

FOOD AND NUTRITION SERVICES CLUSTER:

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| 10.551 | FOOD AND NUTRITION SERVICES |
| 10.561 | STATE ADMINISTRATIVE MATCHING GRANTS FOR FOOD AND NUTRITION SERVICES |

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| State Project/Program: | FOOD AND NUTRITION SERVICES STATE ADMINISTRATIVE MATCHING GRANTS FOR FOOD AND NUTRITION SERVICES PROGRAM |
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U. S. DEPARTMENT OF AGRICULTURE

Federal Authorization: Food and Nutrition Act of 2014, Food and Nutrition Act of 2008, as amended through Public Law 113-128, Enacted July 22, 2014, Food Stamp Act of 1977, as amended, Section 16, Public Law 95-113, 91 Stat. 958, 7 U.S.C. 2011, 2025 et seq.; Public Law 95-348, Public Law 96-58, Public Law 96-249, Public Law 97-35; Public Law 97-98; Public Law 97-253, Public Law 98-204, Public Law 98-369; Public Law 99-198, Public Law 99-425; Public Law 99-498, Public Law 99-603, Public Law 100-77, Public Law 100-175, Public Law 100-232, Public Law 100-387, Public Law 100-435, Public Law 100-503, Public Law 100-707, Public Law 101-202; Public Law 101-392; Public Law 101-508; Public Law 101-624; Public Law 102-237; Public Law 102-265; Public Law 102-325; Public Law 103-31; Public Law 103-66; Public Law 103-225; Public Law 103-286; Public Law 103-296; Public Law 104-66; Public Law 104-127; Public Law 104-193; Public Law 104-208; Public Law 105-18; Public Law 105-33; Public Law 105-185; Public Law 105-379; Public Law 106-580; Public Law 107-171

State Authorization: State Law 108A-25.2

**N. C. Department of Health and Human Services
Division of Social Services**

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N. C. DHHS Confirmation Reports:

SFY 2019 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by mid-October at the following web address: <https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports>

At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2018-2019)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2017-2019\)](#)”

The Auditor should **not** consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the Auditor should be prepared to justify departures from the suggested procedures. The Auditor **can** consider the Supplement a “safe harbor” for identification of

compliance requirements to be tested if the Auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

This compliance supplement should be used in conjunction with the OMB 2019 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

Food and Nutrition Services is a split-eligibility program and the benefit payments are not to be reported on the Schedule of Expenditures of Federal and State Awards (refer to IV. Other Information below). The responsibility of the auditor of the State for auditing eligibility does not relieve the auditor of the other entity (e.g., County) from responsibility for meeting those internal control and compliance audit objectives for eligibility that apply to the other entity’s responsibilities. An exception occurs when the auditor of the other entity confirms with the auditor of the State that certain procedures are not necessary (OMB Compliance Supplement, Part 3, E. Eligibility, Split Eligibility Determination Functions).

I. PROGRAM OBJECTIVES

The objective of Food and Nutrition Services is to assist low-income households increase their food purchasing power, increase their nutritional level and improve their health.

The objective of the Food and Nutrition Services Employment and Training (FNS E&T) program is assist eligible FNS recipients in meaningful work related activities that will lead to paid employment and a reduction of public assistance dependency.

II. PROGRAM PROCEDURES

The State Division of Social Services is the designated single state agency which administers the food assistance program under the Food and Nutrition Services Act of 2008. Food and Nutrition Service (FNS) of the United States Department of Agriculture (USDA), administers the Program in cooperation with State and local governments. County departments of social services certify eligibility and authorize benefits to households. The Food and Nutrition Services Program is an entitlement program. The authorizing statute places no cap on the amount of funds available to reimburse States for allowable administrative expenses.

The Division of Social Services sends instructions and policy to county departments of social services via DSS Administrative Letters, revisions to the Food and Nutrition Services Certification Manual, Listserv messages, and other letters of correspondence with county departments. The Food and Nutrition Services Certification Manual must be maintained in each county agency. The manual is also available via the internet at <https://www.ncdhhs.gov/info/olm/manuals/dss/>.

Counties are reimbursed via funding authorization based on approved federal funding. Funds are received via the electronic 1571 process. Food and Nutrition Services subrecipients are monitored by the DSS Economic and Family Services staff and DSS Budget Office in accordance to the NC Local County Social Service Agencies Monitoring Plan, found at:

<https://www.ncdhhs.gov/divisions/social-services/county-staff-information/monitoring> .

Eligibility for Food and Nutrition Services is based primarily on income and resources. Households generally cannot exceed a gross income eligibility standard set at 130 percent of the Federal poverty standard

(7 CFR section 273.9(a) (1)). Households also cannot exceed a net income standard which is set at 100 percent of the Federal poverty standard (7 CFR section 273.9(a) (2)). The net income standard allows specified deductions from gross income, e.g., a standard deduction and deductions for medical expenses (elderly and disabled only), excess shelter costs, and work expenses. Non-financial eligibility criteria, only some of which affect benefit amounts, include: age, school status, citizenship, residency, household composition, Able Bodied Adults Without Dependent (ABAWD) status, work requirements, and disability status. Non-citizens who are lawfully admitted in to the United States are eligible to participate in the program (7 USC 2015(f)).

The application process includes completing and filing an application form, located at <http://info.dhhs.state.nc.us/olm/forms/dss/dss-8207-ia.pdf> or applying on-line through the ePASS System located at [NC ePASS](#), being interviewed, and having certain information verified. In addition to using information supplied by the recipients, county departments of social services use data from other agencies, such as the Social Security Administration, the Internal Revenue Service, and the State employment security agency, to verify the household's identity and income.

Benefit amounts vary with household size and income. As required by law, allotments for various household sizes are revised October 1 of each year to reflect the cost of the Thrifty Food Plan, a model plan for a low-cost nutritious diet that is developed and priced by USDA.

The benefits each household receives are redeemed for food in participating retail stores. Benefits are issued via an electronic benefit transfer (EBT) system, whereby recipients receive a magnetic strip card that they can use to purchase food at retailers.

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

The Food and Nutrition Services Employment and Training program (FNS E&T) is a state supervised, county administered voluntary program. This program is geared to provide FNS recipients opportunities to attain/ gain skills, training or experience that will improve their employment prospects and reduce reliance on Food and Nutrition Benefits. This program offers an opportunity for FNS recipients to register for work and maintain program eligibility.

FNS E&T participants are assessed for career interests and identify supportive service needs via local DSS staff or contracted providers. An Individualized Education/Employment Plan is created to determine employment goals and the activities required to obtain sustainable employment. The State FNS E&T program receives 100% federal funding for administrative costs. County DSS agencies and contracted partners may receive 50/50 cost reimbursement funding for training, administrative costs and participant expenses.

In FFY 2019, this program will operate in 13 NC counties (Buncombe, Chatham, Durham, Forsyth, Iredell, Lincoln, Mecklenburg, Moore, New Hanover, Orange, Pitt, Wake and Wilson).

The SNAP Nutrition Education Program is a federal/state partnership that supports nutrition education for persons eligible for the Supplemental Nutrition Assistance Program (SNAP) or other government means-tested eligible recipients. SNAP-Ed provides educational programs and conducts social marketing campaigns that increase the likelihood that people will make healthy food choices within a limited budget and choose physically active lifestyles consistent with the Dietary Guidelines for Americans and Food Guidance System and MyPlate. State Human Services may be reimbursed for 100% of the cost by the USDA Food and Nutrition Services to deliver SNAP-Ed. Contractors such as land-grant and other universities, public health organizations, food banks, tribal programs and local health departments are used to administer the SNAP Nutrition Education and Obesity Program. A State plan is created to identify goals, steps and measures to obtain the goals.

The SNAP Outreach Program is a federal/State partnership that supports providing program information activities to persons eligible for the Supplemental Nutrition Assistance Program (SNAP). SNAP Outreach raises awareness of the nutrition benefits of SNAP/FNS, eligibility rules, and how to apply. SNAP Outreach corrects the myths and misperceptions about SNAP/FNS and enables potentially eligible people to make an informed decision to participate. State Human Services are eligible to conduct outreach through the SNAP program and may receive 50% of the total expenditures of allowable administrative costs including program informational activities, but not including recruitment activities by USDA Food and Nutrition Services, to deliver SNAP Outreach programs. A State plan is required for state outreach goals and activities to accomplish the goals. States use a variety of contractors such as food banks, universities and non-profits organizations to administer the SNAP Outreach programs.

III. COMPLIANCE REQUIREMENTS

CROSSCUTTING REQUIREMENTS:

The DHHS/Division of Social Services mandates that the local auditors perform all the testing included within the crosscutting section. Please refer to the Cross-Cutting Requirements in Section D (DSS-0) for those mandated requirements. This supplement provides additional requirements applicable to the Federal Funds.

A. ACTIVITIES ALLOWED OR UNALLOWED

Funds made available for administrative costs must be used to screen and certify applicants for program benefits, issue benefits to eligible households, conduct fraud investigations and prosecutions, provide fair hearings to households for which benefits have been denied or terminated, prepare financial and special reports, and otherwise administer the program. Portions of the award made available for specific purposes, such as Employment and Training activities, must be used for such purposes (7 CFR part 277).

SNAP-Ed funds must be used for the administrative costs of planning, implementing, and operating a SNAP-Ed program in accordance with the State's approved SNAP-Ed Plan. However, the State agency is prohibited from obligating additional Federal funds for SNAP-Ed activities (7 CFR section 272.2(d)(2)).

B. ALLOWABLE COSTS/COST PRINCIPLES

County DSS agencies administering the Food and Nutritional Services program submit monthly cost for reimbursement using form DSS-1571, Parts I, II and/or IV. Determination of allowable or unallowable activities (cost) and the monthly reporting of cost are found in the DSS Fiscal Manual, Section II – Determination of Allowable/Unallowable Cost, and Section III – Developing Cost on the DSS-1571 Report.

NC DSS Fiscal Manual can be found in each local DSS office, or online at:

<http://info.dhhs.state.nc.us/olm/manuals/ooc/fsc/man/index.htm>

County DSS agencies volunteering to provide FNS Employment and Training Services do so through funding authorizations with NC DHHS, Division of Social Services.

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

E. ELIGIBILITY

The auditor is not required to test eligibility because detail testing of the individual case files is performed by the quality control unit and reviewed by FNS .

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The auditor should test a sample of Food and Nutrition Services case files to ensure that proper documentation is contained in the case record to verify eligibility. The case file should contain a completed, signed and dated Food and Nutrition Services application (DSS-8207 or electronically generated ePASS application). The form must be signed by an adult household member (or an authorized representative), and NC FAST captures the user id which serves as the worker's electronic signature. For additional information, please refer to the Food and Nutrition Services Certification Manual, Section 305 through Section 350.

NC FNS E&T eligibility is based on verification that the participant is an active FNS recipient between the ages of 18-59, who have volunteered to participate in the employment program.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

The Equipment and Real Property Management section in the Division of Social Services "Cross-Cutting Requirements" in Section D (DSS-0) are applicable.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Matching

The county may pay 50 percent of the costs of administering the program. An exception to the 50 percent reimbursement rates is 100 percent grants to:

- a. Plan, implement, and operate, the E&T program (7 CFR section 277.4(b)) (**Note:** Counties which receive a 100 percent funding for the E&T program must pay 50 percent for E&T costs that exceed the grant); and
- b. Provide SNAP-Ed services. A subrecipient's SNAP-Ed costs are 100 percent federally funded, up to the level of its formula-generated Federal SNAP-Ed grant. Any SNAP-Ed costs incurred beyond that level must be borne by the subrecipient.

Private in-kind contributions are not allowable to count toward the county's share of the program's administrative cost (7 CFR 277.4 (e))

Level of Effort – Not applicable

Earmarking – Not applicable

M. SUBRECIPIENT MONITORING

Food and Nutrition Services subrecipients are monitored by the DSS Economic and Family Services staff and DSS Budget Office in accordance to the NC Local County Social Service Agencies Monitoring Plan, found at: [NC Local County Social Service Agencies Monitoring Plan](#).

SNAP Nutrition Education Program subrecipients are monitored in accordance to the to the NCDHHS/NCDSS Subrecipient Monitoring Plan, which may be accessed at <https://www.ncdhhs.gov/divisions/social-services/county-staff-information/monitoring>. This information includes compliance with the Federal Office of Management and Budget (OMB) CFR Title 2 Part 200 §200.330 to §200.332 which may be accessed at (2 CFR Part 200 Uniform Guidance) .

SNAP Outreach Program subrecipients are monitored in accordance to the to the NCDHHS/NCDSS Subrecipient Monitoring Plan, which may be accessed at <https://www.ncdhhs.gov/divisions/social-services/county-staff-information/monitoring>. This information includes compliance with the Federal Office of Management and Budget (OMB) CFR Title 2 Part 200 §200.330 to §200.332 which may be accessed at (2 CFR Part 200 Uniform Guidance)

N. SPECIAL TESTS AND PROVISIONS

The NC FAST System tracks claims for overpayments in Food and Nutrition Services by all counties. The county must maintain adequate documentation to substantiate the overpayment for all cases.

Compliance Requirement: Counties must maintain adequate case documentation to substantiate the claim entry into NC FAST. This information includes but is not limited to the dates of the overpayment period, documentary evidence to substantiate that an overpayment occurred, such as wage stubs or verification from an employer, other income verification and household composition verification, and the budgets used to compute the amount of the overpayment.

Audit Objective: Determine whether the correct information was entered into NC FAST when the claim was established and that sufficient back up documentation exists to support the claim.

Suggested Audit Procedure: Sample cases where an overpayment is documented for a claim entered into NC FAST and determine if sufficient documentation exists.

FNS-209 – Status of Claims Against Households (OMB No. 0584-0069). If a household receives more Food and Nutrition Services benefits than it is entitled to receive, the county must establish a claim against that household and demand repayment (7 CFR section 273.18 (a)).

Compliance Requirement: Counties must enter accurate and complete information into the NC FAST system, which is a claim tracking system to ensure claims are properly processed.

Audit Objective: Determine whether the correct information was entered in the calendar quarter that the claim is established.

Audit Procedure: Use the county's EPI-501, List of Active Claims and EPI-441, Collections Report to test claims records and determine if both claims established and collections received have been correctly reported and keyed by the county. The EPI-501 is in NC FAST and the EPI-441 is in XPTR. The county keys claim information into NC FAST. Ensure claim errors are correctly reported as agency error, inadvertent household error, or intentional program violation.

NC FNS E&T: Work Registrants information is reported quarterly via Form FNS-583.

Effective January 1, 2018, an Annual Outcome Data Report is mandated by USDA's interim final rule, Supplemental Nutrition Program (SNAP) Employment and Training (E&T) Program Monitoring, Oversight and Reporting Measures establishes five separate reporting measures. The measures provide information on current and former FNS participant regarding demographics, median income, unsubsidized employment during second quarter, unsubsidized employment during fourth quarter and data for completion of E&T training components. This requirement has not been passed to the subrecipients; therefore, additional testing is not required.

SNAP-Ed: SNAP-Ed information is collected on a quarterly basis and reported annually via The Education Administration Reporting System (EARS) on form FNS 759 to provide uniform data and information about the activities of all States participating in SNAP-Ed Activities and characteristics of those served. Data is submitted using a federal web based online reporting system which is a component of the Food Program Reporting System (FPRS) and the National Data Bank (NDB) database system by December 31st. This requirement has not been passed to the subrecipients; therefore, additional testing is not required.

SNAP Outreach: SNAP Outreach information is reported monthly via a Monthly Services Provided Report and a final a SNAP Outreach Report to USDA by January 31st. This requirement has not been passed to the subrecipients; therefore, additional testing is not required.