



Testimony

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CHILD NUTRITION

Observations on USDA Actions to Improve Program Integrity and Address Improper Payments

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Accessible Version

Why GAO Did This Study

In fiscal year 2018, the federal government provided about \$30 billion for USDA's child nutrition programs, including the school meals programs, WIC, and SFSP, among others. In that year, the federal government spent almost \$14 billion on the largest of these programs, the National School Lunch Program, which supported the provision of meals to about 30 million children. Federal, state, and local entities play important roles in administering the child nutrition programs and ensuring program integrity. For example, USDA annually estimates improper payments in these programs, which are an indicator of program integrity, and states monitor implementation of the programs by local organizations that directly provide food and services to participants.

This testimony discusses (1) actions USDA has taken to address GAO's prior recommendations related to program integrity in the child nutrition programs and (2) improper payments in these programs. This testimony is based on prior GAO reports on child nutrition programs issued from 2013 through 2018, recent GAO and USDA reports on improper payments, and updates GAO obtained in March and April 2019 from USDA officials on actions related to GAO's prior recommendations and improper payments in child nutrition programs.

What GAO Recommends

GAO made 14 recommendations to USDA in its prior reports on child nutrition. USDA generally concurred with the recommendations and has addressed nine, taken some steps to address one, and is planning to address the remaining four.

CHILD NUTRITION

Observations on USDA Actions to Improve Program Integrity and Address Improper Payments

What GAO Found

The U.S. Department of Agriculture (USDA) has taken steps, or is planning steps, to improve the integrity of the child nutrition programs in response to recommendations from GAO's prior work. For example:

- **School meals.** In 2014, GAO identified several opportunities for USDA to improve school meals oversight and integrity. For example, through GAO's survey of states, over three-fourths reported a need for USDA guidance on monitoring the financial management of local entities that provide meals to children in schools—an area we reported states were newly required to review. GAO recommended that USDA assess states' needs for information in this area. USDA did this assessment and provided related guidance and training to states.
- **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).** In 2013 and 2014, GAO identified several ways that USDA could improve program integrity and oversight in WIC, which provides food benefits to individuals who are low-income. For example, GAO found that USDA had not used its own monitoring findings on state policies for determining applicants' income eligibility to target assistance to states, and recommended that USDA do so. In response, USDA developed a process for reviewing and acting on its monitoring results.
- **Summer Food Service Program (SFSP).** In 2018, GAO identified several opportunities for USDA to improve program integrity in the SFSP, which provides food to children in low-income areas when schools are closed for vacation. For example, GAO found that USDA did not collect reliable data on children's participation in the program and that estimates were calculated inconsistently from state to state and from year to year. GAO recommended that USDA take steps to improve the reliability of these estimates and take additional actions to improve program integrity. USDA recently reported plans to address GAO's recommendations.

USDA reported improper payments for four child nutrition programs totaling an estimated \$1.8 billion in fiscal year 2018, or just over 1 percent of the \$151 billion in improper payments that agencies estimated government-wide. GAO has reported that reducing improper payments—which generally include payments that should not have been made or were made in an incorrect amount—is critical to safeguarding federal funds. Since fiscal year 2013, the school meals programs have consistently reported the highest improper payment rates across the child nutrition programs. Over time, USDA has taken a variety of corrective actions aimed at reducing improper payments in child nutrition programs, yet estimated improper payment rates for these programs remained generally steady until fiscal year 2018. For that year, USDA changed what it considers to be an improper payment in the school meals programs, resulting in improper payment estimates that are substantially lower than those from prior years. The Office of Management and Budget (OMB) provides guidance to federal agencies on measuring and reporting improper payment rates, and USDA reported that it made this change after consultation with OMB.

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee:

Thank you for inviting me here today to discuss our work addressing program integrity in the U.S. Department of Agriculture's (USDA) child nutrition programs.¹ In fiscal year 2018, the federal government provided about \$30 billion for these programs, which include the school meals programs, Child and Adult Care Food Program (CACFP), Summer Food Service Program (SFSP), and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), among others.² In that year, the federal government spent almost \$14 billion on the largest of these programs, the National School Lunch Program (NSLP), which supported the provision of meals to about 30 million children, according to USDA.³

Federal, state, and local entities play important roles in administering the child nutrition programs, which generally provide nutrition assistance to children from low-income families, and ensuring program integrity. At the federal level, USDA's Food and Nutrition Service (FNS) oversees these programs by issuing rules and guidance, providing federal reimbursements to states, monitoring states, and estimating programs' improper payments—generally payments that should not have been made or were made in an incorrect amount. The states administer the programs, in part by establishing agreements with organizations that directly provide food and related services to participants at a variety of locations, such as schools, local health clinics, child care centers, and summer camps. States also monitor these organizations' implementation of the programs.

The child nutrition programs were last reauthorized by the Healthy, Hunger-Free Kids Act of 2010, and since then, we have issued several reports that recommended improvements aimed at ensuring the integrity of these programs. My statement today discusses (1) actions FNS has taken to address our recommendations related to program integrity in the

¹ In this statement, we include our work on the programs that typically have been part of a child nutrition reauthorization, according to the Congressional Research Service.

² USDA, *2020 USDA Budget Explanatory Notes for Committee on Appropriations—Food and Nutrition Service*, www.obpa.usda.gov, accessed April 1, 2019.

³ USDA's Supplemental Nutrition Assistance Program (SNAP) is the nation's largest nutrition assistance program, and though SNAP provides benefits to households that may include children, it is not considered a child nutrition program and therefore is not discussed in this statement.

child nutrition programs, and (2) improper payments in these programs. My statement is primarily based on our prior reports on these topics, issued from February 2013 through December 2018, which are cited throughout this statement. More detailed information on the objectives, scope, and methodology for that work can be found in each report. We also reviewed USDA's recent reports on improper payments in the child nutrition programs and obtained updates from USDA officials in March and April 2019 on actions related to our prior recommendations and improper payments in the child nutrition programs.

The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Child Nutrition Programs

According to USDA, beginning with NSLP's authorization in 1946, the federal government has gradually built an array of nutrition assistance programs designed to help the most vulnerable populations meet their food needs. Currently, eight of USDA's nutrition assistance programs are targeted to providing food to children, as noted in table 1. USDA oversees the child nutrition programs at the federal level, and state agencies and local organizations play key roles in program administration and implementation.

Table 1: USDA’s Child Nutrition Programs

	Year first authorized	Key characteristics
National School Lunch Program (NSLP)	1946	Provides lunches at school; typically served in schools, to students in grades pre-K through 12, during the school day and year
Special Milk Program	1954	Subsidizes milk, not meals or snacks, in institutions that do not participate in NSLP or SBP
School Breakfast Program (SBP)	1966	Provides breakfasts at school; typically served in schools, to students in grades pre-K through 12, during the school day and year
Child and Adult Care Food Program (CACFP)	1968	Provides meals and snacks in early childhood and adult day care settings
	1994	Provides supper and snacks for school-age children after-school
Summer Food Service Program (SFSP)	1968	Provides meals and snacks to children generally age 18 and under during summer months and school vacation periods at a variety of sites including schools, community centers, camps, parks, and others
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	1974	Provides supplemental foods, as well as nutrition counseling and breastfeeding support, to pregnant, breastfeeding, and postpartum women; infants; and children under 5 years old
WIC Farmers’ Market Nutrition Program	1992	Provides vouchers for WIC participants to redeem for fruits and vegetables at farmers’ markets
Fresh Fruit and Vegetable Program	2002	Provides free fresh fruit and vegetable snacks to elementary school students

Source: Congressional Research Service, An Introduction to Child Nutrition Reauthorization, IF10266 (Washington, D.C.: Updated March 8, 2019). | GAO-19-506T

Improper Payments

The Improper Payments Information Act of 2002 (IPIA), as amended, requires agencies to estimate improper payments for programs and activities identified as being susceptible to significant improper payments, implement corrective actions, and report on their results for these programs, among other things.⁴ An improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good

⁴ IPIA, Pub. L. No. 107-300, 116 Stat. 2350, amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. No. 111-204, 124 Stat. 2224, and Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Pub. L. No. 112-248, 126 Stat. 2390 (2013), *codified as amended at* 31 U.S.C. § 3321 note. Agencies report a dollar value of estimated improper payments, as well as an error rate that reflects the estimated improper payments as a percentage of related program outlays.

or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts.⁵ Reducing improper payments—such as payments to ineligible recipients or duplicate payments—is critical to safeguarding federal funds. The Office of Management and Budget (OMB) provides guidance to federal agencies on effectively measuring, reporting, and reducing their improper payment rates.⁶

USDA reports annual improper payment estimates for four child nutrition programs: the school meals programs—NSLP and SBP—as well as WIC, and CACFP. IPIA, as amended, requires agencies to review all programs and activities at least once every 3 years and identify those that may be susceptible to significant improper payments.⁷ Federal law also requires agencies' Inspectors General to annually assess and report on whether agencies complied with six criteria listed in the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as amended, related to improper payments.⁸ These criteria are (1) publish an agency financial statement in the form required by OMB guidance; (2) conduct program-specific improper payment risk assessments, if required; (3) publish improper payment estimates, if required; (4) publish corrective action plans for programs and activities deemed susceptible to significant improper payments; (5) publish and meet annual improper payment reduction targets; and (6) report an improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was published. Federal law requires agencies with 3 or more consecutive years of noncompliance findings by their Inspectors General

⁵ See 31 U.S.C. § 3321 note. Office of Management and Budget (OMB) guidance also instructs agencies to report as improper payments any payment for which insufficient or no documentation was found.

⁶ OMB, *Requirements for Payment Integrity Improvement, Circular A-123, app. C, M-18-20* (Washington, D.C.: June 26, 2018).

⁷ IPIA as amended states that "significant" improper payments, for fiscal year 2014 and later, are those that in the fiscal year may have exceeded (1) 1.5 percent of program outlays and \$10,000,000 of program or activity payments in a fiscal year, or (2) \$100,000,000, regardless of the improper payment percentage of total program outlays. OMB guidance provides that programs that have been determined to be susceptible to significant improper payments and that are already reporting an estimate—or in the process of establishing an estimate—do not have to perform additional risk assessments.

⁸ Inspectors General are also required to issue compliance reports. 31 U.S.C. § 3321 note.

to submit to Congress a reauthorization proposal or a proposal for statutory changes necessary to bring programs into compliance.⁹

FNS Has Taken Steps to Address Several Issues Affecting Program Integrity in the Child Nutrition Programs

FNS has taken various actions to improve the integrity of the child nutrition programs in response to findings from our prior work. Over the last 6 years, we issued five reports on the school meals programs, WIC, and SFSP, which included recommendations to FNS intended to improve the integrity of these programs. In response, FNS has addressed many of these recommendations, though additional actions are needed.

FNS Took Steps to Improve Oversight of School Meals

In 2014, we issued two reports on school meals that found multiple opportunities for FNS to improve school meals program integrity and oversight, all of which FNS has since acted on.¹⁰ Specifically, in January 2014, we recommended that FNS take two different actions aimed at providing assistance to improve state oversight of local school food authority (SFA) administration of the programs; and in May 2014, we recommended that FNS take multiple actions to improve oversight and enhance verification processes that ensure only children who meet income requirements receive free and reduced price school meals.

In January 2014, we reported that FNS had provided a significant amount of guidance and training to help states with oversight of local SFAs that directly provide meals to children in schools, but that certain aspects of the guidance may have hindered state oversight of program compliance.¹¹ (See fig. 1 for entities involved in school meals oversight.) For example,

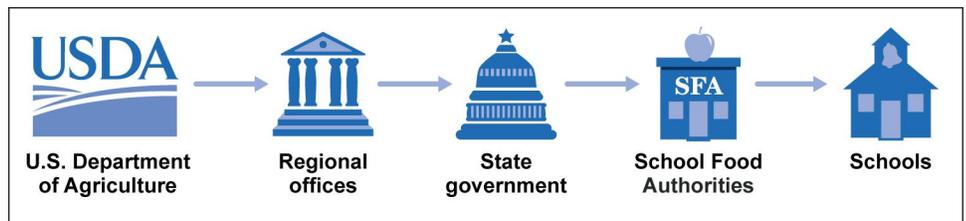
⁹ We previously reported that when an agency determines that a reauthorization or statutory change proposal is not needed to bring a program into compliance, the agency should indicate such in its notifications to Congress. See GAO, *Improper Payments: CFO Act Agencies Need to Improve Efforts to Address Compliance Issues*, [GAO-16-554](#) (Washington, D.C.: June 30, 2016).

¹⁰ See GAO, *School Lunch: Implementing Nutrition Changes Was Challenging and Clarification of Oversight Requirements Is Needed*, [GAO-14-104](#) (Washington, D.C.: Jan. 28, 2014) and *School-Meals Programs: USDA Has Enhanced Controls, but Additional Verification Could Help Ensure Legitimate Program Access*, [GAO-14-262](#) (Washington, D.C.: May 15, 2014).

¹¹ [GAO-14-104](#).

we found evidence indicating that FNS’s guidance allowing states to focus their oversight on providing technical assistance to SFAs, rather than documenting instances of noncompliance and requiring corrective actions to address them, may have resulted in some SFAs that were not fully meeting requirements being certified as in compliance. According to *Standards for Internal Control in the Federal Government*, federal agencies should have policies and practices in place to provide reasonable assurance that programs are operating in compliance with applicable laws and regulations.¹² Without documentation of noncompliance and requirements for corrective actions, SFAs may not have adequate information on the types of ongoing compliance issues and the need to take corrective actions. Further, FNS may lack information on areas that are problematic across SFAs, which could be the focus of future technical assistance efforts.

Figure 1: Entities Responsible for Overseeing and Administering the School Meals Programs



Source: GAO. | GAO-19-506T

In 2014, FNS substantially revised and updated the process through which states conduct program oversight—the administrative review—and in our January report, we also found that states reported a need for more information and training related to monitoring SFA financial management.¹³ Specifically, we reported that, previously, states had not been required to assess SFA financial management during monitoring reviews, but that states were now responsible for reviewing several aspects of SFA financial management, such as their nonprofit food service accounts and indirect costs. We surveyed all of the states, and over three-fourths reported the need for additional guidance or training from FNS on SFA financial management. We found that while FNS had provided some assistance to states on the new requirements related to SFA financial management, FNS officials had not collected information

¹² GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

¹³ [GAO-14-104](#).

from all states on their needs in this area. Because state reviews are the key tool used to ensure the integrity of the school meals programs, if state reviewers are unable to effectively review SFA financial management, the federal government will lack assurance that SFAs are complying with federal requirements in this area.

In our January 2014 report, we recommended that the Secretary of Agriculture direct the Administrator of FNS to (1) clarify to states the importance of documenting compliance issues found during administrative reviews and requiring corrective actions to address them, and (2) assess all states' needs for information to improve their ability to oversee SFA financial management and provide assistance to meet identified needs.¹⁴ FNS officials generally agreed with our recommendations and have since addressed them. For example, FNS issued a memo on July 11, 2014, to all regional and state directors reiterating the importance of documenting review findings and any resulting technical assistance and corrective actions. Also in that month, FNS completed its initial efforts to systematically assess all states' needs for information to improve their ability to oversee SFA financial management. Further, in 2015 and 2016, FNS discussed financial management issues with states during a national meeting and held three national training sessions and a webinar focused on reviewing SFA financial management.

In our May 2014 report on school meals, we found that FNS had taken steps to help identify and prevent children ineligible for free or reduced price meals from receiving those benefits,¹⁵ but additional opportunities existed to enhance the application verification process and strengthen program integrity.¹⁶ For example, we reported that school districts are required to verify applications for free and reduced price meals if they are deemed to be questionable, known as for-cause verification. Some school districts were not conducting any for-cause verifications and FNS guidance did not provide indicators or describe scenarios that could assist school districts in identifying questionable applications. Further, FNS's data on the outcomes of applications verified for cause were combined

¹⁴ [GAO-14-104](#).

¹⁵ In NSLP and SBP, children are eligible for free meals if their families have incomes at or below 130 percent of the federal poverty guidelines and reduced-price meals if their families have incomes between 130 and 185 percent of the federal poverty guidelines. Children who are not eligible for free or reduced-price meals pay the full price for the meal.

¹⁶ [GAO-14-262](#).

with data on the outcomes of applications verified for other reasons, limiting FNS's ability to use these data to assess the effectiveness of for-cause verifications. *Standards for Internal Control in the Federal Government* direct agencies to design control activities to ensure management's directives are carried out.¹⁷ Without FNS analysis of data on the outcomes of for-cause verifications, or provision of additional guidance on applications that may merit for-cause verification, some school districts may have continued to overlook these applications, potentially hindering program integrity.

In our May 2014 report, we recommended that the Secretary of Agriculture take multiple actions to improve integrity of the school meals programs through additional verification of applications, including that USDA evaluate the data collected on for-cause verification outcomes, and, if appropriate, provide additional guidance for conducting for-cause verification that includes possible indicators of questionable or ineligible applications.¹⁸ FNS took actions in response to all of our recommendations. For example, FNS reported in March 2017 that it analyzed the data on verification outcomes and did not find that any benefit in integrity and oversight would be gained by requiring the reporting of for-cause verification outcomes separately. However, FNS also reported that it disseminated additional guidance in August 2014 for conducting for-cause verifications, which included criteria for identifying possible indicators of questionable or ineligible applications.

FNS Took Steps to Improve WIC Program Integrity and Oversight

In 2013 and 2014, we issued two reports on WIC that found multiple opportunities for FNS to improve program integrity and oversight, many of which FNS has since addressed.¹⁹ Specifically, in February 2013, we recommended that FNS review federal monitoring reports on state WIC program administration to assess program risks at a national level, and in December 2014, we recommended that FNS take multiple actions to

¹⁷ [GAO-14-704G](#).

¹⁸ [GAO-14-262](#).

¹⁹ See GAO, *WIC Program: Improved Oversight of Income Eligibility Determination Needed*, [GAO-13-290](#) (Washington, D.C.: Feb. 28, 2013) and *Nutrition Assistance: Additional Guidance Could Assist States in Reducing Risk of Online Sale of Infant Formula*, [GAO-15-94](#) (Washington, D.C.: Dec. 11, 2014).

improve federal WIC oversight and assist states' efforts to prevent and address online sales of WIC formula.

In our February 2013 report, we found that FNS regularly assisted and monitored states' administration of WIC but needed to improve agency oversight of states' policies and procedures for determining WIC applicants' income eligibility for the program.²⁰ We reported that while federal regulations define criteria that must be used to determine applicants' income eligibility for WIC, state and local agencies are also given some discretion. We found that FNS generally had not focused its assistance to states on key income eligibility requirements for which states have discretion, such as determination of family size and the time period of income assessed, in the years preceding our report. However, through its monitoring reports, FNS had identified problems with, or concerns about, income eligibility determination policies or procedures in one-third of the states reviewed. *Standards for Internal Control in the Federal Government* indicate that management should identify, analyze, and respond to risks related to achieving defined objectives and note that risk identification methods may include consideration of deficiencies identified through audits and other assessments.²¹ At the time of our review, FNS officials said that they planned to begin regularly reviewing monitoring findings at the national level to identify areas of program risk and target assistance to states accordingly; however, officials did not indicate when those reviews would begin. Without conducting a complete review of its state monitoring findings, FNS lacked information it could potentially use to target additional assistance and clarification on income eligibility determination to states and help ensure overall program integrity.

²⁰ [GAO-13-290](#).

²¹ [GAO-14-704G](#).

In our February 2013 report, we recommended that the Secretary of Agriculture direct FNS to develop a timeline for reviewing its federal monitoring reports on state WIC program administration to assess program risks at a national level and target assistance to states.²² FNS officials concurred with our recommendation, and FNS has since addressed it. Specifically, in that year, FNS staff developed a process to use an automated report to identify areas in need of correction or improvement that were found during its monitoring reviews of WIC conducted across the country. The report went into production on November 1, 2013, and FNS reported that staff would review the reports quarterly to assess the frequency of findings in each policy and program area and respond by providing policy clarification, training, or other corrective actions to states.

Posts Advertising WIC-Provided Infant Formula for Sale

- **A posting from late June 2014 included the container size in the title and stated:** "I am looking to sell 5 [brand name] 12.5oz cans (NOT OPENED) because [infant] is super picky and does not want to drink it no matter what i do. [Infant] will drink the [store brand] kind for some reason. I told my WIC office to switch me to another brand but they say it might take 3 months. Im asking 35\$ but best offer will do since the brand I buy is from [store] so Im not looking to make a profit here if you consider each can is 16\$ at the store. please text if interested!!"
- **A posting from early July 2014 included the brand, type, and container size in the title and stated:** "I have 7 powder cans of [brand name] they dnt expire for another year at least just got them from my wic n we ended up switching formulas so its \$65.00 for pick up all 7 cans or \$70 if i have to drive."

Source: GAO monitoring of online classified advertisements. | GAO-19-506T

In December 2014, we reviewed the online sale of infant formula provided to WIC participants, a practice prohibited by WIC program rules, and concluded that FNS had provided limited assistance to states in preventing and addressing these sales.²³ We found that FNS had not conducted any nationwide studies on the extent of online sales of WIC formula by program participants, though information gathered from state WIC officials and our own limited monitoring suggested that some WIC formula was offered for sale online.²⁴ (See sidebar.) The use of the internet as a marketplace had substantially increased in the years preceding our report; therefore, actions needed to ensure WIC participants did not inappropriately use infant formula had changed as well. Yet, we found that FNS had not studied cost-effective techniques for monitoring potential online sales of WIC benefits. *Standards for Internal Control in the Federal Government* note that agencies should identify, analyze, and respond to significant changes that could impact the internal control system.²⁵ However, FNS had not directed states to inform participants that selling WIC formula, including online, is against program rules, which could lead to participants making these sales and

²² [GAO-13-290](#).

²³ [GAO-15-94](#).

²⁴ Of the officials we spoke with in 12 states, those from 5 states said that they had found WIC formula offered for sale online by participants. GAO monitored one online classified advertisements website in four large metropolitan areas for 30 days and found two posts in which individuals attempted to sell formula specifically identified as WIC—from among 2,726 that advertised infant formula generally. A large number, 481 posts, advertised formula generally consistent with the formula brand, type, container volume, and amount provided to WIC participants, but these posts did not indicate the source of the formula.

²⁵ [GAO-14-704G](#).

unknowingly using program resources inappropriately. Further, we noted that although states are responsible for controlling participant violations—including sales of WIC benefits—FNS is responsible for determining compliance with the WIC statute and regulations. However, we reported that FNS had not required states to describe procedures for controlling these violations in their WIC state plans, leaving the agency without assurance that efforts were taking place nationwide.

Through interviews with state and local WIC agency officials from 12 states for our December 2014 report, we found that states varied in their approaches and the amount of resources devoted to monitoring attempted WIC formula sales, and some expressed concerns about the return on investment for these efforts.²⁶ Because WIC participants purchase the same brands and types of infant formula from stores as non-WIC customers, monitoring attempted online sales of WIC formula can present a challenge. State officials we spoke with cited additional challenges to monitoring online sales, including the difficulty of identifying WIC participants in online posts that allow sellers to remain relatively anonymous, and as a result, some expressed concerns about the return on investment for these monitoring efforts. *Standards for Internal Control in the Federal Government* suggest that agencies consider both benefits and costs when designing and implementing internal controls.²⁷ However, because FNS had not assessed the nationwide extent of online sales of WIC formula by program participants, nor determined cost-effective approaches for identifying and addressing these sales, FNS and the states were poorly positioned to strike the appropriate balance of costs and benefits when determining how to target their resources to ensure program integrity.

In our December 2014 report, we recommended that the Secretary of Agriculture direct the Administrator of FNS to (1) instruct states to inform participants that they are not allowed to sell WIC food benefits, including online; (2) require states to inform FNS of their procedures for identifying attempted sales of WIC food benefits and analyze the information to ascertain the national extent of state efforts; and (3) collect information to help assess the national extent of attempted online sales of WIC formula and determine cost-effective techniques states can use to monitor online classified advertisements.²⁸ FNS agreed with our recommendations and

²⁶ GAO-15-94.

²⁷ GAO-14-704G.

²⁸ GAO-15-94.

took several steps to address them, though the agency has yet to fully address the third. Specifically, FNS promulgated final regulations that were effective in May 2016 requiring state agencies to inform applicants and participants about the prohibition against the sale of WIC food benefits, including online.²⁹ Further, in April 2015, FNS issued guidance directing states to articulate their policies and procedures for identifying and monitoring online sales of WIC benefits in their state plans; and in July 2018, an FNS contractor completed a study analyzing state efforts in this area. Also in that month, an FNS contractor completed a study intended to provide information to help FNS address our third recommendation that the agency assess the prevalence of online sales of WIC formula and identify cost-effective techniques states can use to monitor and prevent them. However, FNS indicated that it would not be releasing the study to states, in part because it included information that was investigative in nature. In April 2019, FNS officials indicated that they are currently developing guidance on best practices and cost-effective techniques identified in the report to disseminate to WIC state agencies later in 2019. Informing states of cost-effective techniques for monitoring and preventing online WIC formula sales would address our recommendation.

FNS Is Planning Steps to Address Our SFSP Recommendations

In May 2018, we reviewed the SFSP, which generally provides food to children in low-income areas during periods when schools are closed for vacation, and assessed several aspects of the program, including participation.³⁰ (See fig. 2 for an SFSP breakfast we observed during a site visit to one of three states we visited.) We found that nationwide, the total number of meals served to children in low-income areas through the SFSP increased from 113 to 149 million (about 32 percent) from fiscal year 2007 through 2016. FNS directs states to use the number of meals served, along with other data, to estimate the number of children participating in the SFSP. However, we found that participation estimates had been calculated inconsistently from state to state and year to year. Recognizing this issue, in 2017, FNS clarified its instructions for

²⁹ Special Supplemental Nutrition Program for Women, Infants and Children (WIC): Implementation of Electronic Benefit Transfer-Related Provisions, 81 Fed. Reg. 10,433 (Mar. 1, 2016), adding 7 C.F.R. § 246.7(j)(10).

³⁰ GAO, *Summer Meals: Actions Needed to Improve Participation Estimates and Address Program Challenges*, [GAO-18-369](#) (Washington, D.C.: May 31, 2018).

calculating participation estimates to help improve their consistency, noting that these estimates are critical for informing program implementation and strategic planning. However, we determined that the method FNS directed states to use would continue to provide unreliable estimates of participation, hindering the agency's ability to use them for these purposes. *Standards for Internal Control in the Federal Government* state that agencies should maintain quality data and process it into quality information that is shared with stakeholders to help achieve agency goals.³¹

Figure 2: Summer Food Service Program Breakfast at a Park



Source: GAO. | GAO-19-506T

In our May report, we made four recommendations to FNS to improve the integrity of the SFSP, including that FNS take steps to improve its estimate of children's participation in the SFSP by addressing, at a minimum, identified issues that continued to limit the reliability of the estimate.³² FNS officials generally agreed with our recommendations, and the agency has since provided information on actions it has planned, or begun to take, to address them. For example, in March 2019, FNS

³¹ [GAO-14-704G](#).

³² See [GAO-18-369](#). According to our analysis, the estimate of children's SFSP participation was unreliable because it did not account for existing variation in the number of days that each site served meals to children nor did it account for state variation in the month with the greatest number of SFSP meals served.

reported that it plans to complete an evaluation of how SFSP participation is calculated by summer 2020. We will continue to monitor FNS's progress in addressing our SFSP recommendations.

Child Nutrition Programs Estimated \$1.8 Billion in Improper Payments in Fiscal Year 2018 and Have Consistently Been Reported as Noncompliant with Improper Payment Requirements

In fiscal year 2018, USDA reported improper payments for the child nutrition programs totaling an estimated \$1.8 billion, or just over 1 percent of the \$151 billion in improper payments federal agencies estimated government-wide in that year. GAO has reported improper payments as a material weakness in internal control in its reports on the U.S. government's consolidated financial statements, noting that improper payments have consistently been a government-wide issue and reducing these payments is critical to safeguarding federal funds.³³ Since fiscal year 2013, the school meals programs have consistently reported the highest improper payment rate estimates across the child nutrition programs. For example, in recent years, USDA reported annual improper payment rate estimates of about 15 percent and 24 percent for the NSLP and SBP, respectively, compared to about 5 percent and 1 percent for WIC and CACFP, respectively.³⁴ The estimated total amount of improper payments in the school meals programs are also high, and these programs, along with WIC, are included on OMB's list of programs with over \$100 million in annual monetary losses.

The USDA Office of Inspector General's (OIG) most recent report on the department's compliance with improper payment requirements, which assessed fiscal year 2017, found that the four child nutrition programs for which USDA estimates improper payments were noncompliant with

³³ GAO, *Financial Audit: Fiscal Years 2018 and 2017 Consolidated Financial Statements of the U.S. Government*, [GAO-19-294R](#) (Washington, D.C.: Mar. 28, 2019).

³⁴ These percentages reflect the average rate for each program from fiscal year 2013 through fiscal year 2017. Fiscal year 2018 rates for NSLP and SBP were lower, as discussed later in this section.

improper payment requirements.³⁵ The reasons for noncompliance varied, as the OIG noted that USDA has yet to develop a methodology to report a complete improper payment estimate for CACFP,³⁶ and corrective actions taken in the other child nutrition programs have not yielded the desired reductions in estimated improper payments. According to our 2018 report, the four child nutrition programs contributed to the government-wide total of 58 programs in 14 federal agencies that agency inspectors general found were noncompliant with improper payment requirements in fiscal year 2017.³⁷ Further, the four child nutrition programs had been reported as noncompliant for 7 years. We also noted that USDA was one of three federal agencies with programs reported as noncompliant for 3 or more consecutive years that had not notified Congress of their noncompliance, as required, despite prior recommendations that we, and the OIG, had made to USDA to do so.³⁸ However, USDA submitted a letter to Congress in June 2018 that reported these programs' noncompliance and described the agency's planned actions to bring them into compliance.

Over time, USDA has undertaken a variety of corrective actions aimed at reducing improper payments in the child nutrition programs,³⁹ yet the estimated improper payment rates for these programs remained generally

³⁵ See USDA Office of Inspector General, *U.S. Department of Agriculture's Fiscal Year 2017 Compliance with Improper Payment Requirements*, Audit Report 50024-0013-11 (Washington, D.C.: May 10, 2018). The OIG reported that each of the child nutrition programs did not fully comply with one or more requirements, including publishing a complete improper payment estimate, meeting annual reduction targets, or publishing improper payment rates of less than 10 percent. Further, the OIG noted that these programs had been noncompliant with requirements for 7 consecutive years, or since implementation of the annual assessment of compliance.

³⁶ Unlike the estimates for the school meals programs and WIC, CACFP's improper payments estimate is not a program-wide measure. USDA's Agency Financial Report for Fiscal Year 2018 notes that FNS has identified the Family Day Care Home component of CACFP as potentially high risk for improper payments, and as such, FNS periodically measures the level of erroneous payments due to sponsor error for Family Day Care Homes.

³⁷ Specifically, our analysis found that 58 programs in 14 of the 24 agencies listed in the Chief Financial Officers Act of 1990, as amended, were noncompliant with improper payment requirements in fiscal year 2017. See GAO, *Improper Payments: Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs*, [GAO-19-14](#) (Washington, D.C.: Dec. 7, 2018).

³⁸ See GAO recommendations in [GAO-16-554](#) and *Improper Payments: Additional Guidance Could Provide More Consistent Compliance Determinations and Reporting by Inspectors General*, [GAO-17-484](#) (Washington, D.C.: May 31, 2017). See the USDA IG recommendation in, USDA Office of Inspector General, *USDA'S Fiscal Year 2016 Compliance with Improper Payment Requirements*, Audit Number 50024-0011-11 (Washington, D.C.: May 2017).

³⁹ For example, in 2009, we recommended that the Secretary of Agriculture take five actions to help states and SFAs improve their ability to identify and address meal counting and claiming errors in the school meals programs, all of which USDA took action to address. See GAO, *School Meal Programs: Improved Reviews, Federal Guidance, and Data Collection Needed to Address Counting and Claiming Errors*, [GAO-09-814](#) (Washington, D.C.: Sept. 9, 2009).

steady until fiscal year 2018. For that year, USDA changed what it considers to be an improper payment in the school meals programs, resulting in improper payment estimates that are substantially lower than, and not comparable to, those from prior years.⁴⁰ According to USDA, FNS made this change after evaluating its definition of improper payments for the school meals programs and determining that the agency would no longer include a previously identified source of error in its estimates.⁴¹ According to FNS officials, FNS implemented this change after consultation with OMB, and FNS also briefed the USDA OIG on the change in advance of implementation. The USDA OIG has not yet released its report assessing USDA's fiscal year 2018 compliance with improper payment requirements.

To help ensure that annual estimates are produced for all child nutrition programs susceptible to significant improper payments, a 2018 USDA OIG report recommended that FNS complete an SFSP risk assessment for improper payments taking into account all of the risk factors identified by OMB as likely to contribute to improper payments.⁴² Although FNS's 2017 SFSP risk assessment concluded that the program was at low risk for significant improper payments, the OIG found that FNS's assessment was insufficient because it did not consider multiple risk factors regarding program vulnerabilities and improper payments that OMB requires be taken into account. The OIG reviewed SFSP's payment structure, monitoring results, and investigations and media cases regarding fraud, and found that these suggest the program is vulnerable to significant improper payments. FNS concurred with the OIG's recommendation. In April 2019, a senior FNS official indicated that the agency completed a risk assessment for SFSP in response to the OIG's recommendation,

⁴⁰ IPIA, as amended, defines "improper payment," and agencies must apply the term in the context of their programs when developing improper payment estimates. See 31 U.S.C. § 3321 note. In the 5 year period from fiscal years 2013 through 2017, NSLP's annual estimate of improper payments was about \$1.8 billion, while the SBP's annual estimate of improper payments was about \$900 million. For fiscal year 2018, USDA reported improper payment estimates of \$1.2 billion and \$469 million for NSLP and SBP, respectively. The annual estimated improper payment rates for these programs were about 15 percent for NSLP and 24 percent for SBP from fiscal years 2013 through 2017, as noted earlier. These rates dropped to 9 percent for NSLP and 11 percent for SBP in fiscal year 2018.

⁴¹ According to USDA's Agency Financial Report for Fiscal Year 2018, FNS evaluated its definition of improper payment errors for the school meals programs and determined that previously identified meal claiming errors (those errors typically triggered by a child's failure to select a required fruit or vegetable) did not affect the eligibility status of the recipient, nor whether the right recipient received the right benefit. FNS officials indicated that they determined that previously reported meal claiming errors, therefore, did not meet the definition of improper payments.

⁴² See USDA Office of Inspector General, *FNS Controls Over Summer Food Service Program*, Audit Report 27601-0004-41 (Washington, D.C.: Mar. 27, 2018).

determined that the program is at a high risk of improper payments, and is currently developing a methodology for measuring improper payments in the program.

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Kathryn A. Larin, Director, Education, Workforce, and Income Security Issues at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony include Rachel Frisk (Assistant Director) and Theresa Lo (Analyst in Charge). In addition, key support was provided by David Barish, Daniel Flavin, Alex Galuten, Sheila R. McCoy, Jean McSween, Almeta Spencer, and Matt Valenta.

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