedures specified by FNS.	Exception noted, reference finding #2

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.18 Claims Against Households	Identify for the Scope period: a) The number of claims against Households broken down by IPV, IHE, and AE, and if they were all reported to FNS accurately and for the correct period; b) Whether all types of errors can result in claims against Households; c) The dollar value of claims established against Households; d) The dollar value of claims actually recovered, whether recovered in part or in full; e) A breakdown of the amounts recovered by recovery method (reduction in benefits, cash, Treasury offset, etc.); f) The number and dollar value of claims against Households written off by the State; and g) A breakdown of the claims written off by the justification for the write-offs.	No
§273.18 Claims Against Households	Also, determine if the State has documented Claims Against Households policy and procedures, the date of the last update or current date of those policy/procedures, and whether those policies and procedures were: a) Approved by FNS; and b) Timely and consistently disseminated to all of the State's local (Welfare) offices	No
§273.20 SSI Cash-Out	For the State of California, determine the following: a) If the State has policy and procedures to ensure that those who receive CA SSI benefits do not also receive SNAP benefits in CA for the same period; b) If the State has policy and procedures to ensure that those that receive CA SSI benefits do not also receive SNAP benefits in other States for the same period; and c) The number and dollar value of recipients on (a) the SNAP program and (b) the CA SSI program	N/A for the State of Michigan

Part 1, Checklist for Review of State's Compliance Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.21 Monthly Reporting and Retrospective Budgeting (MRRB)	For the Scope period, determine the following: a) How much of the State's SNAP caseload (both in number of Households and SNAP dollars) are on the one or two-month MRRB reporting system; b) If the State has accurate policies and procedures for the inclusion and exclusion of SNAP recipients from the MRRB process; and c) If the State no longer uses MRRB, have they received an official written waiver from the FNS Administrator to no longer use it	N/A for the State of Michigan
§273.23 Simplified Application and Standardized Benefit Projects	For the Scope period, determine the following: a) How many (Households and SNAP dollar value) SNAP recipient are on the Simplified Application and Standardized Benefit Project program versus the State's entire SNAP Household caseload; b) If FNS has approved the State's Official Work Plan for this Program; c) If the Work Plan accurately defines "Project-eligible households" and "Determining Food Stamp Program eligibility" in accordance with the regulations; and d) If the State monitored compliance with the Official Work Plan approved by FNS	N/A for the State of Michigan
§273.24 Time Limit for Able-Bodied Adults	For the Scope period, determine the following: a) If the State has an FNS approved Workfare Program. If not, does the State have a waiver from FNS or is there other authorizing statute or regulation that eliminates the need for a State Workfare Program? b) If the Workfare Program State Plan has a definition of SNAP "Able-bodied adults." c) If the State has information which identifies all able-bodied adults in its entire SNAP caseload. If so, obtain the number of able-bodied adults and their relative SNAP benefits authorized versus the entire SNAP Household caseload and SNAP benefits authorized Statewide. d) The number of Households and related SNAP benefit dollars of those Households that actively participate in any (a) a State approved work related employment and training program or (b) that actually work versus the entire SNAP caseload of Households and SNAP benefit dollars. e) If the State can identify in its entire SNAP Household caseload how many Households	No

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

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.1 Household Concept	Determine if each member of the SNAP household is an eligible household member as defined by 7 CFR 273.1.	No
§273.2 Office Operations and Applications Processing	Was the application or re-certification processed in accordance with the State's documented operating procedures?	Exception noted reference finding #3
§273.2 Office Operations and Applications Processing	Did the household fail to cooperate during the eligibility determination process or with the State's QC review process? If so, was the household refused benefits?	No
§273.3 Residency	Determine if the recipient's residency was evaluated and that the case was certified based upon appropriate residency documentation.	No
§273.5 Students	Determine if the State agency appropriately identified the student status of the household members in accordance with 7 CFR 273.5.	No
§273.6 Social Security Numbers	Determine if the SNAP household provided social security numbers in accordance with 7 CFR 273.6.	No
§273.7 Work Provisions	Was the determination on whether the household was required to participate or exempt from work requirements appropriate as defined in 7 CFR 273.7? Ensure that the verification used to make this determination was appropriate.	Exception noted reference finding #4
§273.8 Resource Eligibility Standards	Was the household required to meet resource eligibility standards? If not, document the reason.	No
§273.8 Resource Eligibility Standards	If the household is required to meet resource eligibility standards, determine if the State agency appropriately verified the household's resources in accordance with 7 CFR 273.8.	No
§273.9 Income and Deductions	Determine if the State agency appropriately determined and verified the household's gross income in accordance with 7 CFR 273.9.	No
§273.10 Determining Household Eligibility and Benefit Levels	Was the household eligibility and benefit level determinations made with documentation verified by a third party? If not, describe the circumstances that caused the State agency to determine eligibility and benefit level through self-certification. Also, was the household's eligibility and benefit level determination affected by Low Income Energy Assistance Act subsidies received by the household?	No
§273.11 Action on Households with Special Circumstances	Does the household contain one or more members who are disqualified from SNAP?	No

Part 2, Checklist for Review of Active Cases Results from Testing 7 CFR 273		
7 CFR Subsection	**Review Procedures**	**Were exceptions found as a result of applying the procedure?**
§273.12 Requirements for Change Reporting Households	If a change occurred that was required to be reported by the household, document if the household reported the change and the State agency handled it appropriately in accordance with the regulations.	Exception noted reference finding #5
§273.14 Recertification	For the Scope period, document the number of times the household was recertified, whether a face-to-face interview was conducted, whether the State agency required the household's authorized signature, and whether the household's eligibility information was maintained and re-verified in accordance with 7 CFR 273.14.	Exception noted reference finding #6
§273.16 Disqualification for Intentional Program Violation.	Was any member of the household disqualified through an Intentional Program Violation (IPV)? If so, how many?	No
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV reported to FNS?	No
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV classified as an inadvertent household error?	No
§273.16 Disqualification for Intentional Program Violation.	Was the recipient who was disqualified through an IPV entered onto the disqualified recipient database in accordance with procedures specified by FNS?	No
§273.18 Claims Against Households	Has a claim ever been established against this household? If so, what was the reason for the claim and its dollar value? Was it recovered? If so, how was it recovered? If not, why not? If it was ultimately written off, what was the justification for the write-off?	No
§273.24 Time Limit for Able-Bodied Adults	Are there any able-bodied adults as defined in 7 CFR 273.24 contained in the household? If so, how many? (All adults are considered able-bodied unless they meet the exceptions described in CFR 273.24 (c).)	No
§273.24 Time Limit for Able-Bodied Adults	Was the household treated appropriately with respect to the requirements placed on able-bodied adults, as described in 7 CFR 273.24?	No

Appendix B: Summary of Monetary Results

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

Finding	Recommendation	Description	Amount	Code/Category
1	1	DHHS determined an eligible newborn to be ineligible	$410	Underpayments
5	5	DHHS did not comply with change reporting requirements	$1,273	Questioned Costs, Potential Recovery
6(a)	5	DHHS did not conduct recertification interviews for five cases prior to recertification	$9,777	Questioned Costs, Potential Recovery
6(b)	5	DHHS continued to provide benefits to two cases beyond the certification period	$1,467	Questioned Costs, Potential Recovery
Total Monetary Result (Absolute value)			**$12,927**	

Appendix C: Summary of Active Case Samples with Multiple Findings

In each of the 100 active cases we tested where findings were identified, more than one instance of non-compliance was observed. Generally, the findings were directly related to each other. For example, those cases where we were unable to obtain evidence that a recertification interview had occurred were non-compliant with 273.2 for not maintaining required documentation in the case file and 273.14 for not conducting a face-to-face interview. For purposes of this report, we have identified each case by its sample number as follows:

Sample Number	Office Operations 273.2	Work Provisions 273.7	Change Reporting 273.12	Recertification 273.14
1	Finding 3(a)	N/A	N/A	Finding 6(a)
30	Finding 3(a)	N/A	N/A	Finding 6(a)
54	Finding 3(a)	N/A	N/A	Finding 6(a)
78	Finding 3(a), (b)	Finding 4	Finding 5	Finding 6(b)
82	Finding 3(a)	N/A	N/A	Finding 6(a), (b)

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Room 712

Alexandria, VA 22302-1500

DATE: October 4, 2016

AUDIT NUMBER: 27601-0004-10

TO: Gil H. Harden
Assistant Inspector General for Audit

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

SUBJECT: Michigan's Compliance with SNAP Certification of Eligible Households

This letter responds to the official draft report for audit number 27601-0004-10, Michigan's Compliance with Supplemental Nutrition Assistance Program (SNAP) Certification of Eligible Households. Specifically, the Food and Nutrition Service (FNS) is responding to the ten recommendations in the report.

OIG Recommendation 1:

Require DHHS review the two cases identified to determine if the newborns were eligible to receive SNAP benefits and warrant a supplemental payment to the households.

FNS Response:

FNS concurs with the requirement that DHHS staff review the two cases and issue supplements as appropriate.

Estimated Completion Date: October 31, 2016

OIG Recommendation 2:

Require that Michigan DHHS provide guidance and/or training to case workers and new employees to ensure a proper understanding of the requirements of 7 CFR 273.6, specifically with regards to SSNs, and making a determination of when an SSN or proof of application for a newborn is required prior to disqualification.

FNS Response:

FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of the requirements of 7 CFR 273.6.

Estimated Completion Date: December 31, 2016

OIG Recommendation 3:

Recommend the one case be reconciled with other State/Territory queries to ensure the disqualified individuals did not apply for benefits in other States/Territories.

FNS Response:

FNS concurs with the requirement that DHHS reconcile the case (individual) with other State/Territory queries to ensure the disqualified individual did not apply for benefits in other States/Territories.

Estimated Completion Date: December 31, 2016

OIG Recommendation 4:

Require Michigan DHHS provide guidance and/or training to case workers and new employees, to ensure required documentation is obtained prior to certification of eligibility and properly maintained in the case file in accordance with *7 CFR 273.2* requirements.

FNS Response:

FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of the requirements of 7 CFR 273.2.

Estimated Completion Date: December 31, 2016

OIG Recommendation 5:

Require Michigan DHHS thoroughly review the five identified cases to determine if payments were improper and warrant establishment of a claim.

FNS Response:

FNS concurs with the requirement that DHHS review the five cases and establish claims as appropriate.

Estimated Completion Date: October 31, 2016

OIG Recommendation 6:

Recommend Michigan DHHS establish a process in the benefits management system to ensure case files contain the proper documentation prior to recertification or the expiration of the certification period.

FNS Response:

FNS concurs with the requirement that DHHS complete an analysis on any potential process that can be implemented in the Bridges Eligibility System to ensure case files contain the proper documentation prior to recertification or the expiration of the certification period.

Estimated Completion Date:

December 31, 2016 is the date by which the analysis will be completed. Completion of any system change will be determined by the scope of the potential change.

OIG Recommendation 7:

Require Michigan DHHS provide guidance and/or training to case workers and new employees, to ensure mandatory verifications, including income, are properly performed and documented in the case file in accordance with 7 CFR 273.2 requirements.

FNS Response:

FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of verification requirements in accordance with 7 CFR 273.2.

Estimated Completion Date: December 31, 2016

OIG Recommendation 8:

Require Michigan DHHS provide guidance and/or training to case workers and new employees, to ensure a proper understanding of work provision requirements in accordance with 7 CFR 273.7 requirements.

FNS Response:

FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of work provision requirements in accordance with 7 CFR 273.7.

Estimated Completion Date: December 31, 2016

OIG Recommendation 9:

Recommend Michigan DHHS review the identified electronic case file and the benefits management system to determine why the required documentation was not properly generated and delivered to the household.

FNS Response:

FNS concurs with the requirement that DHHS review the one case file to determine why the required documentation was not properly generated, and implement any system correction as needed.

Estimated Completion Date: March 31, 2017

OIG Recommendation 10:

Require Michigan DHHS provide guidance and/or training to case workers and new employees to ensure interviews are properly performed and documented in the electronic case file in accordance with CFR §273.14 requirements.

FNS Response:

FNS concurs with the requirement that DHHS review training materials, and issue a Field Operations Administration Memo to ensure the proper understanding of interview requirements in accordance with 7 CFR 273.14.

Estimated Completion Date: December 31, 2016

Learn more about USDA OIG
Visit our website: www.usda.gov/oig/index.htm
Follow us on Twitter: @OIGUSDA

How to Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse
File complaint online: www.usda.gov/oig/hotline.htm

Monday–Friday, 9:00 a.m.– 3:00 p.m. ET
In Washington, DC 202-690-1622
Outside DC 800-424-9121
TDD (Call Collect) 202-690-1202

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

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public as sistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Lan guage, etc.) should contact the responsible Agency or USDAs TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimina tion Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.