



U.S. Department of Agriculture
Office of Inspector General



Evaluation of Texas' Use of Supplemental Nutrition Assistance Program Administrative Funds for Participants' Benefits

Inspection Report 27801-0002-21

This report provides the results of Objective 1, in which we determined whether the State of Texas used FNS SNAP administrative funds to provide benefits to participants.

OBJECTIVES

Our first objective (Objective 1) was to determine whether the State of Texas used SNAP administrative funds to provide benefits to participants. For our second objective (Objective 2), we planned to analyze SNAP participant data to evaluate its quality and integrity. However, there were challenges to obtain and analyze the requested data within a sufficient timeframe to include in this report. Therefore, we will report on Objective 2 at a later date (Inspection 27801-0002-18, *Evaluation of SNAP Participant Data for Selected States*).

WHAT OIG FOUND

The U. S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) is the nation's largest nutrition assistance program. In fiscal year (FY) 2024, Texas provided more than \$7.2 billion in SNAP benefits. In doing so, Texas was reimbursed more than \$221 million in Federal funds for administrative costs. FNS reimburses each State agency an amount equal to 50 percent of administrative costs involved in each State agency's operation of SNAP.

We determined that FNS had designed adequate controls to ensure that the State of Texas did not use SNAP administrative funds to provide benefits to participants in FY 2024 and that requests for reimbursements were supported.

REVIEWED

We focused our inspection on FNS SNAP administrative funding for FY 2024. We reviewed applicable policies, procedures, and other published guidance; interviewed officials; and reviewed a nonstatistical sample of transactions from State general ledgers to verify that administrative costs were supported.

RECOMMENDS

We are not making any recommendations in this report.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: July 28, 2025

INSPECTION

NUMBER: 27801-0002-21

TO: James C. Miller
Administrator
Food and Nutrition Service

ATTN: Amanda Musgrove
Director, Office of Internal Controls, Audits and Investigations
Food and Nutrition Service

FROM: Yarisís Rivera-Rojas
Acting Assistant Inspector General for Audit

SUBJECT: Evaluation of Texas' Use of Supplemental Nutrition Assistance Program
Administrative Funds for Participants' Benefits

This report presents the results of our inspection of Food and Nutrition Service: Evaluation of Texas' Use of Supplemental Nutrition Assistance Program Administrative Funds for Participants' Benefits. We do not have any recommendations in the report and, therefore, no further response to this office is necessary.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (<https://usdaoig.oversight.gov>) in the near future.

Table of Contents

Background and Objectives	1
Overall Conclusion: FNS Designed Adequate Controls Over SNAP	
Administrative Funds for the State of Texas.....	3
Scope and Methodology.....	6
Abbreviations	10

Background and Objectives

National Background

The U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) is the nation's largest nutrition assistance program. SNAP provides food benefits to low-income families to supplement their grocery budget so they can afford the nutritious food essential to health and well-being. In fiscal year (FY) 2024, FNS provided more than \$94 billion in SNAP benefits to 41.7 million participants.¹

SNAP is administered in accordance with the provisions of the Food and Nutrition Act of 2008 and the regulations in subchapter C of Title 7 of the Code of Federal Regulations (C.F.R.). State agencies administer SNAP on behalf of FNS, and FNS reimburses these agencies for costs incurred to operate SNAP in their State. FNS funds the full cost of SNAP benefits and generally reimburses the States for 50 percent of administrative costs. State agencies have flexibility to adapt their organizational structure to administer SNAP according to their unique circumstances and the needs of their residents.

State agencies report their cumulative SNAP expenditures on the FNS-778 SNAP worksheet, which is then summarized and reported on the Federal Financial Report Standard Form (SF) 425. The States are reimbursed for their SNAP administrative expenditures based on the information reported on these reports. Costs claimed on FNS-778 are reported in various categories including Certification, Automated Data Processing (ADP), Employment and Training (E&T), and Fraud Control. In FY 2024, FNS provided more than \$6.5 billion to State agencies to administer SNAP.

Texas Background

The State of Texas administers SNAP through the Texas Health and Human Services Commission (THHSC).² In FY 2024, the State of Texas served more than 3.4 million people, providing more than \$7.2 billion in SNAP benefits. The cost of administering SNAP in Texas in FY 2024 totaled more than \$437.8 million.³ The Federal share of these expenses was more than \$221 million.⁴

Objectives

Our first objective (Objective 1) was to determine whether the State of Texas used SNAP administrative funds to provide benefits to participants. For our second objective (Objective 2), we planned to analyze SNAP participant data to evaluate its quality and integrity. However, there

¹ 41.7 million persons is the monthly average for SNAP participation in FY 2024.

² THHSC has an interagency contract with the Texas Workforce Commission (TWC) to administer the SNAP education and training program.

³ Based on SF-425/FNS-778 dated February 26, 2025. THHSC submitted an updated SF-425/FNS-778 on May 14, 2025, and reported more than \$434.4 million in total administrative costs.

⁴ Based on SF-425/FNS-778 dated February 26, 2025. THHSC submitted an updated SF-425/FNS-778 on May 14, 2025, and reported a Federal share of more than \$219.8 million in administrative expenses.

were challenges to obtain and analyze the requested data within a sufficient timeframe to include in this report. Therefore, we will report on Objective 2 at a later date (Inspection 27801-0002-18, *Evaluation of SNAP Participant Data for Selected States*).

Overall Conclusion: FNS Designed Adequate Controls Over SNAP Administrative Funds for the State of Texas

We determined that FNS had designed adequate controls to ensure that the THHSC did not use SNAP administrative funds to provide benefits to participants in FY 2024 and that requests for reimbursements were supported.

Assessment of Access Controls and Authorizations Over Administrative and Benefits Payments

FNS' access controls and authorizations to request SNAP administrative and participant benefits payments are adequately designed to ensure that administrative funds are not used to provide benefits to SNAP participants. Specifically, FNS' controls at THHSC were to:

- establish two separate letters of credit (LOC) for Texas' administrative funds and SNAP participant benefits,
- limit the U.S. Department of the Treasury's Automated Standard Application for Payments (ASAP) system access to Texas' administrative⁵ and SNAP participant benefits funds, and
- require supporting documentation for State agencies and Electronic Benefits Transfer (EBT) processors to request payments for administrative and SNAP participant benefits costs, respectively.

The U.S. Government and Accountability Office's Standards for Internal Control in the Federal Government require agencies to design appropriate control activities to limit access to program funds and to ensure transactions are authorized and executed only by officials acting within the scope of their authority.⁶

FNS National Office officials explained that the flows of funds for administrative and benefit payments are distinct and separately managed. To ensure controlled access and proper authorizations for FNS SNAP funds, FNS established two separate LOC. FNS designated one LOC for administrative cost reimbursements, while the other is allocated for payments related to SNAP benefits transactions. These two LOC specify the funds available for:

1. State agencies to request reimbursement for costs incurred while administering SNAP,⁷ and
2. EBT processors to settle SNAP participant benefits transactions with retailers.

⁵ THHSC only granted its employees 'payment requestor' access in ASAP to initiate payment requests from Texas' administrative funds.

⁶ According to USDA regulation, agencies are responsible for establishing and maintaining an internal control system based on the U.S. Government Accountability Office's Standards for Internal Control in the Federal Government. USDA Departmental Regulation 1110-002, *Management's Responsibility for Internal Control* (March 5, 2021).

⁷ Activities to administer FNS SNAP could include, but are not limited to, costs for investigating and prosecuting SNAP fraud activity, costs for SNAP information activities or outreach, salaries for accepting and processing applications, and costs to provide SNAP participants training to enter or move up in the workforce.

Authorized officials from State agencies and EBT processors can request payments up to the authorized amount specified in the LOC through the ASAP system.

Once the payment requests are processed, funds are deposited into separate bank accounts for administrative costs and SNAP participant benefits. This approach ensures that there is no commingling of administrative and SNAP participant benefits funds. Figure 1 below illustrates the separate flows of administrative and SNAP participant benefits funds.

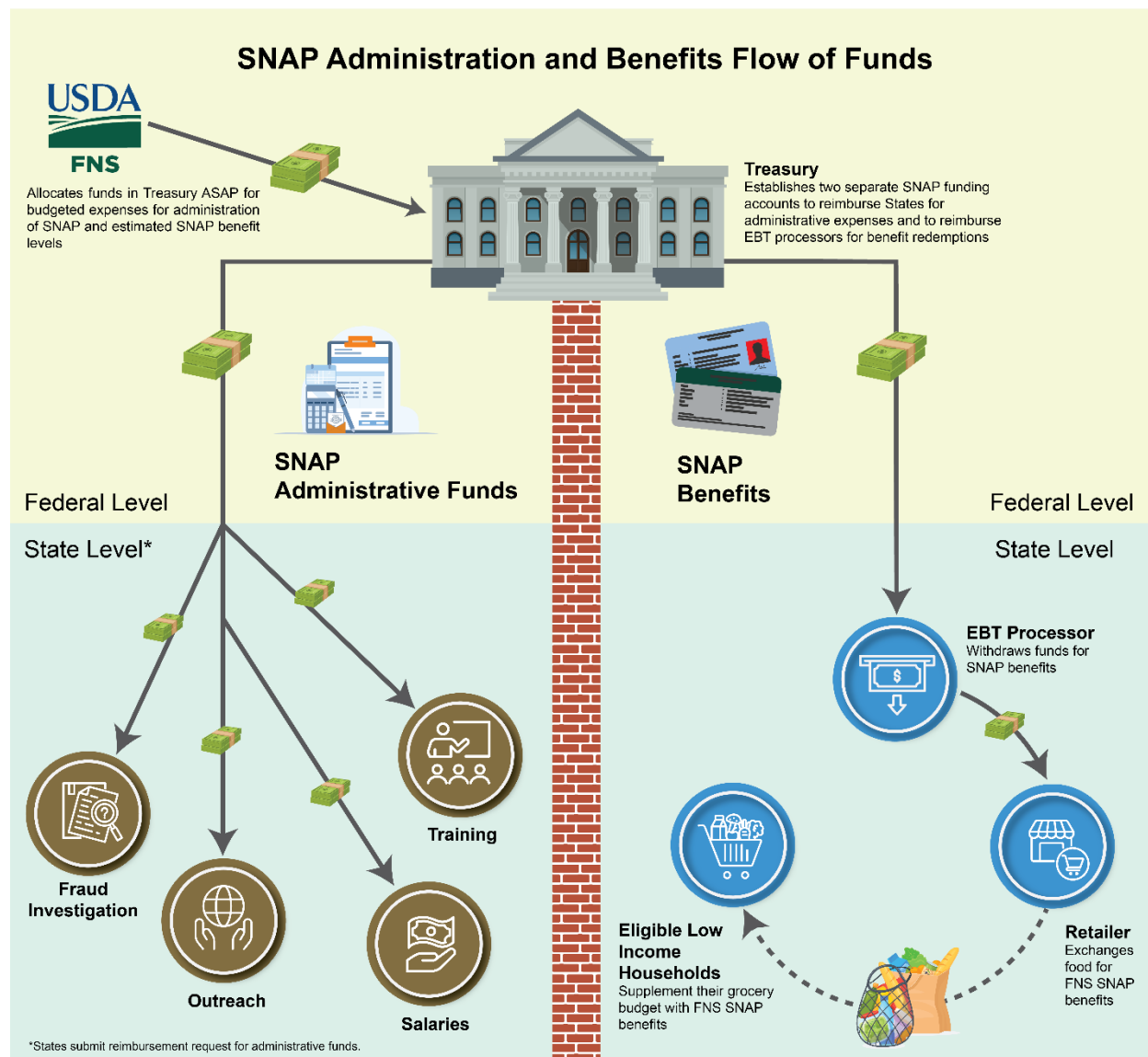


Figure 1: This diagram depicts the separate flows of funds from FNS to the State agency for the Federal share of administrative expenses, and to the host processor to reimburse retailers for daily transactions of SNAP benefits. States do not have access to benefits funding. Figure by the Office of Inspector General (OIG).

Review of Supporting Documentation for Selected Texas Administrative Cost Expenditures

Based on FNS' control requiring supporting documentation for claimed administrative costs, we reviewed documentation for selected administrative expenditures and determined that THHSC's

requests for reimbursements were supported and that none were used to provide SNAP benefits to participants.⁸

Federal regulations require State agencies to maintain source documents to support any costs claimed for program administration.⁹ These source documents, such as invoices, cost determination and allocations procedures, and accounting procedures, provide evidence of when and how the State of Texas used these funds to administer SNAP. Additionally, FNS performs Financial Management Reviews to oversee State agency operations of SNAP. These reviews include examining supporting documentation for administrative expenditures.

⁸ THHSC maintains the general ledger for most of Texas' FNS SNAP administrative expenses reported on the FNS-778. Additionally, THHSC has an interagency contract with TWC to administer the SNAP education and training program. Therefore, TWC maintains a separate general ledger for E&T expenses.

⁹ 7 C.F.R. § 277.6 (b)(7).

Scope and Methodology

We conducted this inspection by examining whether the State of Texas used SNAP administrative funds to provide benefits to participants (Objective 1). We focused our inspection on FNS SNAP administrative funds for FY 2024 and conducted fieldwork from March 2025 through July 2025. We conducted in-person fieldwork in Austin, Texas and conducted interviews with FNS officials. We discussed the results of our inspection with agency officials on July 2, 2025, and included their responses, as appropriate.

We intended to analyze SNAP participant data to evaluate its quality and integrity (Objective 2); however, there were challenges to obtain and analyze the requested data within a sufficient timeframe to include in this report. Therefore, we will report on Objective 2 at a later date (Inspection 27801-0002-18, *Evaluation of SNAP Participant Data for Selected States*).

To accomplish Objective 1—to determine whether the State of Texas used SNAP administrative funds to provide benefits to participants—we:

- Reviewed Federal laws and regulations and agency policy and procedures related to costs for State agencies to administer SNAP;
- Interviewed FNS National Office, FNS Southwest Regional Office, and THHSC officials to gain an understanding of controls over SNAP administrative and participant benefits funds;
- Reviewed applicable THHSC policies and procedures for SNAP administrative costs;
- Gained an understanding of financial and benefits eligibility systems used by Texas to help operate and manage SNAP, through provided walkthroughs;
- Reviewed THHSC and EBT processor user roles and access to the U.S. Department of the Treasury’s ASAP system to determine whether access to Texas’ administrative and SNAP participant benefits funds was appropriate;
- Reviewed all FY 2024 requests for payments from Texas’ administrative and participant benefits accounts to assess whether authorized individuals initiated payments; and
- Reviewed selected transactions to confirm whether FNS’ controls ensured that reimbursements for SNAP administrative costs were supported.

Transaction Selection Methodology

We reviewed Texas’ FY 2024 SF-425, FNS-778, and general ledgers, and identified the five administrative cost categories with the highest total Federal share of outlays and unliquidated obligations.¹⁰ For each of the top five categories, we selected and tested one transaction to confirm whether FNS’ controls ensured that SNAP administrative reimbursements were supported.

¹⁰ The top five administrative cost categories with the highest total Federal share of outlays and unliquidated obligations for FY 2024 in Texas were (1) Certification, (2) ADP Operations, (3) Outreach, (4) Fraud Control, and (5) E&T 100% Grant. See Table 1.

Texas' administrative cost categories and expenditures are shown in Table 1 below.

FNS-778 Category Name	Total Federal Share of Outlays and Unliquidated Obligations	Description
Certification	\$147,800,979.00	Costs for accepting and processing applications. Includes salaries, benefits, travel expenses, supervisory, clerical, and other support costs.
ADP Operations	\$39,057,358.00	Operational costs of computer systems.
Outreach	\$8,457,659.00	Costs for program informational activities.
Fraud Control	\$5,944,397.00	Costs of qualified employees engaged specifically in the investigation and prosecution of SNAP fraud activity.
E&T 100% Grant	\$5,225,881.00	Unmatched Federal grant expended on administrative costs of the E&T program.
E&T 50% Grant	\$4,393,145.00	Amount in excess of E&T allocation (E&T 100% Grant) expended to operate the E&T program.
ADP Development	\$3,941,695.00	Computer system development costs, including EBT planning costs.
EBT Issuance	\$3,459,291.00	Costs for EBT issuance, including EBT operational costs and EBT equipment costs.
Fair Hearing	\$1,670,560.00	Costs for Fair Hearing activities.
Quality Control	\$927,474.00	Costs for Quality Control activity, including travel expenses.

FNS-778 Category Name	Total Federal Share of Outlays and Unliquidated Obligations	Description
E&T Transportation and Other	\$381,047.00	Costs to reimburse E&T participants for the costs of transportation and other reasonable and necessary costs incurred as a result of E&T participation.
Management Evaluation	\$210,760.00	Costs for Management Evaluation activities.
Systematic Alien Verification for Entitlements (SAVE)	\$39,687.00	Costs of planning, implementing, and operating a SAVE system.
100% State Exchange	\$15,381.00	Travel costs and costs for printed materials and electronic or other media related to the exchange of ideas and experience for improving program management among States.
Total	\$221,525,314.00	

Table 1: This table presents the reimbursed administrative SNAP functions/activities on the SNAP Financial Status Report (FNS-778) for Texas in FY 2024 as of February 26, 2025. Table by OIG.

We conducted this inspection as one of a series of 10 for the top SNAP-participating State agencies, each with similar objectives. Table 2 shows these 10 States listed in descending order by the number of persons participating in SNAP within each State.

FY 2024 SNAP Data

State	Persons	Cost
California	5,379,575	\$12,377,175,489
Texas	3,193,009	\$7,210,895,950
Florida	2,975,789	\$6,604,797,454
New York	2,926,213	\$7,353,983,677
Pennsylvania	2,000,018	\$4,268,081,855
Illinois	1,935,645	\$4,469,341,818
Michigan	1,474,427	\$3,061,361,572
North Carolina	1,415,607	\$2,939,826,574
Georgia	1,411,357	\$3,269,318,111
Ohio	1,386,865	\$3,177,571,738

Table 2: This table presents the top 10 States, by number of persons, participating in SNAP in FY 2024 based on FNS' data as of February 26, 2025. Table by OIG.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. We did not independently review or assess the agency's information systems; therefore, we make no representation regarding the adequacy of the agency's computer systems, or the information generated from it.

Abbreviations

ADP.....	Automated Data Processing
ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
EBT	Electronic Benefits Transfer
E&T.....	Employment and Training
FNS	Food and Nutrition Service
FY	fiscal year
LOC.....	letters of credit
OIG	Office of Inspector General
SAVE	Systematic Alien Verification for Entitlements
SF	Standard Form
SNAP	Supplemental Nutrition Assistance Program
THHSC	Texas Health and Human Services Commission
TWC.....	Texas Workforce Commission
USDA.....	U.S. Department of Agriculture

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