



U.S. Department of Agriculture

---



Office of Inspector General  
Southeast Region

## **Audit Report**

### **Food and Nutrition Service Disaster Food Stamp Program for Hurricanes Katrina, Rita, and Wilma – Alabama and Florida**

Report No. 27099-61-At  
August 2006

---



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL  
Southeast Region - Audit  
401 W. Peachtree Street, NW, Suite 2328  
Atlanta, GA 30308  
TEL: 404-730-3210 FAX: 404-730-3221



August 30, 2006

REPLY TO

ATTN OF: 27099-61-At

TO: Donald E. Arnette  
Regional Administrator  
Southeast Regional Office  
Food and Nutrition Service

FROM: Raymond G. Poland /s/  
Regional Inspector General

SUBJECT: Food and Nutrition Service Disaster Food Stamp Program for Hurricanes  
Katrina, Rita, and Wilma – Alabama and Florida

We have completed our review of the Food and Nutrition Service (FNS) Southeast Regional Office's (SERO) oversight of Alabama's and Florida's administration of the Disaster Food Stamp Program (DFSP). From September 1, 2005, through December 31, 2005, FNS provided over \$30 million in DFSP benefits to Alabama and \$321 million to Florida. Our objective was to determine if the FNS SERO provided adequate oversight of DFSP operations and if Alabama and Florida operated the DFSP in accordance with waivers approved by the FNS Administrator. We also assessed Alabama's and Florida's procedures to prevent and detect program abuse including duplicate payments, dual participation, and employee fraud. In addition, we reviewed Alabama's and Florida's procedures to repair and replace Electronic Benefits Transfer (EBT)-only point-of-sale (POS) terminals. Generally, we found that FNS SERO's oversight of the DFSP for Alabama and Florida was adequate. Likewise, we found that the Alabama Department of Human Resources (DHR) and the Florida Department of Children and Families (DCF) operated the DFSP in accordance with waivers approved by the FNS Administrator. We also found that Alabama DHR and Florida DCF had adequate procedures to administer the DFSP and prevent and detect program abuse such as duplicate payments, dual participation, and employee fraud.

**BACKGROUND:**

The Food Stamp Act of 1977, as amended, and the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974, as amended, grant the President and the U.S. Department of Agriculture broad authority to provide emergency assistance after disasters. The cornerstone of Federal nutrition assistance in the event of a disaster is the DFSP.

In 2005, two category three hurricanes devastated the coasts of Alabama and Florida. First, on August 29, Hurricane Katrina struck the Gulf Coast and then, on October 4, Hurricane Wilma made landfall in Florida.

In anticipation of hurricane-related destruction, FNS positioned supplies in warehouses in Louisiana, Texas, and Florida to make food readily available for disaster meal service programs until DFSP could provide longer term relief. Certain locations in the hardest hit areas could not immediately operate DFSP because there were no retail outlets available to purchase food. Given the adverse circumstances affecting the delivery of program benefits, FNS used its disaster authority and approved over 70 waivers to administer its programs as a result of Hurricane Katrina.<sup>1</sup>

Ordinarily, to qualify for DFSP, applicants must have lived in a county designated as a disaster zone at the time of the disaster, plan to purchase food during the benefit period, have experienced defined adverse effect (i.e., lost food, damage to or destruction of household's home or self-employment business, disaster-related expenses not expected to be reimbursed during the benefit period, lost or inaccessible income, inaccessible liquid resources), and meet income and resource tests.<sup>2</sup> FNS' *DFSP Handbook* permits verification rules to be eased during a disaster to reduce administrative burdens and to reflect the reality that households and employees will not have access to usual verification sources. If the ordinary rules are eased, employees must still verify applicants' identity; their residency; their loss of or inaccessibility of liquid resources or income, if possible; and household composition and food loss, if questionable.

In Hurricane Katrina's aftermath, FNS also promptly implemented the Food Stamp Program's (FSP) first National Evacuee Policies. These policies enabled States and counties not directly affected by the hurricanes to issue DFSP benefits to evacuees who had fled from affected areas. The FSP National Enhanced Policy for Evacuees relaxed eligibility requirements beyond the *DFSP Handbook* by excluding income and resource eligibility tests and allowing applicants without photo identification either to sign a statement attesting to their own identity or to be vouched for by friends or family.

Applications for the Alabama DFSP were accepted at two designated locations for four disaster counties from September 19 through 27, 2005. The Alabama DHR Food Assistance Division processed 56,841 households for DFSP and paid out over \$21.2 million in benefits. Under the Evacuee DFSP, Alabama DHS processed 4,806 household applications statewide and paid out over \$1.4 million in benefits.

---

<sup>1</sup> Of these 70 waivers, 12 were issued for Alabama and Florida. The seven waivers issued to Alabama included (1) hot food waiver; (2) supplemental benefits for six counties; (3) operation of DFSP in four counties; (4) supplemental benefits for four additional counties; (5) hot food waiver extension; (6) modification of DFSP waiver to discontinue consideration of food loss alone as criteria for eligibility; and (7) relaxed procedures for key-entered EBT transaction extensions. The five waivers issued to Florida included (1) operation of DFSP; (2) hot food waiver; (3) relaxed EBT procedures and early release of benefits; (4) supplemental benefits; and (5) extension of relaxed EBT procedures.

<sup>2</sup> These tests apply a disaster gross income limit for individuals to qualify for benefits. *FCS Handbook* 320, "Disaster Food Stamp Program Handbook," dated May 1995.

Florida DCF accepted applications for DFSP at designated locations in each of the 12 disaster counties, starting November 8, 2005. As of March 14, 2006, Florida DCF processed 661,030 DFSP applications and paid over \$269 million in benefits. Under the Evacuee DFSP, Florida DCF processed 10,741 household applications statewide and paid out over \$2.9 million in benefits.

### **OBJECTIVE:**

Our objectives were to determine whether FNS SERO provided adequate oversight of DFSP operations and if State agencies operated the DFSP in accordance with the waivers approved by the FNS Administrator. Additionally, we evaluated procedures to prevent and detect program abuse such as duplicate payments, dual participation, and employee fraud. We also evaluated procedures established for the repair and replacement of EBT-only POS terminals.

### **SCOPE AND METHODOLOGY:**

We reviewed DFSP and Evacuee DFSP operations in Alabama and Florida from Hurricane Katrina's landfall on August 29, 2005, until December 2005. We performed audit fieldwork from November 2005 through March 2006 at the FNS SERO in Atlanta, Georgia; the Alabama DHR Food Assistance Division in Montgomery, Alabama; the DHR County Office in Mobile, Alabama; the Florida DCF in Tallahassee, Florida; and designated training and application processing sites in Broward and Palm Beach Counties, Florida. Our objectives did not include review of disaster food stamp applications. Also, since FNS distributed commodities to designated emergency shelters instead of households, we did not test DFSP provisions for distributing commodities to households.

To accomplish our objectives, we (1) reviewed applicable DFSP waivers, laws, regulations, policies, procedures, and memoranda; (2) reviewed and evaluated the State agencies' disaster and program integrity plans; (3) reviewed and evaluated specific agency policies and procedures for verification, issuance, and certification activities; (4) reviewed and evaluated the State agencies' controls to prevent and detect possible employee fraud, (5) reviewed and evaluated States' controls over repair and replacement of EBT-only POS terminals, and (6) interviewed program officials from the FNS SERO, Regional Retailer Investigative Branch and field officers, and Alabama DHR, Florida DCF, and EBT contractors.

Both audits were performed in accordance with generally accepted government auditing standards, and were conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of the Federal Government's relief efforts in the aftermath of Hurricanes Katrina, Rita, and Wilma. As such, a copy of this report will be forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General review of this important subject.

**SUMMARY OF WORK PERFORMED:**

We concluded that FNS SERO's oversight of DFSP in Alabama and Florida was adequate. At FNS SERO, we reviewed and analyzed oversight measures of DFSP operations, including DFSP policies and procedures, and other documents such as waivers, program integrity plans, disaster plans related to disaster activities for State agencies, informational and training meetings for State agency officials, onsite monitoring of disaster activities, and States' periodic reporting of disaster operations. Furthermore, we concluded that the Alabama DHR and Florida DCF administered the DFSP in accordance with approved waivers and had adequate procedures in place to administer DFSP, including operating procedures for the verification, certification, and issuance of benefits, as well as procedures to prevent or detect program abuse such as duplicate issuance, dual participation, and employee fraud. In addition, we found that Alabama and Florida had adequate procedures in place to repair and replace EBT-only POS terminals damaged by the storms. Details follow.

**Verification/Certification/Issuance**

At designated application sites, the State agencies implemented systematic processes to accept and perform initial screenings of DFSP applications. As part of these processes, application site officials reviewed applications to ensure that appropriate information was documented and legible, reviewed applicants' identification information, and made preliminary eligibility determinations. In Florida and Alabama, applicant identification—such as proof of identity, proof of residency, identification of all household members, and date(s) of birth—was required at the time of application for DFSP benefits. During our fieldwork in Florida, we observed as site officials provided application forms to individuals, reviewed applications to ensure they were complete, reviewed applicants' photo identification, and rendered preliminary determinations of eligibility based on DFSP requirements. We could not observe the application process in Alabama because it was completed prior to the start of our audit.

Additionally, Florida DCF had integrity officials onsite who monitored sites for suspicious activity and reviewed questionable cases. Application site workers referred 55 cases to integrity officials for fraud investigations that resulted in savings of \$27,053. Additionally, integrity officials denied or reduced benefits for 1,239 cases totaling \$428,945. Other officials present at application sites included agents of the DCF Office of Inspector General, FNS field observers, and local, county, and State law enforcement officers who provided traffic control and security.

Although applications were completed onsite, Alabama and Florida did not issue DFSP benefits onsite. Instead, State agencies sent applications to centralized locations for electronic processing where the States' computer systems served as a control for identifying possible program abuse. We reviewed and discussed documentation with State officials, and concluded that the computer systems used for processing DFSP applications had built-in controls that recognized applicants' social security numbers, members of their household, date(s) of birth, address of residence, and

other application data such as whether the applicant and member(s) of their household previously participated in DFSP or FSP. These computer systems also cross checked with other governmental agencies to verify application data such as income and social security numbers.

Both Alabama and Florida State agency employees who applied for DFSP benefits were required to be interviewed and certified separately from other applicants. Also, all Alabama and Florida State agency employee applications for DFSP benefits were required to undergo a quality review (see below).

For evacuees fleeing Hurricane Katrina, FNS' Expanded Disaster Evacuee Policy permitted States to ease identity requirements and to accept applicants' self-declaration or the declaration of their friends or family. However, for the many evacuees who crossed State lines, Alabama's and Florida's computer systems could not determine whether evacuees were FSP or DFSP participants in their home States. Thus, the inability of these computer systems to communicate with other States is a potential control weakness.

Due to this problem, State officials processing applicants at evacuee locations called the evacuees' home State to verify their program status. However, they encountered difficulties verifying Louisiana evacuees' program status because Louisiana's phone system was down for some time after Katrina struck. Subsequently, Louisiana requested FSP enrollment information from all States to identify instances of dual participation or duplicate benefits and work with States on appropriate corrective actions. Both Alabama and Florida provided Louisiana with the requested information. Louisiana advised us that they were reviewing the lists. We also provided this information to our Southwest Region to evaluate during their review of Louisiana's operations.

### **Program Integrity Reviews**

FNS program regulations require that States perform program integrity reviews of DFSP applications to ensure that employees processing applications correctly applied eligibility criteria. The Alabama State agency performed its required review of a random sample of 1 percent of DFSP applications and 100 percent of all State agency employees participating in DFSP. As of August 1, 2006, the Florida State agency reviewed a sample of 1,203 DFSP applications (sample size of 1,200 was approved by FNS SERO) and continued to complete a review of 100 percent of all State agency employees and temporary staff participating in the DFSP. The program integrity review covered aspects of eligibility including applicant's or authorized representative's identity, residence, household situation (loss of income/property damage), household members (name, social security number, birth date, race, and gender via computer system), income (via computer system), resources, and disaster-related expenses. Employees resolved inconsistencies by contacting the household or through other appropriate means of verification.

Our review of the Alabama State agency's program integrity report and other supporting documents disclosed that the State processed over 56,000 DFSP applications. As part of its program integrity review, Alabama reviewed a total of 591 applications. There were 27 cases found in error based on this review--22 suspected intentional program violations, 2 inadvertent household errors, 2 administrative errors, and 1 underissuance of benefits. The State agency referred 26 of the 27 cases to its Office of Program Integrity for further review. As a result, the State agency established claims against the recipients for 16 of the 26 cases reviewed, issued additional DFSP benefits to the recipient due to underissuance for 1 of the 26 cases, and determined that the remaining 9 cases did not warrant claims. For the remaining case, the State agency issued additional DFSP benefits to the recipient as a result of an initial underissuance. Of 84 employee applications (100 percent) reviewed, 6 cases were found in error--3 suspected intentional violation, 1 inadvertent household error, 1 administrative error, and 1 underissuance of benefits. The State agency referred five of the six employee cases to its Office of Program Integrity for further review. As a result, the State agency established claims against the recipients for all five cases. For the remaining case, the State agency issued additional DFSP benefits to the recipient as a result of an initial underissuance. Also, 2 employees were denied benefits.

Likewise, our review of the Florida State agency's program integrity report and other supporting documents disclosed that the State processed 661,030<sup>3</sup> DFSP applications. Of the 1,203 DFSP applications reviewed by the Florida State agency in conjunction with its program integrity review, there were 15 cases found in error—5 duplicate issuances, 4 household composition errors, 5 ineligible financially, and 1 non-resident of a disaster county.<sup>4</sup> The State agency referred 11 of the 15 cases to its benefits recovery program for further review. As a result, the State agency established claims for 4 of the 11 cases referred, canceled 2 cases due to insufficient information, and is reviewing the remaining 5 cases. The State agency did not take action on the remaining 4 of 15 cases because they did not meet the minimum threshold for referral. Of 449 employee applications reviewed, there were 20 cases found in error (1 case had 2 errors)— 1 duplicate issuance, 6 household composition errors, and 14 ineligible financially.<sup>5</sup> The State agency referred 7 of the 20 employee cases to its benefits recovery program for further review. As a result, the State agency established claims for two of the seven cases and reviews of the remaining five cases were still pending. The State agency referred 3 of the 20 cases to its Office of Inspector General for review and took no action on the remaining 10 cases because they did not meet the minimum threshold for referral.

Evacuee applications were exempted from quality control review by FNS' Expanded Disaster Evacuee Policy.

---

<sup>3</sup> As of March 14, 2006.

<sup>4</sup> Interim Florida Post Disaster Review Report for Hurricane Wilma, dated August 1, 2006.

<sup>5</sup> Ibid.

### **Replacement of POS Terminals**

Both Florida and Alabama use EBT contractors to repair and replace damaged, lost, or stolen EBT-only POS terminals. Both States require merchants to contact the EBT contractor to repair and replace lost or stolen terminals. EBT contractors are to deactivate any terminal that is reported as lost, stolen, or in need of repair and to provide a replacement.

In Alabama, there were 20 EBT-only POS terminals temporarily out of service as a result of the hurricane. We reviewed redemption sales data relative to the month of the disaster, once the terminals resumed operations, and the two following months. We did not identify any unexplained or unusual activity associated with these terminals. FNS SERO officials and the Alabama EBT contractor informed us that all EBT-only POS terminals for Alabama were accounted for. In Florida, the EBT contractor provided us with a report showing there were no lost or stolen EBT-only POS terminals.