



U.S. Department of Agriculture
Office of Inspector General



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

Inspection Report 27801-0004-22

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

OBJECTIVES

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

WHAT OIG FOUND

The U. S. Department of Agriculture (USDA) Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP) is the nation's largest nutrition assistance program. In fiscal year (FY) 2024, Michigan provided more than \$3 billion in SNAP benefits. In doing so, Michigan was reimbursed more than \$189 million in Federal funds for administrative costs. FNS reimburses each State agency an amount equal to 50 percent of administrative costs involved in each State agency's operation of SNAP.

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

REVIEWED

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

RECOMMENDS

We are not making any recommendations in this report.



OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



DATE: August 20, 2025

INSPECTION

NUMBER: 27801-0004-22

TO: James C. Miller
Administrator
Food and Nutrition Service

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

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

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

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

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

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Background and Objectives

National Background

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

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

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

According to FNS officials, the majority of SNAP State agencies are assigned two Automated Standard Application for Payments (ASAP) Recipient IDs, one for SNAP administrative funds and another for SNAP benefits. FNS national officials explained that in these States, the flows of funds for administrative and benefit payments are distinct and separately managed. In these States, Electronic Benefits Transfer (EBT) processors request payments for SNAP benefits funds through the U.S. Department of the Treasury's ASAP system. However, Michigan is one of three States that use one ASAP Recipient ID for both the SNAP benefits and administrative accounts.²

Michigan Background

The State of Michigan administers SNAP through the Michigan Department of Health and Human Services (MDHHS). MDHHS employees request reimbursement for all SNAP accounts, including SNAP benefits, using one ASAP Recipient ID. In FY 2024, the State of Michigan served more than 1.4 million people, providing more than \$3 billion in SNAP benefits. The cost of administering SNAP in Michigan in FY 2024 totaled more than \$388.5 million.³ The Federal share of these expenses was more than \$189.2 million.⁴

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

² According to FNS, Maryland and Oklahoma also request funding for all SNAP accounts and use one ASAP Recipient ID.

³ Based on SF-425/FNS-778 dated March 6, 2025.

⁴ Ibid.

Objectives

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

Overall Conclusion: FNS and MDHHS Designed Adequate Controls Over SNAP Administrative Funds for the State of Michigan

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

Assessment of Controls Over Administrative and Benefits Payments

FNS' and MDHHS' controls to request SNAP administrative and participant benefits payments were adequately designed to provide reasonable assurance that SNAP administrative funds were not used to provide benefits to participants in FY 2024.

As discussed in the Michigan Background section, MDHHS' employees request reimbursement for all SNAP accounts using one ASAP Recipient ID, including SNAP benefits. MDHHS reimburses the EBT processor for benefits using State funds, then draws reimbursement from the ASAP system.

Because MDHHS employees access both administrative and SNAP benefits funds, we reviewed FNS' and MDHHS' controls to ensure that administrative funds were used solely for administrative expenses. Specifically, we determined that:

- FNS established two separate letters of credit for Michigan's administrative funds and SNAP participant benefits,
- FNS funded SNAP administrative funds and SNAP benefits under different Office Location Codes and Account IDs,
- FNS performed quarterly reviews of financial reports and a year-end closeout to reconcile all financial activities,
- MDHHS required review and approval of transactions in MDHHS' accounting system, and
- MDHHS maintained documentation to support reimbursements for administrative and SNAP participant benefits costs.

Based on our evaluation, we determined that these controls, as designed and followed, provide reasonable assurance that the State of Michigan did not use administrative funds to provide benefits to program participants in FY 2024. Figure 1 illustrates the separate flows of administrative and SNAP participant benefits funds for the State of Michigan.

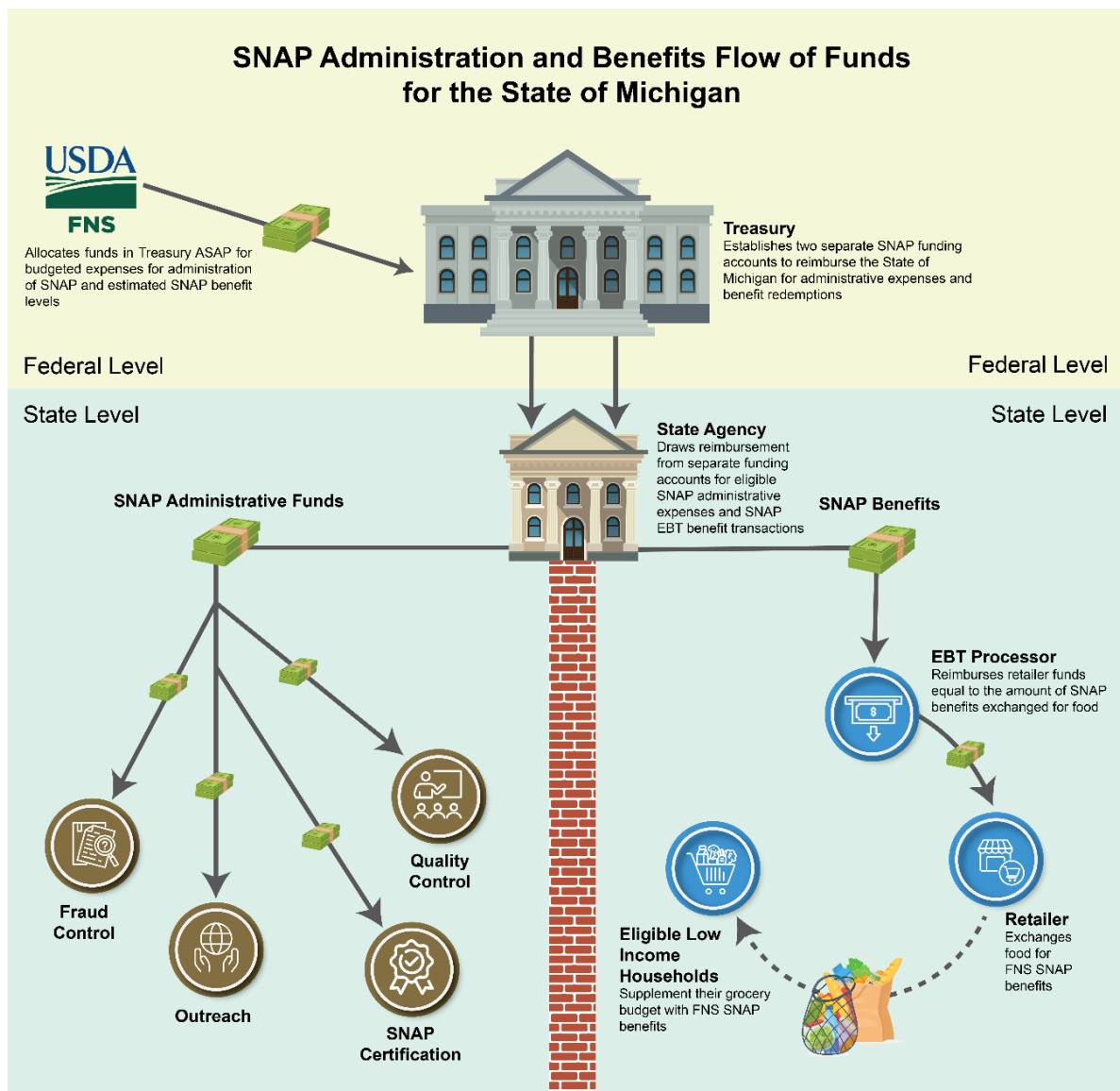


Figure 1: This diagram depicts the reimbursement of funds from FNS to MDHHS for the Federal share of administrative expenses and for daily transactions of SNAP benefits. Figure by the Office of Inspector General (OIG).

Review of Supporting Documentation for Selected Michigan Administrative Cost Expenditures

Based on FNS' requirement of supporting documentation for claimed administrative costs, we reviewed documentation for selected administrative expenditures and determined that MDHHS' requests for reimbursements were supported and that none were used to provide SNAP benefits to participants.

Federal regulations require State agencies to maintain source documents to support any costs claimed for program administration.⁵ These source documents, such as invoices, cost determination and allocations procedures, and accounting procedures, provide evidence of when and how the State of Michigan used these funds to administer SNAP. Additionally, FNS performs Financial Management Reviews to oversee State agency operations of SNAP. These reviews include examining supporting documentation for administrative expenditures.

⁵ 7 C.F.R. § 277.6 (b)(7).

Scope and Methodology

We conducted this inspection by examining whether the State of Michigan used SNAP administrative funds to provide SNAP benefits to participants (Objective 1). We focused our inspection on FNS SNAP administrative funds in FY 2024 and conducted fieldwork from May 2025 through July 2025. We conducted in-person fieldwork in Lansing, Michigan and conducted interviews with FNS officials. We provided the results of our inspection to agency officials on August 6, 2025, and FNS officials did not have any comments.

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

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

- Reviewed Federal laws and regulations and agency policy and procedures related to costs for State agencies to administer SNAP;
- Interviewed FNS National Office, FNS Midwest Regional Office, and MDHHS officials to gain an understanding of controls over SNAP administrative and participant benefits funds;
- Gained an understanding of financial and benefits eligibility systems used by Michigan to help operate and manage SNAP;
- Reviewed applicable MDHHS policies and procedures for SNAP administrative costs; and
- Reviewed selected transactions to confirm whether FNS’ controls were designed to ensure that SNAP administrative costs were supported.

Transaction Selection Methodology

We reviewed Michigan’s FY 2024 SF-425, FNS-778, and general ledgers to identify the five administrative cost categories with the highest total Federal share of outlays and unliquidated obligations. For each of the top five categories, we selected and tested one transaction to confirm whether these funds were used to provide SNAP benefits to participants. Michigan’s administrative cost categories and expenditures are shown in Table 1.

FNS-778 Category Name	Total Federal Share of Outlays and Unliquidated Obligations	Description
Certification	\$158,126,948	Costs for accepting and processing applications. Includes salaries, benefits, travel expenses, supervisory, clerical, and other support costs.
ADP Operations	\$14,445,123	Operational costs of computer systems.
Fraud Control	\$7,659,158	Costs of qualified employees engaged specifically in the investigation and prosecution of SNAP fraud activity.
Outreach	\$2,086,267	Costs for program informational activities.
Quality Control	\$1,690,706	Costs for quality control activity, including travel expenses.
ADP Development	\$1,633,786	Computer system development costs, including EBT planning costs.
E&T 100% Grant	\$1,456,141	Unmatched Federal grant expended on administrative costs of the E&T program.
EBT Issuance	\$862,093	Costs for EBT issuance, including EBT operational costs and EBT equipment costs.
Management Evaluation	\$635,269	Costs for Management Evaluation activities.
E&T 50% Grant	\$580,092	Amount in excess of E&T allocation (E&T 100% Grant) expended to operate the E&T program.
100% State Exchange	\$42,873	Travel costs and costs for printed materials and electronic or other media related to the exchange of ideas and experience for improving program management among States.
E&T Transportation and Other	\$35,442	Costs to reimburse E&T participants for the costs of transportation and other reasonable and necessary costs incurred as a result of E&T participation.
Total	\$189,253,898	

Table 1: This table presents the reimbursed administrative SNAP functions/activities on the SNAP Financial Status Report (FNS-778) for Michigan in FY 2024. Table by OIG.

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

FY 2024 SNAP Data

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

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

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

Abbreviations

ADP.....	Automated Data Processing
ASAP	Automated Standard Application for Payments
C.F.R.	Code of Federal Regulations
EBT	Electronic Benefits Transfer
E&T.....	Employment and Training
FY	fiscal year
FNS	Food and Nutrition Service
MDHHS	Michigan Department of Health and Human Services
OIG	Office of Inspector General
SF	Standard Form
SNAP	Supplemental Nutrition Assistance Program
USDA.....	U.S. Department of Agriculture

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