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United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

Subject: Supplemental Nutrition Assistance Program (SNAP); Applications' Statements about Unreported and Unverified Expenses

To: All Regional Directors
SNAP

Background

This memorandum applies only to State agencies that include the following (or similar) wording on a SNAP application: "Failure to report or verify any of the above listed expenses will be seen as a statement by your household that you do not want to receive a deduction for the unreported expense."

In a memorandum dated December 18, 1998, Food and Nutrition Service (FNS) wrote that a State agency may use the wording in the preceding paragraph (or similar wording) on a SNAP application. On February 25, 2008, FNS issued another memorandum to describe how this policy affects recertifications and reported changes. On November 5, 2008, FNS issued SNAP Memorandum Quality Control (QC)-09-01, which described QC's treatment of unreported and unverified expenses. Copies of these three memoranda are attached.

Since 1998, many State agencies have shortened their applications, while others use addenda, scripted interviews, interactive interviews, or on-line applications. In light of these changes, FNS is clarifying the treatment of unreported and unverified expenses.

In preparing this clarification, FNS has had three over-riding considerations. First, FNS does not have the authority to approve or to disapprove State agencies' SNAP applications. Therefore, this memorandum only explains how a State agency will treat unreported or unverified expenses when a statement similar to the one in the first paragraph appears on a SNAP application.

Second, State agencies are responsible for ensuring that all eligible applicants receive the SNAP benefits to which they are entitled. A household cannot be responsible for failing to report information, or for not verifying information, if the household is not aware of the requirement.

Third, there is a wide range of deductible medical expenses that includes expenses that are not readily apparent to clients, such as transportation costs. FNS is concerned that elderly and disabled clients need to understand what expenses are deductible and how those expenses may affect their benefit levels.

To illustrate this situation, 25 State agencies' SNAP applications do not ask about medical transportation expenses that households incur in order to receive medical care. One cannot conclude that applicants in these states do not want to deduct these expenses when they do not know that they are deductible.

However, the Louisiana Department of Social Service's (DSS's) SNAP application offers a different approach. DSS's SNAP application specifically addresses common deductible medical expenses and also provides detailed questions about medical transportation costs. In addition to asking whether any household member incurs such costs, the form asks:

- Whether the person uses a vehicle that belongs to the household;
- What places the person visits (like doctors, drug stores, and hospitals);
- How many miles each round-trip requires;
- How often the person makes the trip; and
- A series of questions about whether anyone in the household pays anyone else for medical transportation, how much, and to whom.

Accordingly, if a Louisiana household does not report medical transportation costs DSS can properly conclude that the household did not want to deduct those costs.

Guidance

With this in mind, FNS offers the following guidance about six issues for those State agencies that choose to include on their applications a statement notifying applicants that failure to report or to verify expenses indicates that a household does not want to receive a deduction for that expense.

1. Under what circumstances must a State agency conclude that a household does not want to deduct an expense?

When the following are all true:

- The State agency asked about the unreported expense or requested verification; and
- The household did not report or verify the expense; and
- The State agency complied with all requirements regarding verification (please see question three); and
- The State agency documented the reason for not deducting the expense.

2. How specific must the State agency's question be before the State agency concludes that the household does not want to deduct the expense?

The question must be specific enough so that a household who is completely unfamiliar with SNAP's policy can answer the question.

This policy only applies to questions that are specifically addressed on the State agency's application form or during the interview. For example, suppose a State agency asks: "Do you have any **child day care** expenses?" but does **not** ask "Do you have any **adult day care** expenses?" and the household answers "None". Suppose also that the household really does have adult dependent care expenses. It would be wrong to conclude that the household does not want to deduct adult day care expenses; the State agency never asked about adult day care.

It is not necessary for every application to ask about all deductible expenses. In fact, doing so is not administratively feasible. However, a State agency may find a "tiered approach" to be an effective way to ask households about deductible expenses. For example, a household with an elderly or disabled member could receive a brief addendum that asks general questions about medical expenses. If the household then reported owning a service animal, the State agency could then ask more detailed questions about food and medical care for the animal on another addendum or as part of the interview. If the household failed to report the costs of the service animal's food and medical care, the State agency would correctly conclude that the household does not want to deduct unreported veterinary bills.

It is also not necessary that the questions appear on SNAP's printed application, as long as the State agency covers the questions in the interview and documents the questions and answers.

3. **If the household has not verified a deductible expense, what must the State agency do before concluding that the household does not want to deduct it?**

The State agency must meet all of its responsibilities under federal regulations, including:

- Notifying the household that verification is required (273.(c)(5));
- Giving the household sufficient time to provide the verification (273.2(h)(1)(C)); and
- Offering to help the household obtain verification (273.2(h)(1)(C)).

4. **When a State agency concludes that a household does not want to deduct an expense, does the expense become non-deductible?**

Yes. The State agency would then not include the expense in any calculation of net income. For example, suppose a household has a health insurance premium and does not report it on the application or during the interview. The health insurance premium is now non-deductible, as if it were a life insurance premium, a cable television bill, or payment on a car loan (none of which are deductible under the Food and Nutrition Act and federal regulations).

5. **When a household later reports or verifies an expense, would the State agency then deduct it?**

   Yes.

6. **What wording is acceptable, when telling a household about this policy?**

There is no single statement that all State agencies must use. The wording that FNS approved in 1998 remains acceptable. If a State agency chooses to deviate significantly from this wording it should consult with its FNS Regional Office to make sure that the alternative wording is adequate.

The State agency must be clear in its explanation. For example, it is not appropriate to tell the household that they "may not receive the deduction". Such a statement does not tell the household what will happen. Instead the State agency would tell the household that they "will not receive the deduction".

Commonly Reported Deductible Expenses

FNS examined over one hundred reviews in quality control's active sub-sample, to find the most commonly reported expenses; the review is not intended to be a statistically valid representation of expenses. State agencies may want to use this information, along with information from their own case records and quality control reviews, to decide which expenses to list on their SNAP applications.

More than 50 percent of households reported these expenses

Electricity, Rent, Heating, Cooling

Between 10 percent and 50 percent of households reported these expenses

Telephone, Water, Mortgage, Trash collection, Sewage

Fewer than 10 percent of households reported these expenses

Property tax, Child dependent care, Property insurance, Gas, Child support, Prescription medicines, Health insurance, Doctors' bills, Personal medical care, Irrigation tax, Fire insurance, Medical supplies, Medical attendant, Adult dependent care, Condominium fee, Hospital treatment

No households reported these expenses

Twenty-eight deductible expenses appeared on this list, including Transportation for dependent care, Transportation for medical care, Over-the-counter medicines, Medical equipment, and Eyeglasses

For Further Information

For further information about this, or to raise questions or comments, please contact your office's team leader in the Certification Policy Branch.

Art Foley
Arthur T. Foley
Director
Program Development Division

Attachments

DEC 18 1998

Subject: FSP - Rights and Responsibilities Language

To: All Program Directors
Food Stamp Program

Recently it was called to our attention by the Midwest Region that the Indiana and Ohio State Agencies have inserted language into the rights and responsibilities language of their State food stamp applications. The language informs applicants that, "Failure to report or verify any of the above listed expenses will be seen as a statement by your household that you do not want to receive a deduction for the unreported expense." Because the applicant signed the application at the initial certification indicating that he or she did not want to receive a deduction, the State quality control reviewers in Indiana have not included deductions in their reviews when an expense existed at certification, was not reported by the applicant, but was found during the quality control review.

Section 6 of the Food Stamp Act of 1977 (Act), as amended, states that households have the responsibility to report the facts of their food stamp case to enable the State agency to certify them correctly. Because it is a household's responsibility to report all expenses, failure to report or verify any household expenses will result in the loss of the household's entitlement to the corresponding deductions allowed under the Act.

All State agencies may use the same or similar rights and responsibilities language in their State food stamp applications and other forms. However, it is strongly preferred that State agencies identify this policy as clearly as possible to applicants. Indiana's application provides a separate question on utility expenses that allows applicants to decline including these costs in their budget while reminding them that the costs may be claimed in the future. Alternatively, States may add a separate paragraph in bold type to the forms to ensure that households are aware of their rights to the deductions and that the households are waiving those rights. Special care must be taken during the certification interview to ensure that the applicant understands the full impact of not reporting or not verifying certain household expenses.

Arthur Foley

Arthur T. Foley
Director
Program Development Division

cc: PAD, M. Tracy

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FEB 25 2008

SUBJECT: FSP-Policy Clarification: Deduction Language on Application and Reported Changes

TO: All Regional Program Directors
Food Stamp Program

This memorandum addresses under what circumstances a State agency may disallow a deduction based on failure to report or verify expenses.

A December 18, 1998, memorandum allowed State agencies to add the following phrase to the rights and responsibilities language of the Food Stamp Program application form and approved requests: "Failure to report or verify any of the above listed expenses will be seen as a statement by your household that you do not want to receive a deduction for the unreported expense." This language insulates a State agency from a quality control under issuance error if a household does not report or verify an expense.

FNS issued a subsequent memo on this topic on October 17, 2005 (http://www.fns.usda.gov/fsp/rules/Memo/05/101705.pdf) that clarified that this language was intended to be used at initial determination of eligibility for the deduction and subsequent changes are to be addressed by 7 CFR 273.12(c)(1)(iii).

The October 17, 2005, policy clarification memorandum generated several additional questions: (1) what are the circumstances under which the State agency may apply the option outlined in the December 18, 1998, memo and (2) when is it appropriate to eliminate an entire deductible expense when the household reports a change in the expense and the household subsequently fails to verify that increase. We have recapped and expanded below a discussion of the circumstances under which the State agency may or may not add the 12/18/98 statement to various documents connected with the food stamp certification process.

At certification, the State agency may use the 12/18/98 statement. The State agency may not allow a deductible expense if the household does not report or fails to verify a deductible expense;

At recertification, the State agency may use the 12/18/98 statement. The State agency may eliminate a deductible expense if the household does not report a new expense or fails to verify a change in a previously verified expense; however, the request for verification must be made in conformance with 7 CFR 273.2(f)(8)(i).

For interim changes, the State agency may not use the 12/18/98 statement. The regulations specifically mandate the kind of changes that must be reported. The 12/18/98 statement does not override the regulatory requirement, for example, to report changes in shelter costs associated with a change in residence. The regulations at 7 CFR 273.12(c)(1)(iii) offer State agencies two approaches to follow when the household does not verify a reported change that would increase the benefit amount. The first option allows State agencies to require verification of a reported change prior to acting on the change. State agencies may, but are not required, to eliminate a deductible expense if the household fails to verify a reported change; however, the request for verification must be made in conformance with 7 CFR 273.2(f)(8)(ii). State agencies may also elect to keep the verified amount in the food stamp budget. The second option allows State agencies to budget a reported increase without verification. However, if the household fails to provide verification of that increase in the deductible expense, the household's benefits revert to the original benefit level. State agencies electing this option may not eliminate a deductible expense if the household fails to verify a reported change. In this event, the regulations require that the State agency revert to the verified expense amount.

For households subject to simplified reporting, households reporting a change of address are not required to report changes in shelter expenses associated with the move.

For periodic reporting systems: the State agency may not use the 12/18/98 statement. The State agency may eliminate a deductible expense if the household fails to verify a reported change; however, the request for verification must be made in conformance with the regulations pertaining to the particular periodic reporting system in use, monthly, quarterly or simplified reporting.

Monthly reporting – the 12/18/98 statement is irrelevant because the regulations give the State agency the authority to specify the items which must be reported and the verification requirements for the reportable items.

Quarterly reporting - the State agency may not use the 12/18/98 statement because the regulations specifically mandate the kind of changes that must be reported. States have the authority to specify the verification requirements for items subject to quarterly reporting. However, should the State agency elect to require some items to be reported under change reporting rules, the requirements for verification specified in **Interim Changes** above would apply.

Simplified Reporting – the State agency may not use the 12/18/98 statement because the regulations specifically mandate the kind of changes that must be reported. The regulations require the State agency to follow change reporting rules for processing reported changes between six-month reports, so the requirements for verification specified in **Interim Changes** above would apply. Note, however, that special verification rules apply to households subject to filing six-month reports. See 7 CFR 273.12(a)(1)(vii)(B).

We hope this additional clarification is helpful.

Art T Foley

Arthur T. Foley, Director
Program Development Division
Food Stamp Program

November 5, 2008

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM QUALITY CONTROL

POLICY MEMO

Region:	ALRO
Index No.:	QC-09-01
Provision:	Handbook 310

Subject: Consideration of Deductions Not Received at Certification

It has come to our attention that there is confusion over the Quality Control application of the certification policy that allows State agencies to disallow deductions when the households fails to provide requested verification or fails to report an expense after being advised that failure to do so would result in the loss of a deduction. Attached for your reference are three certification policy memos on this subject dated 12-18-1998, 10-17-2005 and 2-25-2008 which provided guidance on this policy. The policy is being inappropriately handled in the following two circumstances by QC reviewers:

1. Some reviewers are using verified deductions that were excluded in accordance with certification policy in Comparison I when establishing the actual verified sample month circumstances. Comparison I considers the actual verified circumstances of a case and is used to compare the benefit allotment using those circumstances to the allotment authorized for the sample month. Using the deductions that should be excluded could cause cases to go through a more thorough examination than standard QC review would require or could cause the inappropriate exclusion of errors.

2. In Comparison II some States when faced with variances that have to be included have been pursuing verification of deductions that the households are not entitled to receive based upon what happened at certification (households did not report or provide verification). We have found that reviewers are inappropriately doing this in order to find offsetting deductions to errors identified during the QC review. An example of this is when a case has identified variances in income that need to be included, and the State decides to pursue medical expenses for the case, even though the household was not entitled to a medical deduction because the household had not reported or provided the necessary verification to receive the deduction. Inappropriately using deductions that the clients are not entitled to receive to offset other errors that are identified would result in underreporting of the States error rates.

Both of these situations would result in an inaccurate determination of the States error rate and would impact the accuracy of the National average. Therefore, this is to clarify that an excluded deduction should not be used in the Comparison I calculation for cases where a deduction was not provided at certification or recertification because the client failed to verify the expense or failed to provide the information needed to receive the deduction when the appropriate statements exist on the State's application.

Furthermore, in doing Comparison II, the reviewer cannot seek out information to offset other identified variances by using information that is related to a deduction that was not received at certification or recertification when the client failed to verify the expense or failed to provide the information needed to receive the deduction when the appropriate statements exist on the State's application.

In this situation, the client loses entitlement to the subject deductions and the increased benefits they could produce. This is and has been SNAP certification policy. The FNS 310 Handbook will be updated to reflect this the next time revisions are issued. The following are revised paragraphs for Comparison I. Please use these in place of the current language in the FNS 310 Handbook.

621 Comparison I. The first comparison is of an allotment computed based on the actual, verified budget month circumstances for items entitled to be considered in the benefit calculation to the authorized allotment. The reviewer must not determine whether there are any variances for the purposes of this comparison.

621.1 Using actual, verified income and deductions for the budget month for items entitled to be considered in the benefit calculation, the reviewer must compute an allotment. This figure must include any relevant annualized or prorated amounts, and any applicable standard (i.e., SUA, homeless shelter standard, etc.). As appropriate, income received on a weekly or bi-weekly basis must be converted to a monthly figure.

621.2 Then the reviewer must compare the allotment amount computed in 621.1 to the amount the eligibility worker authorized for the sample month.

621.3 If the difference between these two allotment amounts is $25 or less, the error determination process is over. There is no error in the allotment amount authorized for the sample month. The reviewer must use the actual verified budget month circumstances for completing column (2) of the computation sheet and must enter Code 1 in Item 8 of the Form FNS-380-1.

621.4 If the difference between these two allotment amounts is greater than $25, the reviewer shall proceed to Comparison II.

signed

John Knaus
Acting Director
Program Accountability and Administration Division

Attachments