

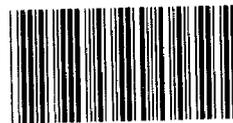
GAO

Report to the Administrator, Food and
Nutrition Service
Department of Agriculture

October 1986

FOOD STAMP PROGRAM

Restoration of Improperly Denied or Terminated Benefits



131527

037305



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-217883

October 30, 1986

Mr. Robert E. Leard
Administrator, Food and Nutrition Service
Department of Agriculture

Dear Mr. Leard:

In response to a January 28, 1986, request from the Chairman, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, House Committee on Agriculture, we are currently examining how federal and state administrative practices affect the participation of persons eligible for Food Stamp Program benefits. We have not yet completed our review, but the Chairman has asked us to alert you to a problem in Illinois' procedures relating to the restoration of food stamp benefits to persons whose benefits were improperly denied or terminated. We have already provided this information to Illinois; however, the Chairman requested that we provide you with a list of cases involved.

In Illinois, the State Department of Public Aid is responsible for administering the Food Stamp Program. To help carry out its responsibility, the department operates local food stamp offices that determine eligibility for benefits and issue the benefits to qualifying participants. The department also establishes statewide policy and oversees the operation of its local offices.

In its review of food stamp operations in the state for fiscal year 1985, the department completed reviews of 887 randomly selected cases in which households had been denied benefits or been terminated from the program. In 81 of these cases, the state had determined that the denials or terminations were improper. Food and Nutrition Service regulations require that the state evaluate all of these cases and, where appropriate, restore benefits to the individuals involved. From the state sample, we examined 115 randomly selected cases to review the state's procedures for identifying improperly denied and terminated benefits and for restoring them, where appropriate.

In reviewing Illinois' procedures, we found that (1) the state's local offices did not evaluate the cases of, and, where appropriate, restore benefits to, participants that the state found were improperly denied food stamps or terminated from the program and (2) the state had not

established a procedure to ensure that local offices restore such benefits, where appropriate. Further, the Service was not aware that this problem existed.

Specifically, we found that Illinois improperly denied or terminated and should determine whether to restore food stamp benefits for 26 (23 percent) of the 115 fiscal year 1985 cases that we reviewed. The state had identified 4 of these cases during its earlier review, and we identified and notified the state of the other 22 cases during our review. The state agreed with our findings on the 22 cases. In some of the 26 cases, the improper denials and terminations caused applicants or participants to lose a measurable amount of benefits; in others, more information is needed before a proper eligibility/benefit-level determination can be made.

The Illinois policy manual requires the state office to notify the appropriate local office of cases where benefits have been denied or terminated improperly; however, the manual does not contain a procedure for monitoring whether benefits are restored in such cases. We did not find any record in the state or local offices to indicate that local offices had evaluated these cases and restored benefits, where appropriate, to the individuals involved. In only one of the four cases did the records indicate that the local office had been notified of the improper denial or termination. State program officials told us that their usual practice is to transmit by letter to the local offices reports of improperly denied or terminated cases but said that the state does not keep records of such transmittals. They said that because the state does not follow up to determine whether the local offices take the appropriate action, they could not explain why these cases were not acted upon. State program officials also said that they had not established a specific policy to ensure restoration of benefits because their emphasis had been directed toward eliminating and collecting benefit overpayments.

We believe these matters merit the Service's attention. We therefore recommend that you instruct Illinois to

- evaluate the cases and, where appropriate, restore benefits for the 26 households listed in appendix II that had benefits improperly denied or terminated and
- establish a policy and implement a procedure to ensure that benefits are restored, where appropriate, in all such cases.

We explain our findings in detail in appendix I, which also discusses the scope of our review and provides additional information on Illinois' and the Service's procedures as they relate to the restoration of food stamps to persons whose benefits were improperly denied or terminated. Appendix II lists, by case identification and review numbers, the 26 households for which Illinois should be evaluating and restoring benefits, where appropriate.

We are continuing our review in Illinois and other selected states, and we will report any other observations to the Chairman and to you at a later date. The views of responsible Service and Illinois officials were sought during our review and are incorporated, as appropriate.

Copies of this report are being sent to the Chairman, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, House Committee on Agriculture; the Chairman, Senate Committee on Agriculture, Nutrition, and Forestry; the Secretary of Agriculture; the Deputy Administrator, Family Nutrition Programs; the Inspector General, Department of Agriculture; and the Director, Illinois Department of Public Aid. We will make copies available to others on request.

Sincerely yours,



Brian P. Crowley
Senior Associate Director

Contents

| | | |
|-------------------------|---|----|
| Letter | | 1 |
| <hr/> | | |
| Appendix I | | 6 |
| Restoration of Benefits | Objectives, Scope, and Methodology | 7 |
| to Persons Improperly | Illinois Did Not Restore, Where Appropriate, Benefits | 8 |
| Denied Food Stamps or | That Had Been Improperly Denied or Terminated | |
| Terminated From the | Conclusions | 10 |
| Program | Recommendations | 10 |
| <hr/> | | |
| Appendix II | | 11 |
| List of Cases Where | | |
| Benefits Were | | |
| Improperly Denied or | | |
| Terminated | | |

Restoration of Benefits to Persons Improperly Denied Food Stamps or Terminated From the Program

The Food Stamp Program provides food assistance benefits to households that meet program eligibility requirements. Benefits are issued in the form of food coupons that eligible households can use to purchase food to obtain a more nutritious diet. The states are required to determine whether applicants are eligible for the program and, if so, issue them the appropriate amount of benefits. Applicants found to be ineligible are to be denied food stamps, and participants whose circumstances change, thereby making them ineligible, are to be terminated from the program.

The Department of Agriculture's Food and Nutrition Service establishes national Food Stamp Program policies, oversees state operation of the program, and pays 100 percent of the food stamp benefits issued by the states—\$10.8 billion in fiscal year 1985. Although states are responsible for local administration and day-to-day operation of the program, the federal government finances part (usually 50 percent) of the states' administrative expenses. The federal share of such expenses was about \$900 million in fiscal year 1985.

In Illinois, the Department of Public Aid is responsible for administering the Food Stamp Program. To help carry out its responsibility, the department operates local food stamp offices that determine eligibility for benefits and issue the benefits to qualifying participants. The department also establishes statewide policy and oversees the operation of its local offices.

Service regulations require each state to continually monitor and periodically report to the Service on (1) how well the state has administered the Food Stamp Program and (2) the extent of errors the state made when determining eligibility for program benefits.¹ According to Service regulations, if the state determines that a loss of benefits had occurred from the state's decision to deny or terminate food stamps and the household is entitled to restoration of benefits, the state shall automatically take action to restore any benefits that were lost. In addition to correcting improper eligibility/benefit-level determinations, states are required to develop corrective action plans to address more complex program or system deficiencies.

¹Such errors include incorrectly interpreting information regarding applicants' and participants' eligibility, not obtaining sufficient documentation to render a proper eligibility determination, and not providing applicants and participants with the required amount of time to document their eligibility. Although these errors constitute improper denial or termination of benefits to applicants or participants, in some cases, they may not cause households to lose benefits.

The Service reviews corrective action plans for each state to ensure that the state is complying with federal regulations and to help the Service develop national policies and requirements for the program. The Service is also responsible for conducting its own annual reviews of the states' operations to ensure that (1) states report all program deficiencies and (2) corrective actions are appropriate and being carried out in a proper and timely manner.²

Objectives, Scope, and Methodology

In response to a request from the Chairman of the House Committee on Agriculture's Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, we are reviewing the procedures that states use to (1) determine the eligibility of Food Stamp Program applicants and participants and (2) detect and correct errors that caused eligible persons to be denied benefits or terminated from the program. As part of our effort, which this report discusses, we reviewed Illinois' procedures for restoring food stamp benefits to persons whose benefits were improperly denied or terminated and the Service's oversight of this aspect of Illinois' administration of the Food Stamp Program.

We reviewed 115 randomly selected cases of households that had their benefits denied or terminated during fiscal year 1985 and for which, in cases of improper denial or termination, Illinois should have attempted to determine whether benefits should be restored. We drew our sample from the state's random sample of 1,251 cases for which it had completed its review of 887 cases to calculate its rate of improper denials and terminations. (The state identified 81 such cases.) We reviewed the case records that the state and local food stamp offices maintained for each of the 115 households to determine whether the denial or termination of benefits was appropriate. In making this determination, we evaluated the adequacy of the documentation to support the eligibility/benefit-level determination. In some cases, we could determine the amount of benefits that should have been provided, while in others we could not determine if benefits had been lost or the amount of such losses—only whether the local food stamp office had followed the correct procedures when deciding to deny or terminate benefits.

²For a detailed description and our analysis of this process, see The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better (GAO/RCED-84-94, May 30, 1984.)

We reviewed applicable federal laws, regulations, Service and state evaluation reports, corrective action plans, correspondence, and implementing instructions related to determining program eligibility and detecting and correcting improper denial or termination of benefits. We also discussed our findings with federal and state officials. We conducted our review between April and August 1986 and in accordance with generally accepted government auditing standards. The views of directly responsible Service and Illinois officials were sought during our review and are incorporated as appropriate.

Illinois Did Not Restore, Where Appropriate, Benefits That Had Been Improperly Denied or Terminated

We reviewed 115 fiscal year 1985 cases in which Illinois had denied or terminated food stamp benefits for a household, and we found that for 26 (about 23 percent) of these cases, the denial or termination was improper and Illinois should determine whether to restore food stamp benefits. The state had identified 4 of the 26 cases during its earlier review, and we identified and notified the state of the other 22 cases during our review. The state agreed with our findings on the 22 cases. In some of the 26 cases, the improper denials and terminations caused applicants or participants to lose a measurable amount of benefits; in others, more information is needed before a proper eligibility/ benefit-level determination can be made. Service regulations require the state to evaluate all of these cases and, where appropriate, restore benefits to the individuals involved.

We did not find any record in the state or local offices to indicate that local offices had evaluated these cases and restored benefits, where appropriate, to the individuals involved. In only one of the four cases that Illinois had identified during its earlier review did the records show that the local office had been notified of the improper denial or termination. In that instance, the state's transmittal to its Roseland Office in Chicago merely notified the local office that an improper denial/termination had occurred; it did not specify how the local office was to correct this error nor did it require the local office to report its actions to the state. A Roseland Office official said that because the state's transmittal did not provide specific guidance, the office did not take action to evaluate the case and, if appropriate, restore benefits.

State program officials told us that their usual practice is to transmit by letter to the local offices reports of improperly denied or terminated cases but said that the state does not keep records of such transmittals. The state officials agreed that these transmittals do not provide specific guidance to the local offices. They said that because the state does not

**Appendix I
Restoration of Benefits to Persons
Improperly Denied Food Stamps or
Terminated From the Program**

follow up to determine whether the local offices take the appropriate action, they could not explain why these cases had not been acted upon.

For example, in December 1984, the Uptown Office in Chicago terminated the participation of a man who had been certified as a one-person household receiving \$79 per month in food stamps at the time he was terminated. The local office terminated his benefits because the participant was receiving unemployment insurance and general assistance benefits. In conducting a periodic review of eligibility determinations in February 1985, Illinois found that the termination was improper because the participant's monthly income, which we found to be \$195, including unemployment insurance and general assistance benefits, was less than the \$540 gross income standard for a one-person household. However, the state and local office records for the case did not show whether the state notified the Uptown Office of the error, and the state did not monitor the Uptown Office's actions to ensure that the case was evaluated and, if appropriate, benefits were properly restored. We reviewed the case in March 1986, 15 months after the termination, and found that the participant's benefits had neither been evaluated nor restored.

In addition, although Illinois' policy manual called for local offices to restore lost benefits, it did not provide a procedure for the state to monitor the local offices' compliance with this requirement. Illinois' evaluation reports did not mention that its local offices were not restoring benefits lost by persons whose food stamps were improperly denied or terminated, and the state's corrective action plan did not address this problem. Illinois officials said that because the state emphasized eliminating and collecting overpayments, as opposed to restoring lost benefits, the state's food stamp manual does not require local offices to report corrective action on cases the state has reported as improperly denied or terminated. The officials also said that this problem had not been noted in the state's evaluation reports or included in any corrective action plans.

The Service's evaluations of Illinois' program operations had not detected the fact that local food stamp offices were not evaluating and, where appropriate, restoring benefits to persons whose food stamps had been improperly denied or terminated, nor had the Service instructed Illinois to include in its policy manual a procedure to ensure that Illinois' local food stamp offices complied with state directives. A Service regional official told us that the region would independently assess whether Illinois was taking appropriate action to restore lost benefits,

and Service headquarters officials told us that they would require Illinois to take prompt corrective actions to ensure that benefits are restored, where appropriate, to persons whose food stamps had been improperly denied or terminated.

Conclusions

The Food Stamp Act requires that food stamps be given to all eligible persons who request them. However, in a program as complex as the Food Stamp Program, it is impossible not to make some errors when determining eligibility for benefits. When such errors are detected, benefits should be promptly restored, as called for in Service regulations and Illinois' food stamp policy manual. However, as our review has shown, merely requiring the restoration of benefits does not ensure that persons improperly deprived of assistance will get the food stamps to which they are entitled. To do so, Illinois must establish and carry out procedures to monitor the efforts of local food stamp offices to evaluate the cases of, and, where appropriate, restore benefits to, persons who were improperly denied food stamps or terminated from the program.

In addition, we are concerned that Illinois detected only 4 of the 26 cases that it agreed constituted improper denials and terminations and that in its reviews of state policy manuals, state agency operations, and corrective action plans, the Service may not have paid enough attention to restoration of benefits to persons improperly deprived of them. Although we have not developed these issues in this report, we are pursuing them and other related issues, which we expect to address in an upcoming report to the Chairman of the House Committee on Agriculture's Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition.

Recommendations

We recommend that the Administrator, Food and Nutrition Service, instruct Illinois to

- evaluate the cases and, where appropriate, restore benefits for the 26 households listed in appendix II that had benefits improperly denied or terminated and
- establish a policy and implement a procedure to ensure that benefits are restored, where appropriate, in all such cases.

List of Cases Where Benefits Were Improperly Denied or Terminated

| Quality control review number | Case identification number | Potential monthly benefit loss |
|---|----------------------------|--------------------------------|
| Households identified by state quality control reviewers | | |
| 84304 | 7-204-Q29585 | \$79 |
| 84348 | 7-236-P17443 | a |
| 86748 | 8-201-734568 | a |
| 84603 | 4-208-765890 | a |
| Additional households identified by GAO | | |
| 86327 | 6-208-D59100 | \$249 |
| 84587 | 4-113-068528 | 168 |
| 84590 | 8-115-055812 | 132 |
| 86605 | 3-202-489734 | 79 |
| 84217 | 7-223-M91618 | 78 |
| 86634 | 7-218-Q91364 | a |
| 86561 | 8-063-027188 | a |
| 86034 | 8-080-041233 | a |
| 84060 | 7-201-Q48220 | a |
| 84119 | 7-233-Q36906 | a |
| 84266 | 8-057-083326 | a |
| 84543 | 7-236-Q64359 | a |
| 84156 | 8-072-022905 | a |
| 86056 | 8-112-062735 | a |
| 84120 | 7-234-Q49249 | a |
| 84420 | 7-223-P96582 | a |
| 84129 | 8-011-005221 | a |
| 84315 | 8-217-758542 | a |
| 84622 | 7-228-P25156 | a |
| 86668 | 4-233-D79862 | a |
| 86523 | 1-234-467225 | a |
| 84021 | 8-057-082031 | a |

^aWe were unable to determine the amount of benefits that may have been lost because sufficient information was not available to make a proper eligibility/benefit-level determination.

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

Address Correction Requested

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100