



United States Department of Agriculture

Nationwide Implementation of Women, Infants, and Children Electronic Benefits Transfer



Audit Report 27601-0003-23
December 2019

OFFICE OF INSPECTOR GENERAL

Nationwide Implementation of Women, Infants, and Children Electronic Benefits Transfer

Audit Report 27601-0003-23

OIG reviewed FNS' strategy to implement EBT for WIC nationwide to meet the October 1, 2020, deadline.

OBJECTIVE

Our objective was to evaluate FNS' strategy to implement EBT for WIC nationwide to meet the October 1, 2020, deadline. Specifically, we assessed the adequacy of FNS' guidance to the State agencies, determined how FNS is monitoring the States' responsibilities for implementing EBT for WIC, and evaluated if the States were on schedule to implement EBT nationwide for WIC by the 2020 deadline.

REVIEWED

We evaluated FNS' strategy to implement EBT for WIC nationwide to meet the October 1, 2020, deadline, reviewed FNS policies, procedures, and guidance for implementing of EBT for WIC, and visited three FNS regional offices and six State agencies administering WIC.

RECOMMENDS

We recommend that FNS develop: (1) a plan to assist State agencies that may not be able to meet the deadline, and (2) an exemption application and decision-making process for State agencies that seek to apply for an exemption.

WHAT OIG FOUND

The Food and Nutrition Service (FNS) Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is administered by 90 State agencies. WIC provides Federal grants for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and postpartum women and for infants and children up to the age of 5 who are found to be at nutritional risk. State agencies issue benefits via either paper checks/vouchers or by electronic benefits transfer (EBT). However, all State agencies have been mandated to implement EBT for WIC by October 1, 2020.

We identified 25 State agencies that may not be able to implement EBT for WIC by the mandated October 1, 2020, deadline. This occurred because the State agencies experienced various challenges and setbacks, such as difficulty and delays in obtaining contractor support for implementing a management information system or EBT system. Although FNS officials provided adequate monitoring and guidance, they relied on State agencies to implement EBT for WIC. FNS also has not developed guidance for State agencies that may not meet the deadline and will need to seek an exemption. As a result, WIC participants and vendors, and the integrity of the program, may be negatively impacted in the State agencies that have not implemented EBT. In addition, participants may have less flexibility regarding how they may purchase WIC foods. FNS officials stated that based on current information provided, 13 of the 25 State agencies would likely meet the deadline to implement EBT for WIC, but they did not provide additional documentation to confirm the level of progress those States have achieved.

FNS agreed with our recommendations, and we accepted management decision on the two recommendations.



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



DATE: December 26, 2019

AUDIT
NUMBER: 27601-0003-23

TO: Pamilyn Miller
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: Nationwide Implementation of Women, Infants, and Children Electronic Benefits
Transfer

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for the two audit recommendations in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report.

Your written response to the official draft report mentions FNS does not concur with our statement regarding lack of documentation to support additional State agencies abilities to meet the EBT deadline. We concur that FNS provided the listing of documentation during the course of our audit work which we used to conduct our analysis and draw our conclusions. However, once our analysis was complete and we discussed our results with FNS officials in July 2019, the written correspondence provided by FNS did not include additional documentation to support their belief the overall number of State agencies not meeting the mandate would be less.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit 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.

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Background and Objectives

Background

The Food and Nutrition Service (FNS) administers the Department of Agriculture's (USDA) nutrition assistance programs. FNS' mission is to provide children and needy families better access to food and a more healthful diet through food assistance programs and nutrition education efforts. FNS works in partnership with State agencies in delivering its programs. State agencies determine most administrative details regarding the distribution of food benefits and eligibility of participants, in accordance with Federal regulations.

Congress established the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) under Section 17 of the Child Nutrition Act of 1966 (CNA).¹ WIC provides Federal grants and is administered by 90 State agencies for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and postpartum women, and for infants and children up to the age of 5 who are found to be at nutritional risk.² The program is available in all 50 States, the District of Columbia, 34 Indian Tribal Organizations, and 5 U.S. Territories.^{3,4}

The Healthy, Hunger-Free Kids Act of 2010 (HHFKA) amended provisions of the CNA to include electronic benefits transfer (EBT) capabilities for WIC.⁵ Regulations define EBT as a benefit delivery method that allows WIC participants to access their benefits electronically.⁶ Prior to EBT, a majority of State agencies provided WIC participants with paper checks or vouchers to purchase food, while others distributed food through centralized warehouses or delivered food to participants' homes. As a result of HHFKA, each State agency is required to convert WIC paper food instruments to an EBT delivery method by October 1, 2020, unless the Secretary grants an exemption for a State agency that is facing unusual barriers to implement an EBT system.^{7,8} Statewide EBT occurs when all WIC clinics have been converted to an EBT

¹ 42 U.S.C. § 1786.

² A State agency is: (1) an education, health or human service department, or comparable agency responsible for administration of the Federally aided nutrition assistance programs within any of the 50 States, the District of Columbia, or the U.S. Territories; or (2) an Indian Tribe, band, or group recognized by the Department of the Interior or an intertribal council or group.

³ There were 90 State agencies during the scope of the audit from fiscal year 2016 through July 2019. In October 2019, we were informed that one Indian Tribal Organization no longer administers WIC, which reduced the number of State agencies to 89, and reduced the number of Indian Tribal Organizations to 33.

⁴ The five U.S. Territories are American Samoa, Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, and the Virgin Islands.

⁵ Healthy, Hunger-Free Kids Act of 2010, 42 U.S.C. 1751 § 352(d).

⁶ 7 C.F.R. § 246.2.

⁷ If the Secretary grants a State agency an exemption, such an exemption will remain in effect until the State agency no longer meets the conditions for which the exemption was based, the Secretary revokes the exemption, or 3 years have passed from the date on which the exemption was granted—whichever occurs first.

⁸ To be eligible for an exemption from the Statewide implementation requirements, a State agency shall demonstrate to the satisfaction of the Secretary one or more of the following: (1) there are unusual technological barriers to

delivery method and all WIC authorized vendors are capable of transacting WIC purchases via EBT.⁹ As of July 3, 2019, 49 of the 90 State agencies have implemented Statewide EBT for WIC.¹⁰

The 2016 Appropriations Act appropriated \$220 million to FNS for WIC, which is to remain available until expended by the State agencies for management information systems, including EBT activities.¹¹ This money is intended to help States with their management information systems and work towards implementation of EBT. State agencies may request Federal funding to develop, acquire, and/or implement a management information system that supports the operation of WIC programs. State agencies are required to submit an Advance Planning Document (APD) to FNS in order to obtain prior approval to receive or utilize Federal funding for a management information system supporting WIC programs.¹²

The APD explains the State agency's intended activities and projected expenditures for planning and implementing a management information system. The "APD process" is a process through which APD-related documents are submitted to FNS for review and approval, beginning a period of communication and cooperative oversight that continues until the project is complete. The first phase of the APD process is planning, which includes identifying and defining procurement efforts to support the project, resource determination, cost estimating, and budgeting. The second phase of the process is implementation, which establishes schedules and milestones, including applicable procurements. It sets forth budget expenditures for the grant, risk and quality management plans, user acceptance testing, pilot, and Statewide rollout. The State agency may decide to use contractor support to perform parts of the planning or implementation activities through the procurement process. FNS will review the procurement and planning documents in accordance with regulations and may require revisions or clarifications from the State agency before approving. State agencies may neither execute contracts nor obligate funds without FNS' approval of the planning documents.

Within the APD process are two planning documents that indicate whether the State agency is in the planning phase or the implementing phase:

1. The Planning APD (PAPD) provides FNS and State agency officials with notification of the State agency's intent to begin a formal planning process, describes the planning activities to be done, and explains how the State agency will manage the activities. This document sets forth the State agency's approach to its management information system and/or EBT systems.
2. The Implementation APD (IAPD) is the product of the State agency's planning process

implementation, (2) operational costs are not affordable within the nutrition services and administration grant of the State agency, and (3) it is in the best interest of the program to grant the exemption.

⁹ A clinic is a facility where WIC applicants are certified.

¹⁰ The term "Statewide" is used to represent the State agencies that have implemented Statewide EBT for WIC.

¹¹ Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, 129 Stat. 2283 (2015).

¹² An APD is made up of several documents, such as a budget, schedule, and management plan, produced by a State agency.

and addresses the details for the design, development, integration and testing, implementation, and maintenance and operations of a management information system.

Objectives

To evaluate FNS' strategy to implement EBT for WIC nationwide to meet the October 1, 2020, deadline. Specifically, our objectives were to: (1) assess the adequacy of FNS' guidance to the State agencies, (2) determine how FNS is monitoring the States' responsibilities for implementing EBT for WIC to ensure the State agencies are ready to process WIC benefits via EBT by the 2020 deadline, and (3) determine if the States are on schedule to implement EBT nationwide for WIC by the 2020 deadline.

Our audit did not identify any issues with FNS' guidance provided to the State agencies or the monitoring of the States' responsibilities for implementing EBT for WIC.

Finding 1: FNS Needs to Further Support State Agencies' Implementation of EBT for WIC

We identified 25 State agencies that may not be able to implement EBT for WIC by the mandated October 1, 2020, deadline (hereafter referred to as “deadline”).¹³ This occurred because the State agencies experienced various challenges and setbacks, such as difficulty and delays in obtaining contractor support in implementing a management information system or EBT system. While FNS was aware of these challenges, it relied on State agencies to implement EBT for WIC. As a result, WIC participants, vendors, and the integrity of the program may be negatively impacted in the State agencies that have not implemented EBT for WIC. For example, according to State agencies, WIC participants will be at a disadvantage, as they will continue to have less flexibility regarding how to purchase WIC foods, which would also cause them to remain at risk for experiencing the stigma of being identified as a WIC participant.

According to HHFKA,¹⁴ each State agency shall be required to implement EBT systems throughout the State no later than October 1, 2020, unless the Secretary grants an exemption for a State agency that is facing unusual barriers to implement EBT. To be eligible for an exemption from the Statewide implementation requirements, a State agency shall demonstrate to the satisfaction of the Secretary one or more of the following: (1) there are unusual technological barriers to implementation, (2) operational costs are not affordable within the nutrition services and administration grant of the State agency, and (3) it is in the best interest of the program to grant the exemption.

We found that FNS provided adequate guidance and monitoring to the State agencies to implement EBT for WIC. This guidance included monitoring State agency status through frequent emails and phone conferences, status reports, APD updates, and internal tracking spreadsheets. In addition, FNS provided guidance such as a handbook and other documentation to State agencies illustrating how to implement EBT for WIC through the APD process. The handbook has detailed step-by-step instructions on how to complete the APD process for implementing EBT.¹⁵ This FNS handbook is the State agencies' primary source for program guidance while undergoing the implementation process. During initial conversations, FNS officials stated that 45 of the 90 State agencies had implemented EBT, and while they acknowledged some State agencies were experiencing diverse challenges, they were optimistic that most of the remaining State agencies in the planning or implementing phases would meet the deadline.¹⁶

As a means to better understand the timeframes for the implementation of EBT for WIC, we analyzed the status of the 90 State agencies in implementing EBT, which included actual dates

¹³ There were 90 State agencies during the scope of the audit from fiscal year 2016 through July 2019. In October 2019, we were informed that one Indian Tribal Organization no longer administers WIC, which reduced the number of State agencies to 89. This also reduced the number of State agencies identified to 24.

¹⁴ Healthy, Hunger-Free Kids Act of 2010, 42 U.S.C. 1751 § 352(d).

¹⁵ USDA FNS, *FNS Handbook 901* (Jan. 2017).

¹⁶ FNS stated it was a low priority for one State agency, as it was dealing with the effects of a natural disaster.

for when States completed each phase of the process. Based on this information, we computed an average time for State agencies to complete the implementation process based on when FNS approved the the initial planning documents.

From our analysis, we identified 25 State agencies that may not be able to implement EBT for WIC by the deadline.¹⁷ This number includes all 20 State agencies¹⁸ that are currently in the planning phase.¹⁹ While FNS recognizes it can take 2 or 3 years to go from planning to Statewide EBT, our analysis showed that, on average, it took State agencies approximately 5 years to complete this process.²⁰ We determined that State agencies have a limited amount of time to complete the necessary steps in order to achieve Statewide implementation. For example, one State agency was hiring a project manager to assist in creating an IAPD in order to obtain grant funds to proceed with procuring a management information system and EBT system.²¹ The State agency did not anticipate the project manager to be on board until January 2020, which would likely result in the State agency not achieving Statewide EBT by the deadline. In addition, another State agency was without an approved PAPD. Based on our estimated completion averages, it takes approximately 5 years to implement EBT Statewide after a PAPD is approved. According to this projection, the State agency would not achieve Statewide implementation until after the deadline.

We identified the remaining five State agencies in the implementing phase that may not be able to meet the deadline—based on their status and our analysis of the timelines contained within their respective IAPDs. For example, one State agency initially projected it would not achieve Statewide implementation until after the deadline; however, it had since drafted an IAPD adjusting its target date to 1 day before the deadline. To meet this target date, the State agency must complete several steps, such as contract approval, user acceptance testing, pilot testing the system, and accomplishing full Statewide implementation rollout. As of June 2019, the State agency was changing EBT contractors and was without a signed contract. State agency officials also said they were not expecting to start the pilot testing until July 2020, which would give the State agency only 3 months to complete all the remaining steps. However, according to our analysis, on average, it takes a State agency 7 months to go from pilot testing to Statewide implementation. Another State agency in the implementing phase anticipated it would take 20 months to achieve Statewide implementation from the time it secured a contract with the EBT vendor. The State agency secured the contract with the vendor in May 2019 and based on its estimated 20-month timeframe, it would then expect to achieve Statewide implementation in January 2021.

¹⁷ We reviewed three FNS regions and six State agencies to confirm the implementation status.

¹⁸ In October 2019, we were informed that one Indian Tribal Organization no longer administers WIC, which reduced the number of State agencies in planning to 19.

¹⁹ The 25 State agencies in question included 20 in the planning phase and 5 in the implementing phase as of July 3, 2019. Of the remaining 16 State agencies ($90 - 49 - 25 = 16$), we found that 3 may make the deadline based on their current status, and the remaining 13 were in the implementation phase but not within the regions selected for review.

²⁰ *Special Supplemental Nutrition Program for Women, Infants, and Children: Implementation of Electronic Benefit Transfer-Related Provisions*, 81 Fed. Reg. 10,433 (Mar. 1, 2016).

²¹ According to FNS, WIC technology procurement activities are the responsibility of the State agency, and State agency procurements are often lengthy and complex.

FNS has a limited role in the implementation of EBT for WIC, as the State agencies are responsible for the coordination and management of EBT. State agencies' inability to implement EBT for WIC by the mandated deadline occurred because many of these State agencies experienced various challenges and setbacks that hindered their ability to complete the necessary steps for Statewide implementation. Examples of these challenges and setbacks included: (1) difficulty and delays in obtaining EBT system or management information system contractors, (2) lower-level priority on behalf of State procurement departments, and (3) limited staff and resources for some of the smaller State agencies. One State agency in the planning phase had unsuccessfully spent the last several years trying to join two other State agency contracts to implement a management information system that would process EBT. Another State agency put its project on hold for 18 months, starting in the summer of 2015, following concerns raised by the State administration related to potential system abuse.

We discussed each of these State agencies with FNS officials, who explained that they are working with a diverse group of State agencies with different challenges, which caused delays for some State agencies. Further, FNS officials explained that while they have overall responsibility for WIC and are to provide technical assistance to the State agencies, the State agencies are responsible for the implementation of EBT.

During the course of our audit, FNS initiated efforts to establish alternate plans to assist State agencies. Such assistance included incorporating shorter reviews for documentation, allowing State agencies that do not have the in house expertise to hire a project manager to assist in drafting PAPDs, and allowing shorter timeframes for requests for proposals.²² For example, FNS acknowledged and recently established an alternate plan to assist one State agency that had neither the staff nor technical expertise to timely implement EBT for WIC.

According to State agencies, WIC participants, vendors, and the integrity of the program may be negatively impacted in the States without Statewide EBT. WIC participants from these geographic areas will have less flexibility regarding how to purchase WIC foods, as current paper food instrument redemption requires full redemption of all items on the food instrument. The negative impact also causes participants to remain susceptible to experiencing the stigma of being identified as a WIC participant. In addition, there may be a decreased assurance that participants are purchasing allowable WIC foods. Lastly, State agencies that have not implemented EBT for WIC would lack access to timely data on food purchases and would therefore be less able to detect and prevent program abuse.

We discussed the results of our audit with FNS officials who believed, based on current information provided by the State agencies, 13 of the 25 State agencies would likely meet the deadline to implement EBT for WIC. FNS stated that several State agencies were making significant progress towards meeting the mandate which included one State obtaining a project management contract, and another State acquiring experienced contract support. However, no additional documentation was provided by FNS to confirm the level of progress made by the State agencies. Additionally, based on the amount of activities in the planning and implementing

²² FNS allowed a 30-day request for proposal timeframes instead of the typical 90-day timeframes.

phases and the average time it takes to implement EBT, we determined there may not be enough time to ensure the State agencies will make the deadline.

Although the agency has started developing a plan to assist those State agencies, FNS lacks guidance for those State agencies that may not meet the deadline and will need to seek an exemption. The HHFKA provides the option for the Secretary to grant an exemption, which is a 3-year extension of the deadline from the date the exemption was granted. If the Secretary grants a State agency an exemption, such exemption will remain in effect until the State agency no longer meets the conditions on which the exemption was based, the Secretary revokes the exemption, or for 3 years have passed from the date on which the exemption was granted—whichever occurs first. Currently, regulation states that the Secretary may grant exemptions; however, FNS officials stated this authority has not been delegated down to anyone else in the Department. FNS officials also stated that, although it is their responsibility to establish an exemption process, they did not want to provide State agencies with this guidance too soon, as the goal is to meet the deadline and they did not want to prompt State agencies to significantly delay their projects.

Based on our review, we recommend that FNS develop a plan to assist the State agencies that may not meet the deadline. In addition, FNS should develop an exemption application and decision-making process for State agencies that may need to seek an exemption. By taking these corrective actions, FNS could give the State agencies the best possible chance to implement EBT for WIC by the deadline or receive an exemption.

Recommendation 1

Develop and implement a plan to assist State agencies that may not be able to meet the October 1, 2020, deadline.

Agency Response

In its December 9, 2019 response, FNS agreed with the recommendation and stated that the FNS Administrator recently approved a technical assistance plan for States that may be at risk of not meeting the October 1, 2020 deadline. The plan includes a focused data collection for creating a path forward in assisting States in meeting the statutory implementation deadline. In addition, FNS will develop template correspondence Regional Administrators may use to communicate project status to State Commissioners, statutory and regulatory requirements, and offer continued FNS technical assistance. FNS will also develop a technical assistance question-and-answer document to assist in answering questions about the statutory and regulatory requirements and share lessons learned from successful projects. Finally this plan will include regular WIC technology conference calls (i.e., at minimum monthly) aimed at providing technical assistance necessary for successful EBT implementation. These calls will include applicable FNS National Office, Regional Office, and State agency staff. FNS will continue to provide regular and ad hoc technical assistance calls with WIC State agencies, depending on the needs of each project.

The estimated completion date is January 31, 2020.

OIG Position

We accept management decision on this recommendation.

Recommendation 2

Develop and implement an exemption application and decision-making process for State agencies that may need to seek an exemption.

Agency Response

In its December 9, 2019 response, FNS agreed with this recommendation and stated:

Statute permits WIC State agencies to request an exemption from the required statutory timeframe for EBT implementation (i.e., an extension request), not a wholesale exemption from EBT implementation.

FNS will set forth a standard approach by which WIC State agencies may request an extension to the October 1, 2020 statutory deadline if needed. An exemption application and decision-making process, to be applied uniformly across applicable requesting State agencies, is currently in Agency clearance.

The estimated completion date is January 31, 2020.

OIG Position

We accept management decision on this recommendation.

Scope and Methodology

To accomplish our audit objectives, we evaluated FNS' strategy to implement EBT for WIC nationwide to meet the deadline. We performed our audit work at FNS' Headquarters in Alexandria, Virginia; the Mid-Atlantic Regional office in Robbinsville, New Jersey; the Mountain Plains Regional office in Denver, Colorado; and the Northeast Regional office in Boston, Massachusetts. We also reviewed six State agencies' activities and documentation regarding the implementation status of EBT for WIC.²³ We conducted our audit fieldwork from September 2018 through July 2019. The scope of our audit was implementation of EBT for WIC from FY 2016 through July 2019.²⁴

Of the seven regional offices, we non-statistically selected three of the five regional offices with the most State agencies in the planning and/or implementing phases.²⁵ Based on discussions with FNS officials, status of the State agencies, and our analysis of implementation status, we selected a non-statistical sample of 6 from the 39 State agencies within the 3 regions.²⁶ Our selection included two State agencies from each of the three regions that were in different stages of the implementation process.²⁷

FNS did not use an information technology system to monitor the State agencies' implementation status of EBT for WIC by the mandated October 1, 2020 deadline. Therefore, we did not rely on an information technology system and make no representation regarding the adequacy of any agency computer systems, or information generated by them. The EBT implementation data for WIC were provided by FNS and corroborated by documentation and discussions with agency officials.

To accomplish our audit objectives, we:

- reviewed applicable laws, Federal regulations, and agency policies, procedures, and guidance pertaining to the implementation of EBT for WIC;
- interviewed FNS Headquarters and regional officials regarding the implementation of EBT for WIC and their oversight of State agencies implementing EBT;
- evaluated FNS' controls for monitoring State agencies' progress for the implementation of EBT for WIC;

²³ We visited three State agencies, which included two in Maine (Maine and Indian Township) and one in the District of Columbia. We conducted phone conferences with the remaining three State agencies.

²⁴ Our initial scope for this audit was FY 2016 through July 2018; however, we expanded our scope to reflect the most current information.

²⁵ The seven regional offices are: Mid-Atlantic, Midwest, Mountain Plains, Northeast, Southeast, Southwest, and Western. We selected the Mid-Atlantic, Mountain Plains, and Northeast regional offices. The Midwest and Western regional offices only had State agencies in the implementing phase.

²⁶ The six State agencies in our sample are the District of Columbia, Indian Township, Kansas, Maine, New Jersey, and North Dakota.

²⁷ Three of the State agencies were in the planning phase, two were in the implementing phase, and one State agency had implemented Statewide EBT successfully.

- evaluated FNS' EBT implementation process to ensure the State agencies will be ready to process EBT for WIC by the deadline;
- analyzed State agencies' status in implementing EBT for WIC to determine if State agencies are on schedule to meet the deadline;
- reviewed selected State agencies' documentation to confirm their status in implementing EBT for WIC;
- interviewed State agency officials to gain an understanding of their status in implementing EBT for WIC; and
- analyzed State agencies' timelines for implementing EBT for WIC in the selected regions to determine if each State agency will meet the deadline.

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

Abbreviations

APD.....	Advance Planning Document
CNA	Child Nutrition Act of 1966
EBT	electronic benefits transfer
FNS	Food and Nutrition Service
FY	fiscal year
HHFKA.....	Healthy, Hunger-Free Kids Act of 2010
IAPD	Implementation Advance Planning Document
OIG	Office of Inspector General
PAPD	Planning Advance Planning Document
U.S.C.....	U.S. Code
USDA.....	Department of Agriculture
WIC.....	Special Supplemental Nutrition Program for Women, Infants, and Children

Exhibit A: Summary of State Agency Implementation Status

This table represents the 25 State agencies²⁸ we identified that may not meet the mandated October 1, 2020 deadline, their status, and region.²⁹

Region	State Agency	Status
MARO	District of Columbia	Planning
MARO	New Jersey	Implementing
MARO	Puerto Rico	Implementing
MPRO	Cheyenne River Sioux Tribe	Planning
MPRO	Eastern Shoshone	Planning
MPRO	North Dakota	Implementing
MPRO	Northern Arapaho	Planning
MPRO	Omaha Nation	Planning
MPRO	Rosebud Sioux Tribe	Planning
MPRO	Santee Sioux Nation	Planning
MPRO	Standing Rock Sioux Tribe	Planning
MPRO	Three Affiliated Tribes	Planning
MPRO	Utah	Implementing
MPRO	Ute Mountain Ute Tribe	Planning
MPRO	Winnebago	Planning
NERO	Indian Township Passamaquoddy Reservation	Planning
NERO	Maine	Implementing
NERO	Pleasant Point Passamaquoddy Reservation	Planning
NERO	Seneca Nation	Planning
SWRO	ACL - Acoma, Canoncito, and Laguna WIC Program	Planning
SWRO	Eight Northern Indian Pueblos, Inc.	Planning
SWRO	Five Sandoval Indian Pueblos	Planning
SWRO	Pueblo of San Felipe	Planning
SWRO	Pueblo of Zuni	Planning
SWRO	Santo Domingo	Planning

²⁸ There were 90 State agencies during the scope of the audit from fiscal year 2016 through July 2019. In October 2019, we were informed that one Indian Tribal Organization no longer administers WIC, which reduced the number of State agencies identified to 24.

²⁹ USDA-FNS, *WIC EBT Activities* (July 3, 2019), <https://www.fns.usda.gov/wic/wic-ebt-activities> (last accessed July 29, 2019).

**AGENCY'S
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
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DATE: December 9, 2019

AUDIT
NUMBER: 27601-0003-23

TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Pamilyn Miller /s/
Administrator
Food and Nutrition Service

SUBJECT: Nationwide Implementation of Women, Infants, and Children Electronic Benefits Transfer

This letter responds to the official draft report for audit number 27601-0003-23, Nationwide Implementation of Women, Infants, and Children Electronic Benefits Transfer.

FNS Response to the Introduction section of the audit report, “What OIG Found”:

USDA FNS supports WIC State agencies making the successful transition to EBT by ensuring all federally funded State agency management information systems (MIS) and EBT projects reflect sound design, contain internal management controls, and are procured in a way that allows for fair and open competition. USDA FNS and OIG share an interest in ensuring successful WIC EBT implementation across all WIC State agencies, to the benefit of program stakeholders and most importantly, participants. USDA FNS appreciates OIG’s willingness to gain an understanding of the challenges WIC State agency partners and FNS face related to EBT implementation.

FNS expects most, but not all, WIC State agencies nationwide will meet the statutory deadline. For those State agencies that have not implemented EBT, FNS is proactively providing technical assistance to ensure their projects are a success.

In the draft report, USDA OIG identified “25 State agencies that may not be able to implement EBT for WIC by the mandated October 1, 2020 deadline....” OIG later noted “FNS officials stated that based on current information provided, 13 of the 25 State agencies would likely meet the deadline to implement EBT for WIC but did not provide additional documentation to confirm the level of progress achieved.” In reference to OIG’s assertion regarding lack of documentation, USDA FNS does not concur.

FNS provided status-specific EBT documentation on multiple occasions to OIG over the course of the audit, including but not limited to the following:

- Monthly WIC EBT Detail Status Reports, showing State-by-State implementation status, estimated pilot start date, estimated rollout start date, and estimated statewide date, as applicable (multiple rounds);
- Monthly WIC EBT National Activity Maps (multiple rounds);
- A report specifically developed for OIG showing Advance Planning Document (APD) submission and approval dates by consortium;
- All final, approved State-specific APDs requested, to include both Planning and Implementation APDs; and
- All requested financial status reports.

Furthermore, in July 2019, USDA FNS corresponded directly with OIG in writing, clarifying why select State agencies deemed by OIG as “unlikely” to meet the October 1, 2020 statutory deadline or “significantly challenged” in meeting the deadline should not be categorized as such. In that response, FNS provided information regarding the type of project and status, to include the status of procurements and contracts. USDA FNS emphasized similar information during the July audit close-out meeting.

Based on a written response from USDA OIG in July 2019, it did not accept FNS’ recommendations, due to OIG projections which were in large part based average EBT implementation timeframes nationwide. The OIG projections did not reflect potential implementation timeframes of select, State agency- or consortium-specific technology projects.

OIG Recommendation 1:

Develop and implement a plan to assist State agencies that may not be able to meet the October 1, 2020 deadline.

FNS Response:

FNS concurs with this recommendation.

Before enactment of the Healthy Hunger-Free Kids Act of 2010 (HHFKA, P.L. 111-296), FNS provided individualized EBT technical assistance to all WIC State agencies via the Advance Planning Document (APD) process. FNS continues to provide technical assistance to WIC State agencies via the APD process. Further, FNS engages in regular technical assistance calls with WIC State agencies on technology projects. In addition, FNS provides in-person technical assistance and training sessions to WIC State agencies at multiple national conferences and meetings, including the biennial National WIC Association’s Technology, Program Integrity, and Vendor Management Conference; the

annual Electronic Funds Transfer Association's EBT—The Next Generation Education and Training Conference; and the periodic, FNS-coordinated EBT User Group national meeting.

In October 2016, FNS released WIC Policy Memorandum #2017-1, *New MIS Guidelines and Revised Procedures for EBT and MIS Grant Funding*. The policy memorandum acknowledged WIC State agencies were in different stages of EBT planning and implementation. For those State agencies without an approved EBT implementation plan, FNS would only approve plans which included an established Management Information System (MIS) with WIC EBT functionality. FNS would not approve State agency projects adopting a system that was currently in development, or a system that only permitted issuance of paper checks.

FNS subsequently transmitted letters to the limited number of affected State agencies and provided technical assistance to assist the State agencies in implementing statewide EBT October 1, 2020. In 2017, FNS modified the policy to recommend, not require, State agencies select an established or existing MIS with EBT functionality. FNS communicated this policy preference to applicable State agencies via follow-up letters.

Because of this technical assistance, multiple WIC State agencies previously at-risk of not meeting the statutory deadline have either completed statewide implementation of EBT or have established an implementation date in advance of October 1, 2020.

Finally, the FNS Administrator recently approved a technical assistance plan for States that may be at risk of not meeting the October 1, 2020 deadline. The plan includes the following:

1. The Administrator has initiated a focused data collection for the purpose of creating a path forward in assisting states in meeting the statutory implementation deadline. The Administrator expects to conclude that data collection and begin implementation by the end of January 2020.
2. By the end of December 2019, FNS will develop template correspondence RAs may use to communicate project status to State Commissioners, statutory and regulatory requirements, and offer continued FNS technical assistance.
3. By the end of January 2020, FNS will develop a technical assistance question-and-answer document to assist in answering questions about the statutory and regulatory requirements and share lessons learned from successful projects.

4. Throughout FY 2020, FNS will facilitate and/or participate in regular WIC technology conference calls (i.e., at minimum monthly) aimed at providing technical assistance necessary for successful EBT implementation. These calls will include applicable FNS National Office, Regional Office, and State agency staff. FNS will continue to provide regular and ad hoc technical assistance calls with WIC State agencies, depending on the needs of each project.

The rollout of the technical assistance plan has begun, with internal FNS calls and scheduled FNS-State agency technology calls. FNS will continue to provide proactive technical assistance, including the above referenced monthly calls, to ensure WIC State agencies have the resources to successfully implement EBT.

Estimated Completion Date:

January 31, 2020 (date by which FNS Administrator may make any final adjustments to the technical assistance plan for States)

OIG Recommendation 2:

Develop and implement an exemption application and decision-making process for State agencies that may need to seek an exemption.

FNS Response:

FNS concurs with this recommendation. Statute permits WIC State agencies to request an exemption from the required statutory timeframe for EBT implementation (i.e., an extension request), not a wholesale exemption from EBT implementation.

FNS will set forth a standard approach by which WIC State agencies may request an extension to the October 1, 2020 statutory deadline if needed. An exemption application and decision-making process, to be applied uniformly across applicable requesting State agencies, is currently in Agency clearance.

Estimated Completion Date:

January 31, 2020

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