



United States Department of Agriculture

# Kentucky's Compliance with SNAP Certification of Eligible Households Requirements





United States Department of Agriculture  
Office of Inspector General  
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DATE: January 9, 2017

AUDIT  
NUMBER: 27601-0005-10

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: Kentucky's Compliance with SNAP Certification of Eligible Households  
Requirements

The attached report presents the results of an engagement to assess selected aspects of Kentucky'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 Kentucky 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 Kentucky's compliance with 7 C.F.R. 273. TFC is responsible for the enclosed agreed-upon procedures and recommendations report, dated October 11, 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 Kentucky did not always comply with SNAP regulations related to Disqualification for Intentional Program Violation, Office Operations and Application

Processing, Work Provisions, and Determining Household Eligibility and Benefit Levels. FNS concurred with TFC's recommendations and OIG accepted management decision on the report's 11 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 Kentucky's Compliance with 7  
CFR Part 273 Certification of Eligible Households**

**Final**







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October 11, 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* (AUP) engagement to assess selected aspects of the State of Kentucky's compliance with the Supplemental Nutrition Assistance Program (SNAP) regulations. The State of Kentucky (Kentucky 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 *Title 7 Code of Federal Regulations (CFR) Part 273, Certification of Eligible Households*. This report presents the results of our assessment of Kentucky.

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*; 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 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 Kentucky'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 one finding as follows:

1. The Kentucky Division of Family Support (DFS) did not report Intentional Program Violations (IPVs) 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.<sup>1</sup> State agencies report this information using the Electronic Disqualified Recipient System (eDRS). In a non-statistical sample of 15 IPVs,<sup>2</sup> we identified 7 that were not recorded in the eDRS system timely.

Our performance of Part 2 of the agreed-upon procedures, the testing of 100 randomly selected active cases, disclosed 3 findings as follows:

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<sup>1</sup> *7 CFR §273.16 Disqualification for Intentional Program Violation, (i)(1)*

<sup>2</sup> The universe of Intentional Program Violation (IPV) during the scope period was 2,440.

2. DFS did not maintain required documentation in one case file and verify income for another case 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.<sup>3</sup> In our review of active cases, we identified one case in which required documentation, the SNAP Application (form KIF-101), was missing.

7 CFR §273.2, *Office Operations and Application Processing*, also states that gross income shall be verified for all households prior to certification.<sup>4</sup> In our review of active cases, we identified one case where DFS did not verify whether an applicant had no income prior to certification which may have resulted in potential improper payments.

3. DFS did not comply with work registration requirements for one household member - Per Federal regulation 7 CFR §273.7, *Work Provisions*, as a condition of eligibility, each household member not exempt must comply with work requirements, including registering, or being registered, for work.<sup>5</sup> We identified one case where a household member was not registered for work and may have received potential improper payments.
4. DFS did not record an allowable deduction for one case - Per Federal regulation 7 CFR §273.10, *Determining household eligibility and benefit levels*, deductible expenses include shelter costs.<sup>6</sup> We identified one case where DFS was provided verification of property tax expense, but did not record it in the benefits management system. As a result, DFS may have made potential improper payments (underpayments).

Additional details concerning these findings, along with our recommendations for improvement, are presented within 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 Kentucky. 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/

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<sup>3</sup> 7 CFR §273.2 *Office Operations and Application Processing*, (f)(6)

<sup>4</sup> 7 CFR §273.2 *Office Operations and Application Processing*, (f)(1)(i)

<sup>5</sup> 7 CFR §273.7 *Work Provisions*, (a)(1)(i)

<sup>6</sup> 7 CFR §273.10 *Determining household eligibility and benefit levels*, (d)

# 1 Background

The Department of Agriculture (USDA) Food and Nutrition Service (FNS) administers the Supplemental Nutrition Assistance Program (SNAP) providing nutrition assistance to some 45.76 million participants a month and economic benefits of approximately \$74 billion annually (FY15).<sup>7</sup> 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.<sup>8</sup> 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 - 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 some also serve 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 Kentucky, the Division of Family Support (DFS) performs this function.

In FY15, Kentucky Health and Family Services expenditures were \$11,862,621,886.<sup>9</sup> In FY14, the State agency issued \$1,170,989,948 in SNAP benefits (which nationally represents 1.67% of benefits and 1.77% of all SNAP participants) serving an average of 399,207 households or 828,076 individual participants per month, and ranked 22 out of 53 States and Territories in benefits issued.<sup>10</sup>

DFS currently uses the Worker Portal comprehensive benefits management system to manage several different State and Federal programs and to perform SNAP program determinations of eligibility. During the scope period, DFS had been using the KAMES (Kentucky Automated Management Eligibility System) benefits management system. Since FY12, DFS has experienced significant change, including;

- Organizational structure and work flow methodology – the State agency has moved from nine operating regions to four. Along with this structural consolidation, was a change in work assignments for front-line workers. Previously, case workers had maintained pre-assigned cases from initial application to recertification and often their cases were

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<sup>7</sup> SNAP National Level Annual Summary, Participation and Costs, 1969-2015, FNS.

<sup>8</sup> SNAP was previously authorized by the *Food Stamp Act of 1964* and later amended by the *Food Stamp Act of 1977*.

<sup>9</sup> 2016-2018 Budget of the Commonwealth *Budget in Brief*, July 7, 2016.

<sup>10</sup> SNAP State Activity Report Fiscal Year 2014, FNS SNAP Program Accountability and Administration Division, October 2015.

households from their local geographic area. The case-load workflow transitioned to a functional design process where designated call service offices handled new or existing cases from all over the State and the assignment and routing of cases was automated.

- Turnover in senior leadership – Between late 2015 and summer of 2016, the DFS Director left office followed shortly thereafter by the Acting Director and that position has remained unfilled.
- New comprehensive benefits management system – DFS planned to migrate from the legacy KAMES benefits management system to the new Worker Portal system on January 1, 2016, but the migration was postponed with little notice to February 29, 2016. This delay caused timing issues that triggered downstream processing and reporting issues that were still being sorted out as of the last day of our fieldwork. For example, the postponement forced the State agency to activate a legacy Employment & Training (E&T)<sup>11</sup> system instead of using the new system. The legacy system didn't interface with the new system and so January and February case worker entries for E&T participation didn't transfer to the Worker Portal system.
- New EBT vendor - The State agency changed EBT vendors which resulted in new requirements for gathering data and introduced another change to State personnel.
- New processes for reporting IPV's – In June 2015, DFS transitioned from batch processing and IPV reporting to a web based real-time process. The initial State-agency developed web service was used from late June 2015 through February 2016. In February 2016 a contractor-developed reporting system was implemented as part of the new Worker Portal eligibility system. Issues associated with the change in IPV reporting are discussed further in finding #1.

The significant organizational changes combined with the roll-out of the Affordable Care Act created a backlog of cases and processing delays. During the spring of 2015, front line staff were working long hours well into the evening and logging significant overtime to get caught up. This contributed to significant turnover in front line staff and some of the issues reported below.

## 2 Objective and Purpose

The objective of this agreed-upon procedures engagement was to assess selected aspects of Kentucky'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 Kentucky's compliance with *Title 7 CFR Part 273, Certification of Eligible Households*. The State of Kentucky 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 Kentucky SNAP program is considered a medium program (between \$700 million

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<sup>11</sup> The E&T system had been unnecessary in the previous calendar year due to the FY15 ABAWD waiver.

and \$2 billion in SNAP payments annually) by OIG and is located within FNS' Southeast 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 of 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 Kentucky'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 a designated DFS office building in Frankfort, Kentucky in July and August 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

One exception was identified during performance of the review procedures in the Part 1 Checklist, as discussed in Finding 1 below.

#### **Finding 1: DFS did not report Intentional Program Violations (IPVs) to FNS timely**

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

7 CFR §273.16 reporting requirements; 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.<sup>12</sup> The disqualification takes effect when it has been adjudicated as evidenced by the decision date. This information is to be entered into the FNS Electronic Disqualified Recipient System (eDRS) by the State agency.

We requested from DFS a list of all IPVs during FY15 and received a file containing 2,440 IPVs. TFC tested a non-statistical sample of 15 IPVs, and identified 7 cases that were non-compliant; 3 where the State agency did not enter the IPV into eDRS within the 30 days required, and 4 cases that were not entered into eDRS as of the final day of our fieldwork.

We determined there were two different causes that led to the non-compliance:

- For the three IPVs that were not entered into eDRS timely, this was due to the many different steps that IPVs in Kentucky go through during prosecution and the many potential areas for systematic time delays. Once the State OIG Division of Audit and Investigations receives the case and decides to move forward with it, they must coordinate with 1 of over 100 + jurisdictions and their local prosecutors. State OIG staff indicated that not all prosecutors are equally responsive, and delays often result from local bureaucratic hurdles that are out of their control.
- The four IPVs not recorded in eDRS were decided near the time of the State agency's change of systems and the process for reporting IPVs, as discussed in the background section above. When the State agency moved from batch processing to the web based system, they were using a two-digit locality code of "21." In October 2015, the eDRS help desk contacted DFS and informed them, "[w]e've determined the issue you are having is directly relating to the fact the KY's locality code is set up as a 2 digit locality, and the Web Service call is looking for 4 digits." The locality code was changed to a four

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<sup>12</sup> 7 CFR §273.16 *Disqualification for Intentional Program Violation*, (i)(1)

digit code, but there continued to be “glitches” through early 2016. On August 18, 2016, State personnel informed us that, “[a] few months ago, eDRS contacted us stating they hadn’t received any disqualifications from KY from mid-October 2015 through February 2016.”

As a result, the individuals who were disqualified from receiving benefits in Kentucky were not entered into eDRS timely and were not identifiable by other States or Territories that may have checked the system for those individuals. Further, considering the number of exceptions (7) in the relatively small sample (15), the identification of the root cause, and a review of the population file of IPV’s where 1,100 + IPV’s occurred after late June, we feel it is reasonably certain that as of the last date of our fieldwork there were still a considerable number of IPV’s that had not been reported in eDRS. We have been informed by State personnel that DFS will be reporting all IPV’s to eDRS from June 2015 through February 2016, and that eDRS has been notified of the plan.

It should be noted that during our testing, we questioned the “disqual add date” for three cases as reported in the original population file we received from DFS. In order to verify the IPV decision date for those three IPV’s we requested additional documentation in the form of the court order with the judge’s decision and date stamp. For two of those three cases, we noted the decision date on the court order did not match the decision date as recorded in eDRS. We notified the State agency and they provided confirmation that they had updated eDRS accordingly.

### **FNS Recommendation 1**

Recommend DFS work with the State OIG to establish controls around the prosecution and reporting process to ensure IPV’s are recorded in eDRS timely.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. In order to communicate the importance of receiving court orders timely, beginning November 10, 2016, the Kentucky OIG will add the following information to the reports submitted with cases submitted for prosecution: “Upon court disposition the Cabinet for Health and Family Services, Department of Community Based Services is required to take administrative action within 45 days. In order to comply with this federal requirement that corresponding court documentation must be received to process the court’s decision, please forward all corresponding final court documentation upon final case action.”

**Estimated Completion Date:** Complete as of November 10, 2016

### **FNS Recommendation 2**

Recommend FNS and DFS perform a batch reconciliation of all IPV’s on record in both the State’s benefits management system and eDRS to ensure all cases and decision dates are recorded accurately in both systems.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. Kentucky's Office of Administrative and Technology Services (OATS) will obtain the entire eDRS file and match all IPVs within the Worker Portal, Kentucky's new eligibility system, against eDRS. OATS will compare and determine if there are any Kentucky records that need to be sent to eDRS and if so, those will be sent.

**Estimated Completion Date:** December 31, 2016

### **FNS Recommendation 3**

Recommend the seven cases identified and those that are subsequently identified, 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 December 8, 2016, response FNS stated:

FNS concurs with this recommendation. These seven cases have been added to eDRS or updated within eDRS. The last correction was added on November 7, 2016, and transmitted that night. eDRS can be checked to verify.

**Estimated Completion Date:** Complete as of November 7, 2016

### **FNS Recommendation 4**

Recommend DFS work with the State OIG to develop tracking metrics to ensure IPVs are being handled appropriately and recorded in eDRS timely.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. Please see response to recommendation 1.

### **FNS Recommendation 5**

Require DFS perform periodic reconciliations between the IPV data in their benefit management systems and eDRS to ensure data is transmitted timely and the systems interface is operating effectively.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. Kentucky will follow the same process outlined in the response to Recommendation 2 and reconcile on an annual basis. With the first reconciliation taking place in December 2016, the subsequent reconciliation will be conducted prior to December 31, 2017, to ensure the interface is working correctly.

**Estimated Completion Date:** December 31, 2016 for first reconciliation and December 31, 2017 for second reconciliation to ensure interface is working correctly.

## 4.2 Part 2, Checklist for Review of Active Cases

Our review of 100 randomly selected active cases<sup>13</sup> followed the review procedures specified in the Part 2 Checklist for Review of Active Cases, and disclosed four cases of non-compliance as detailed in Findings 2 through 4 below. This resulted in an error rate of four percent in our sample, enabling us with a 95 percent confidence level, to project an error rate of 9.16 percent or less in the population.<sup>14</sup>

### **Finding 2: DFS did not maintain required documentation in one case file and verify income for another case prior to certification**

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

**Office Operations Finding 2(a) Required Documentation** - Federal regulations require that case files must be documented to support eligibility, ineligibility, and benefit level determinations. Further, documentation shall be in sufficient detail to permit a reviewer to determine the reasonableness and accuracy of the determination.<sup>15</sup>

We identified one case file that was missing required documentation, specifically DFS did not maintain the SNAP Application (*Form KIF-101*) for the household's initial application, and determination and certification of eligibility.

This occurred because the local office lost the application. State agency personnel informed us the case worker did not scan the application into the electronic case file, and the local office could not locate the hard copy version.

As a result, the case file is incomplete and missing documentation required for testing, quality assurance reviews, case worker reference, and compliance with 7 CFR §273.2.

**Office Operations Finding 2(b) Verification of Income** - Federal regulations require that gross nonexempt income shall be verified for all households prior to certification. Further, it states where all attempts to verify the income have been unsuccessful because the person or organization providing the income has failed to cooperate with the household and the State agency, and all other sources of verification are unavailable, the eligibility worker shall determine an amount to be used for certification purposes based on the best available information.

We identified one case where DFS did not properly verify income. Specifically, in the first quarter of 2015, the case worker did not perform a system match (matching income with the State employment reporting system) for verification of income and instead, relied upon a *Form PAFS-703 Proof of No Income* as sufficient evidence that the individual had no income. This form can be prepared by any individual or third party contact, and there is nothing on the form that identifies the third party contact's relationship with the applicant. As far as sources of available information, this is the

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<sup>13</sup> The universe of active cases during the scope period (October 2014 - September 2015) was 365,437.

<sup>14</sup> The error rate means that we can state with a high level of likelihood that the rate of non-compliance is somewhere under approximately nine and sixteen one-hundredths of a percent for the entire population.

<sup>15</sup> 7 CFR §273.2 *Office operations and application processing, (f)(6)*

lowest level of support, but the case was recertified on March 24, 2015. The case worker indicated in the case comments that a system match of wage income had been performed but when we performed an audit of system match queries specific to this case, there was no record of one having been performed. This case was reviewed by a principal case worker prior to certification.

In late June, a change of address (case change) was reported to DFS, and a subsequent case worker performed a system match of wage income as part of a July recertification. The match reported income from the first and second quarters of 2015. When the case worker inquired of the applicant about the income, the call was disconnected. The case was denied pending completion of the interview.

State personnel informed us that this occurred because of excessive case worker workload in the spring of 2015.

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 eligibility in accordance with *7 CFR §273.2*, and the household may have received improper payments. State personnel have advised us this case will be reviewed for a possible claim.

### **FNS Recommendation 6**

Require DFS to provide guidance and/or training to case workers and new employees, to ensure documentation is recorded in the household's electronic case file prior to certification of eligibility and properly maintained in accordance with *7 CFR 273.2*.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. A claim was established for this case for 5/15-7/15. Kentucky DFS will distribute information to all field workers to remind them of checking all available sources prior to certification, especially now that access to these programs has changed with the elimination of the Kentucky mainframe systems. The revisions to access these programs have already been updated in the new employee training.

**Estimated Completion Date:** December 31, 2016

### **FNS Recommendation 7**

Require DFS review the identified case to determine if payments were improper and warrant establishment of a claim.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. Although the signed hardcopy application could not be located, this issue has been resolved with Kentucky's new eligibility system, Worker Portal that went into production on February 29, 2016. If the client doesn't provide a voice signature, electronic signature or hardcopy signature during the

application process, the system will automatically pend the case for this before it can be approved. There is no claim in this case. The case benefits are correct.

**Estimated Completion Date:** Complete as of November 10, 2016

### **FNS Recommendation 8**

Recommend DFS review existing, or establish new, case processing metrics and benchmarks to ensure case workers and supervisors are accorded reasonable time for processing and review of case file information prior to certification.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. Time periods for processing SNAP cases already exist. Expedited cases must be processed within 7 days and non-expedited within 30 days. Kentucky DFS will issue a policy memo to caseworkers to remind them to instruct applicant households to not wait until the last day/30th day to return their information.

**Estimated Completion Date:** December 31, 2016

### **FNS Recommendation 9**

Recommend DFS revise *Form PASF-702 Proof of No Income* to provide for the relationship of the third party contact to the benefit recipient claiming no income.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. Kentucky has revised this form to include a "relationship to household" field. After being review and approved by FNS, the new form will be issued for use.

**Estimated Completion Date:** December 31, 2016

### **Finding 3: DFS did not comply with work registration requirements for one case**

We identified one case where DFS did not register a household member for work in accordance with *7 CFR 273.7 Work provisions*.

Federal regulations require that, as a condition of eligibility for food stamps, each non-exempt household member, must register for work or be registered by the State agency at the time of application and every 12 months after initial registration. The member required to register need not complete the registration form.<sup>16</sup> Generally, the State will register the applicant for work during the application process.

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<sup>16</sup> 7 CFR §273.7 (a)(1)(i)

We identified one case where the case worker did not properly register a benefit recipient for work.

This occurred because of caseworker error. The household was exempt from work registration on the prior application due to receipt of unemployment insurance (UI). During recertification, the case worker did not verify through system access that the applicant was not registered or had applied for UI and the prior year exemption code was automatically rolled-forward in the benefits management system. Additionally the principal or supervisory case worker reviewing the case did not catch the error during their review.

As a result, one household member was not registered for work and may not have been eligible to receive SNAP benefits, and potentially received improper payments.

### **FNS Recommendation 10**

Require DFS review the case to determine if the payments were improper and warrant establishment of a claim, and if the applicant should be registered for work and update the case file accordingly.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. This error, for not checking all available programs to remove the UIB work registration exemption, occurred in March 2015. However, the error was not identified until August 12, 2016, more than 12 months after occurrence. If the UIB had been removed, household income would have decreased and benefits would have increased. The household would have been due a restoration, not a claim. However, since the household failed to report the income change at the March 2015 review, no restoration is due. The restoration cannot be issued due to the fact the error was over 12 months old and does not meet an exception discussed in CFR 273.17. The individual turned 60 in June 2015 and became exempt from work registration at that time. Therefore, no further action is required on the case.

**Estimated Completion Date:** Complete as of November 10, 2016

### **Finding 4: DFS did not record an allowable expense as a deduction for one case**

We identified one case where DFS was not in compliance with *7 CFR §273.10, Determining household eligibility and benefits levels*. Specifically, DFS did not record property tax expense in the benefits management system when the information was provided by the applicant timely and in accordance with program requirements.

Federal regulations state that in determining deductions, deductible expenses include shelter costs.<sup>17</sup> Further, property taxes are an allowable shelter expense.<sup>18</sup>

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<sup>17</sup> 7 CFR §273.10 (d)

<sup>18</sup> 7 CFR §273.9(d)(6)(ii)(B)

This occurred because the case worker failed to record the property tax amount in the benefits management system. The applicant identified the amount during the interview and provided documentation in support of the amount timely. The documentation was stored in the State's Electronic Case File (ECF), but the case worker did not verify the amount within 30 days in the benefits management system. Therefore, the case was processed without the property tax expense being recorded as an allowable deduction.

As a result, the deductions and benefits for the household were understated, DFS improperly determined eligibility, and the State agency potentially made improper payments (underpayments).

### **FNS Recommendation 11**

Require DFS review the case and determine if the amount of benefits paid were improper and warrant a supplemental payment and updating the case file, as applicable.

### **Agency Response**

In its December 8, 2016, response FNS stated:

FNS concurs with this recommendation. This case was recertified in May 2016, creating a new certification period for 6/1/16- 5/31/17, so those months did not need corrections based on this recommendation. The OIG recommendation led to the case being reviewed again on August 18, 2016, and updated on that date to correct the property tax deduction, restoring benefits from July 2015 to May 2016. Benefits were corrected and issued to the household on that same day.

**Estimated Completion Date:** Complete as of August 18, 2016

## 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: <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	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.	No
§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): <ul style="list-style-type: none"> <li>a) How often the entire caseload of Households are recertified;</li> <li>b) How many recertifications involve face-to face interviews;</li> <li>c) How many recertifications require a household's authorized signature; and</li> <li>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.</li> </ul>	No
§273.14 Recertification	Also, determine if the State has procedures to ensure that: <ul style="list-style-type: none"> <li>a) An adequate Notice of Expiration has been developed by the State; and</li> <li>b) Applicant eligibility information is maintained by the authorizing SNAP office.</li> </ul>	No
§273.16 Disqualification for Intentional Program Violation	For the Scope period, determine the following: <ul style="list-style-type: none"> <li>a) The number of Intentional Program Violations (IPV) identified by the State for the last three FYs;</li> <li>b) The number of IPVs reported to FNS by the State;</li> <li>c) The number of IPVs the State has classified as inadvertent household errors using the regulation passage cited in the criteria below; and</li> <li>d) Whether all IPV cases reported to FNS were entered onto the disqualified recipient database in accordance with procedures specified by FNS.</li> </ul>	Exception noted, reference finding #1

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	<p>Identify for the Scope period:</p> <ul style="list-style-type: none"> <li>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;</li> <li>b) Whether all types of errors can result in claims against Households;</li> <li>c) The dollar value of claims established against Households;</li> <li>d) The dollar value of claims actually recovered, whether recovered in part or in full;</li> <li>e) A breakdown of the amounts recovered by recovery method (reduction in benefits, cash, Treasury offset, etc.);</li> <li>f) The number and dollar value of claims against Households written off by the State; and</li> <li>g) A breakdown of the claims written off by the justification for the write-offs.</li> </ul>	No
§273.18 Claims Against Households	<p>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:</p> <ul style="list-style-type: none"> <li>a) Approved by FNS; and</li> <li>b) Timely and consistently disseminated to all of the State's local (Welfare) offices</li> </ul>	No
§273.20 SSI Cash-Out	<p>For the State of California, determine the following:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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</li> <li>c) The number and dollar value of recipients on (a) the SNAP program and (b) the CA SSI program</li> </ul>	N/A for the State of Kentucky

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: <ul style="list-style-type: none"> <li>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;</li> <li>b) If the State has accurate policies and procedures for the inclusion and exclusion of SNAP recipients from the MRRB process; and</li> <li>c) If the State no longer uses MRRB, have they received an official written waiver from the FNS Administrator to no longer use it</li> </ul>	N/A for the State of Kentucky
§273.23 Simplified Application and Standardized Benefit Projects	For the Scope period, determine the following: <ul style="list-style-type: none"> <li>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;</li> <li>b) If FNS has approved the State's Official Work Plan for this Program;</li> <li>c) If the Work Plan accurately defines "Project-eligible households" and "Determining Food Stamp Program eligibility" in accordance with the regulations; and</li> <li>d) If the State monitored compliance with the Official Work Plan approved by FNS</li> </ul>	N/A for the State of Kentucky
§273.24 Time Limit for Able-Bodied Adults	For the Scope period, determine the following: <ul style="list-style-type: none"> <li>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?</li> <li>b) If the Workfare Program State Plan has a definition of SNAP "Able-bodied adults."</li> <li>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.</li> <li>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.</li> <li>e) If the State can identify in its entire SNAP Household caseload how many Households</li> </ul>	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?
	<p>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.</p> <p>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.</p>	
§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 Kentucky
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 Kentucky
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 Kentucky

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 #2
§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 #3
§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?	Exception noted reference finding #4
§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.	No
§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.	No
§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: FNS Official Response to AUP Report**

**USDA'S  
FNS  
RESPONSE TO AUP REPORT**





**United States  
Department of  
Agriculture**

Food and  
Nutrition  
Service

3101 Park  
Center Drive  
Room 712

Alexandria, VA  
22302-1500

DATE: December 8, 2016

AUDIT  
NUMBER: 27601-0005-10

TO: Gil H. Harden  
Assistant Inspector General for Audit

FROM: Audrey Rowe /s/  
Administrator  
Food and Nutrition Service

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

This letter responds to the official draft report for audit number 27601-0005-10, Kentucky's Compliance with Supplemental Nutrition Assistance Program (SNAP) Certification of Eligible Households. Specifically, the Food and Nutrition Service (FNS) is responding to the twelve recommendations in the report.

**OIG Recommendation 1:**

Recommend DFS work with the State OIG to establish controls around the prosecution and reporting process to ensure IPV's are recorded in eDRS timely.

**FNS Response:**

FNS concurs with this recommendation. In order to communicate the importance of receiving court orders timely, beginning November 10, 2016, the Kentucky OIG will add the following information to the reports submitted with cases submitted for prosecution: "Upon court disposition the Cabinet for Health and Family Services, Department of Community Based Services is required to take administrative action within 45 days. In order to comply with this federal requirement that corresponding court documentation must be received to process the court's decision, please forward all corresponding final court documentation upon final case action."

**Estimated Completion Date:** Complete as of November 10, 2016

**OIG Recommendation 2:**

Recommend FNS and DFS perform a batch reconciliation of all IPV's on record in both the State's benefits management system and eDRS to ensure all cases and decision dates are recorded accurately in both systems.

**FNS Response:**

FNS concurs with this recommendation. Kentucky's Office of Administrative and Technology Services (OATS) will obtain the entire eDRS file and match all IPVs within the Worker Portal, Kentucky's new eligibility system, against eDRS. OATS will compare and determine if there are any Kentucky records that need to be sent to eDRS and if so, those will be sent.

**Estimated Completion Date:** December 31, 2016

**OIG Recommendation 3:**

Recommend the seven cases identified and those that are subsequently identified 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 this recommendation. These seven cases have been added to eDRS or updated within eDRS. The last correction was added on November 7, 2016, and transmitted that night. eDRS can be checked to verify.

**Estimated Completion Date:** Complete as of November 7, 2016

**OIG Recommendation 4:**

Recommend DFS work with the State OIG to develop tracking metrics to ensure IPVs are being handled appropriately and recorded in eDRS timely.

**FNS Response:**

FNS concurs with this recommendation. Please see response to recommendation 1.

**OIG Recommendation 5:**

Require DFS perform periodic reconciliations between the IPV data in their benefit management systems and eDRS to ensure data is transmitted timely and the systems interface is operating effectively.

**FNS Response:**

FNS concurs with this recommendation. Kentucky will follow the same process outlined in the response to Recommendation 2 and reconcile on an annual basis. With the first reconciliation taking place in December 2016, the subsequent reconciliation will be conducted prior to December 31, 2017, to ensure the interface is working correctly.

**Estimated Completion Date:** December 31, 2016 for first reconciliation and December 31, 2017 for second reconciliation to ensure interface is working correctly.

**OIG Recommendation 6:**

Require DFS to provide guidance and/or training to case workers and new employees, to ensure documentation is recorded in the household's electronic case file prior to certification of eligibility and properly maintained in accordance with 7 *CFR* 273.2.

**FNS Response:**

FNS concurs with this recommendation. A claim was established for this case for 5/15-7/15. Kentucky DFS will distribute information to all field workers to remind them of checking all available sources prior to certification, especially now that access to these programs has changed with the elimination of the Kentucky mainframe systems. The revisions to access these programs have already been updated in the new employee training.

**Estimated Completion Date:** December 31, 2016

**OIG Recommendation 7:**

Require DFS review the identified case to determine if payments were improper and warrant establishment of a claim.

**FNS Response:**

FNS concurs with this recommendation. Although the signed hardcopy application could not be located, this issue has been resolved with Kentucky's new eligibility system, Worker Portal that went into production on February 29, 2016. If the client doesn't provide a voice signature, electronic signature or hardcopy signature during the application process, the system will automatically pend the case for this before it can be approved. There is no claim in this case. The case benefits are correct.

**Estimated Completion Date:** Complete as of November 10, 2016

**OIG Recommendation 8:**

Recommend DFS review existing, or establish new, case processing metrics and benchmarks to ensure case workers and supervisors are accorded reasonable time for processing and review of case file information prior to certification.

**FNS Response:**

FNS concurs with this recommendation. Time periods for processing SNAP cases already exist. Expedited cases must be processed within 7 days and non-expedited within

30 days. Kentucky DFS will issue a policy memo to caseworkers to remind them to instruct applicant households to not wait until the last day/30th day to return their information.

**Estimated Completion Date:** December 31, 2016

**OIG Recommendation 9:**

Recommend DFS revise *Form PASF-702 Proof of No Income* to provide for the relationship of the third party contact to the benefit recipient claiming no income.

**FNS Response:**

FNS concurs with this recommendation. Kentucky has revised this form to include a “relationship to household” field. After being review and approved by FNS, the new form will be issued for use.

**Estimated Completion Date:** December 31, 2016

**OIG Recommendation 10:**

Require DFS review the case to determine if the payments were improper and warrant establishment of a claim, and if the applicant should be registered for work and update the case file accordingly.

**FNS Response:**

FNS concurs with this recommendation. This error, for not checking all available programs to remove the UIB work registration exemption, occurred in March 2015. However, the error was not identified until August 12, 2016, more than 12 months after occurrence. If the UIB had been removed, household income would have decreased and benefits would have increased. The household would have been due a restoration, not a claim. However, since the household failed to report the income change at the March 2015 review, no restoration is due. The restoration cannot be issued due to the fact the error was over 12 months old and does not meet an exception discussed in CFR 273.17. The individual turned 60 in June 2015 and became exempt from work registration at that time. Therefore, no further action is required on the case.

**Estimated Completion Date:** Complete as of November 10, 2016

**OIG Recommendation 11:**

Require DFS review the case and determine if the amount of benefits paid were improper and warrant a supplemental payment and updating the case file, as applicable.

**FNS Response:**

FNS concurs with this recommendation. This case was recertified in May 2016, creating a new certification period for 6/1/16- 5/31/17, so those months did not need corrections based on this recommendation. The OIG recommendation led to the case being reviewed again on August 18, 2016, and updated on that date to correct the property tax deduction, restoring benefits from July 2015 to May 2016. Benefits were corrected and issued to the household on that same day.

**Estimated Completion Date:** Complete as of August 18, 2016

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