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February 6, 2017

TO: The Honorable Senator Josh Green, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SCR 36 - RELATING TO MANAGEMENT AUDIT OF DEPARTMENT OF HUMAN SERVICES IMPLEMENTATION OF THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM**

Hearing: February 6, 2017, 3:10 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the Legislature's interest to increase Supplemental Nutrition Assistance Program (SNAP) participation among qualified individuals in Hawaii. However, DHS respectfully opposes this resolution for the following reasons: DHS is engaged in outreach to increase SNAP participation; the program has made significant improvements in recent years and has been recognized for those achievements; the program is regularly audited and participates in management reviews; DHS has embarked in realigning programs across divisions through its multi-generational '*Ohana Nui* initiative; and DHS is in the process of modernizing its 30 year old legacy IT systems to become an interoperable DHS Enterprise system by the end of 2018.

PURPOSE: The purpose of this resolution is to authorize an auditor to examine the Department of Human Services process for identifying and enrolling qualified persons in the Supplemental Nutrition Assistance Program.

SNAP is a 100% federal funded program governed by federal policies wherein outreach activities are regulated by federal policies and guidance and must be approved annually by the

United States Department of Agriculture (USDA), Food and Nutrition Service (FNS). SNAP currently procures outreach services with five community agencies who receive a fifty percent federal match for their activities. States cannot use federal and matching funds to pay for public media advertisements and campaigns and other activities designed to persuade an individual to apply for SNAP. All outreach activities must be approved by FNS.

DHS also procures SNAP Nutrition Education services with the Department of Health and University of Hawaii, Cooperative Extension Services. Under the SNAP Nutrition Education federal guidelines, Nutrition Education providers are required to provide information on SNAP and promote the benefits of SNAP participation. DHS contracts with outreach partners Helping Hands Hawaii, Child and Family Service, PHOCUSED, Waianae Coast Community Mental Health Center, and the Food Basket with an emphasis towards the elderly, U.S. citizen children of non-citizen parents, and families with minor children as these populations have been identified as being underserved by SNAP.

SNAP participation increased substantially nationwide between 2008 and 2011 during the Great Recession. Research has shown that SNAP participation increases during economic downturns. As the economy improved, caseloads decreased. Nationwide, caseload growth slowed between 2012 through 2013 and fell in 2014. Historically, United States Department of Agriculture (USDA) studies on SNAP have shown that the neediest individuals - those eligible for higher benefits, have participated in SNAP at higher rates than other eligible individuals.

SNAP participation rates vary depending on who is represented in the data on household composition and when and how income is reported. The number of SNAP participants is an average of each month's participation rate. The state's average participation rate is used to evaluate the state's performance each fiscal year. In State Fiscal Year (SFY) 2014, the average monthly participation rate was 193,565 and, in SFY 2015 the average month rate was 191,918.

Participation rates may vary from month to month. SNAP eligibility requires a household to maintain SNAP eligibility through reporting requirements and annual recertification. Additionally, though SNAP is a nationwide program, a household must reside in the project area in order to apply for SNAP. Households are encouraged to apply for SNAP in the state they reside in to ensure uninterrupted access to SNAP.

The USDA has recognized Hawaii DHS for its exemplary performance in the area of SNAP participation and awarded DHS Program Access Index (PAI) performance-based awards for increased participation and timely processing of applications for federal fiscal years (FFY) 2012, 2013, 2014 and 2015.

In September 2013 Hawaii received an award for most improved PAI for FY 2012, and in October 2014, Hawaii received an award for most improved PAI for FY 2013. In September 2015, Hawaii received an award for the highest percentage of timely processed SNAP applications during FFY 2014. This customer service measure supports the USDA FNS goal to ensure program access.

Most recently, in September 2016, Hawaii received an award for the highest Program Access for calendar year 2015. Hawaii was also commended for being among the States with the most improved PAI.

The goal of DHS is to achieve 100% participation for those eligible for SNAP in Hawaii. In past years, DHS has implemented simplified program policies and procedures, worked with the federal government to develop new application processing operations that have substantially improved the processing standards and increased the application timely processing rate resulting in a FY 2015 federal award.

DHS launched Business Process Reengineering (BPR) in 2011 to remedy a backlog of applications in the midst of limited staff and resources. Implementation of BPR has increased processing speed and simplified processing workload for DHS staff resulting in Hawaii's receipt of PAI awards over the past 4 years.

Additionally, DHS has implemented other strategies to increase SNAP access such as expanding eligibility requirements under the Broad-based Categorical Eligibility (BBCE) category, procuring services of Outreach providers to ensure that Hawaii's low income population are educated on the benefits of SNAP because Federal law prohibits recruitment of applicants under SNAP and, work with other FNS Nutrition Program agencies to share program information amongst the low income population they serve.

DHS participated in a total of six management reviews conducted by FNS and state auditors from April 2015 through July 2016. Auditors from FNS evaluated program performance areas, made recommendations for improvement, and conducted fiscal and site reviews that included outreach agencies offices. There were no significant findings resulting from these reviews.

Additionally, the SNAP program is currently participating in the annual department-wide single state audit for state fiscal year (SFY) 2016, which is a federally required financial and program review of federal programs.

Lastly, DHS is currently in the procurement process to add additional functionality to the DHS Enterprise system for the financial assistance programs, Supplemental Nutrition Assistance Program (SNAP) benefits, and Child Welfare Services and Adult Protective and Care Services' systems. To assure that DHS programs are aligned, DHS is using a multi-generational approach to realign its programs. The *'Ohana Nui* framework involves streamlining existing programs and funding to improve efficiencies and outcomes to achieve the greatest return on investment. Once programs are aligned through *'Ohana Nui* and the DHS Enterprise system is built, nearly all of DHS programs will be interoperable. The development of multi-generational programs through *'Ohana Nui*, and improvements to the IT operating system are essential for DHS to move toward a single on-line application for all DHS programs, including medical, financial, SNAP, and child care subsidies. Once implemented, an individual will be able to apply for SNAP, financial and Medicaid benefits at the same time resulting in a simplified application process.

DHS understands and appreciates the intent of the bill to increase SNAP participation. The connection between poverty, food insecurity and health is also well established. However, considering in totality the aforementioned items, DHS is confident that access to SNAP is on an upward trend, and that there has been and are routine reviews of the program to ensure on-going evaluation of the program to identify deficiencies and recommend improvements. These accomplishments and efforts reflect DHS continued commitment to increase SNAP participation.

DHS contends that a state audit as proposed in this measure would be unnecessarily duplicative of the efforts already in place and have impact on the program's vital human resources.

Thank you for the opportunity to provide comments on this resolution.



SENATE COMMITTEE ON HUMAN SERVICES
The Honorable Josh Green, Chair
The Honorable Stanley Chang, Vice Chair

S.C.R. No. 36, Requesting the Auditor to Conduct a Management Audit of the State of Hawai'i Department of Human Services' Implementation of the Supplemental Nutrition Assistance Program

Hearing: Monday, February 6, 2017, 3:10 p.m.

The Office of Auditor has **no position** regarding S.C.R. No. 36. However, **we request that the committee clarify the first operative clause of the resolution (lines 18-23)**, which is a generalized request for us to conduct a "management audit" of the State of Hawai'i Department of Human Services' Implementation of the Supplemental Nutrition Assistance Program.

We have concerns about the breadth of the requested "management audit", especially considering the period of time to complete the review. During the planning phase of our audit work, generally, we attempt to gain a broad understanding of an agency's programs and activities; based on our planning work, we next identify specific programs or activities that we believe are appropriate and meaningful to audit. We are required by S.C.R. No. 36 to report our findings and recommendations to the legislature no later than twenty days prior to the 2018 legislative session. For an audit to be completed within roughly six months, the scope of the audit must be relatively focused.

The second and third operative clauses of S.C.R. No. 36, by contrast, do provide audit requests with relative specificity. Those clauses specifically request that we examine the Department of Human Services' process for identifying and enrolling qualified persons in the Supplemental Nutrition Assistance Program and identify ways to increase program participation among qualified individuals in Hawai'i.

The third operative clause of S.C.R. No. 36 requests us to identify ways to increase program participation among qualified individuals in Hawai'i. While we would be able to examine the effectiveness of the Department of Human Services' process for identifying and enrolling qualified persons in the Supplemental Nutrition Assistance Program, whether the program is attaining the objectives and results expected of it and how efficiently the program acquires and utilizes resources, we lack the requisite expertise to "identify ways to increase program participation among qualified individuals in Hawai'i." As such, we request that the resolution be amended to appropriate out of the general revenues of the State of Hawai'i so much thereof as may be necessary for fiscal year 2017-2018 for the auditor to contract with a qualified consultant to address this objective.

If there are any additional activities or issues specific to the implementation of the Department of Human Services' Supplemental Nutrition Assistance Program that the legislature is interested in having us audit, we strongly recommend that the legislature define in the resolution, **as specifically**

as practicable, the specific activity or function to be reviewed in lieu of a generalized request for a “management audit.”

We are available to work with the committee to more clearly define an audit scope that addresses the specific operations or practices that the legislature is interested in having us assess. Assuming that the resolution passes out of the committee, we intend to discuss our concerns about the breadth of the audit request with the resolution’s primary sponsors, if possible.

Thank you for considering our testimony related to the audit requested in S.C.R. No. 36.