

*State of New York*  
*Office of the State Comptroller*  
*Division of Management Audit*

**DEPARTMENT OF SOCIAL SERVICES**

**FOOD STAMP PROGRAM  
ADMINISTRATIVE COSTS**

**REPORT 95-S-133**



*H. Carl McCall*  
*Comptroller*



# State of New York Office of the State Comptroller

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## Division of Management Audit

### Report 95-S-133

Mr. Brian J. Wing  
Acting Commissioner  
Department of Social Services  
40 North Pearl Street  
Albany, NY 12243

Dear Mr. Wing:

The following is our report on the New York State Department of Social Services' Food Stamp Program's administrative costs.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller  
Division of Management Audit*

**March 13, 1997**

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# Executive Summary

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## Department Of Social Services Food Stamp Program Administrative Costs

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### Scope of Audit

A primary goal of the Food Stamp Program, as authorized by Section 4 of the Federal Food Stamp Act of 1977, is to supplement the funds of low income families to help alleviate hunger. The Department of Social Services (Department) administers the Food Stamp Program in New York State through operations in its Central Office and in the 58 social services districts (districts), which administer the local distribution of food stamps throughout the State. Food Stamp Program benefits are 100 percent federally funded; the Federal, State and local governments share the Program's administrative costs. Of the Program's total 1994 administrative costs of \$231 million, \$47 million related to operations in Central Office, and \$184 million to the districts.

Our audit addressed the following questions about the Department's control of administrative costs associated with the Food Stamp Program for the year ended December 31, 1994:

- ! Does the Department ensure that districts use appropriate methodologies to claim reimbursement for the Food Stamp Program's administrative costs?
- ! Does the Department verify the accuracy of the administrative costs the districts submit?
- ! Has the Department acted to identify more efficient methods of administering the Food Stamp Program?

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### Audit Observations and Conclusions

We found that the Department should do more to ensure that the districts use appropriate methodology to claim reimbursement for the Food Stamp Program's administrative costs. The Department also needs to strengthen efforts to verify the accuracy of districts' claimed expenses. Further, the Department should work to identify those practices that improve efficiency in administering the Food Stamp Program and develop performance indicators that could help lower the administrative cost per household.

We examined the April 1995 claims for reimbursement of administrative costs for the Food Stamp Program in five judgementally selected districts (Erie, Monroe, New York City, Rockland and Suffolk) and found that the claims submitted, totaling \$7.2 million, were reasonably accurate. However, we also found that districts sometimes failed to use the Department's standard claim methodologies, as established in its Cost Allocation Plan (Plan). As a result the districts did not use uniform methodologies and sometimes allocated costs improperly. Consequently, we calculated that the Department overpaid these districts more than \$48,000 for the Food Stamp Program's administrative expenses. On an annual basis, this amount could approximate \$580,000. We believe that districts' use of improper methodologies is attributable, in part, to

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the vague nature of the procedures in the Plan. We also found that New York City did not maintain the documentation necessary to support claimed administrative expenses, as the Plan requires. Further, Department reviews of New York City's claims were not timely or thorough enough to detect anything other than obvious mathematical mistakes before payment was made. (See pp. 5-8)

To determine how the districts' administrative costs compared statewide, we used data the districts reported to the Department for the year ended December 31, 1994 (most recent data available). We calculated that the average administrative cost per household served was \$17, ranging from a high of \$57 (Hamilton) to a low of \$8 (Chautauqua). To facilitate our comparison, we used a classification system developed by Cornell University, which identifies similar districts for which performance comparisons would be reasonable. We found significant variations in the monthly administrative cost per household for districts within the same group that served approximately the same average number of households per month. For example, we found that Broome and Niagara, serving almost the same number of households, reported costs per household of \$11 and \$18, respectively. Potential cost reductions totaling \$17 million could accrue to the Federal and State governments if each district's administrative cost per household served was no higher than the average cost for each respective group. (See pp. 11-12)

We also identified two specific variables, caseload size and assistance mix, that may contribute to the variances in the monthly costs per household served. We noted that examiner caseloads varied widely from district to district. Further, some districts have Food Stamp Program rolls that are distributed among families that receive only food stamps and those that receive food stamps along with other benefits. (See pp. 12-15)

We have included six recommendations in the body of this report that address the concerns we identified during this audit.

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## **Comments of Department of Social Services Officials**

Department officials agreed with three and disagreed with three of the report's six recommendations. They expressed uncertainty as to whether the report's \$17 million estimated cost reductions could be achieved by identifying best practices and setting performance standards for Food Stamp worker caseload sizes. Additionally, the officials indicated their belief that Section 20-a of the Social Services Law prohibits the Department from establishing caseload standards that may impact the number of district personnel.

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<b>Exhibit 2</b>	New York State Districts Grouped by Degree of Urban Life Influence	
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<b>Appendix A</b>	Major Contributors to This Report	
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<b>Appendix B</b>	Comments of Department of Social Services Officials	
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# Introduction

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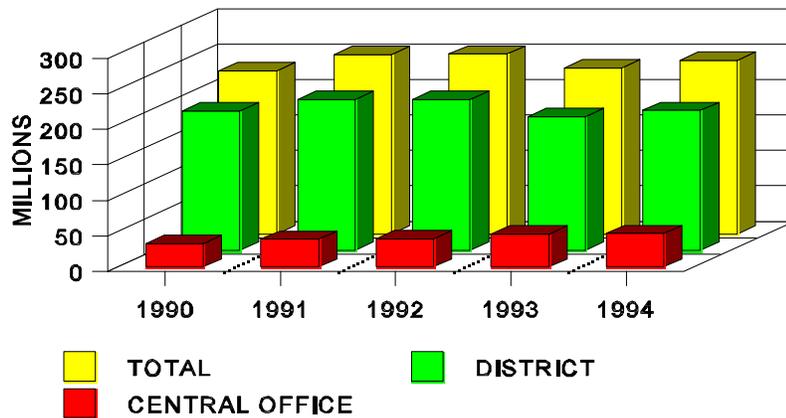
## Background

As authorized by Section 4 of the Federal Food Stamp Act of 1977, the primary goal of the Food Stamp Program is to alleviate hunger and improve the nutritional level of low income families by supplementing their funds to purchase food. The Food Stamp Program is the largest of the 13 domestic nutrition assistance programs administered by the U.S. Department of Agriculture. The New York State Department of Social Services (Department) oversees the activities of the 58 local social services districts (districts) which administer the Program. In 1990 more than 711,000 New York households received food stamp benefits totaling almost \$1.1 billion. In 1994, the Program served more than 1.1 million households with benefits totaling more than \$1.9 billion.

The Food Stamp Program's benefits are 100 percent federally funded. Federal, State and local governments share the Program's administrative costs. For 1994, administrative costs totaled more than \$231 million; \$47 million for the Department's Central Office operations and \$184 million for local districts' administrative costs. The following chart shows the breakdown of administrative costs for the five years ended December 31, 1994.

## ADMINISTRATIVE COSTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 1994



## Audit Scope, Objectives and Methodology

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The objectives of our performance audit were to assess the extent to which the Department ensures that districts use appropriate methodologies to claim reimbursement for the Food Stamp Program's administrative costs, verifies the accuracy of costs claimed for reimbursement and acts to identify more efficient methods to administer the Food Stamp Program. To accomplish our objectives, we reviewed Department and district financial and program records related to their April 1995 claims for reimbursement of Food Stamp Program administrative costs. During the period of our field work, November 1995 through June 1996, we reviewed Federal and Department procedures and regulations, and interviewed responsible Federal, Department and district officials. We audited the Food Stamp Program's administrative costs at five local social services districts (Erie, Monroe, New York City, Rockland and Suffolk) for the year ended December 31, 1994 (the latest data available to us at the time of our audit) and the claiming practices at these districts. We selected these districts among all districts statewide, because they had the highest number of households receiving Food Stamps or had among the highest or lowest administrative costs per household.

We also compared and contrasted the districts' administrative costs per household for the year ended December 31, 1994. To facilitate this comparison, we used a classification system developed by Cornell University for the New York Legislative Commission on Rural Resources. Cornell University categorized the State's 58 districts into six homogeneous groups based on the relative degree of urban or rural influence and a set of population and socioeconomic variables (See Exhibits 1 and 2). We used this classification system to identify those districts for which comparisons would be reasonable.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of the Department which are included within our audit scope. Further, these standards require that we understand the Department's internal control structure and compliance with those laws, rules and regulations that are relevant to our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based audit approach to select activities for audit. Therefore, we focus our audit efforts on those activities we identified through a preliminary survey as having the greatest possibility for needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort to reviewing operations that may be relatively efficient and effective. As a result, we prepare our audit reports on an "exception basis." This audit report, therefore, highlights those areas needing improvement and does not address those activities that may be functioning properly.

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## **Response of Department Officials to Audit**

Draft copies of this report were provided to Department officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix B.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Social Services shall report to the Governor, the State Comptroller, and the leaders of the Legislative and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.



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# Claiming of Local District Administrative Costs

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The Department is responsible for ensuring that the districts are reimbursed for appropriate and verifiable costs related to their administration of the Food Stamp Program. To standardize district administrative costs, the Department established its Cost Allocation Plan (Plan) with uniform claiming procedures for districts to use to obtain reimbursement. The Plan allows districts to claim costs which are directly or indirectly attributable to the Food Stamp Program. The Plan also requires that districts maintain audit trails for all claimed administrative costs, and make related documentation available for Federal and State review.

We audited the April 1995 claims for reimbursement of administrative costs of the Food Stamp Program as submitted by the following five districts: Erie, Monroe, New York City, Rockland and Suffolk. Our review of documentation supporting claims totaling \$7.2 million found that the claims were reasonably accurate. However, we identified more than \$48,000 in costs that were inappropriately claimed. Since the improper claims resulted from districts' use of inappropriate methodologies, overpayments to these five districts could approximate \$580,000 on an annual basis.

We believe that the districts' use of inappropriate methodologies, their improper allocation of administrative costs related to the Food Stamp Program and the lack of adequate documentation for costs are caused, in part, by the following: (1) the Plan's procedures are not specific and allow for various interpretations; (2) district personnel do not always comply with Plan procedures and do not always maintain supporting documentation; and (3) the Department does not review claims statewide to ensure that districts are claiming costs appropriately and maintaining proper documentation. We also found that the Department's current two-part review of claims submitted by the New York City district is not timely or thorough enough to detect any but obvious mathematical errors before payment is made.

Following are the results of our audit of the April 1995 claims for the reimbursement of Food Stamp Program administrative costs submitted by the Erie, Monroe, New York City, Rockland and Suffolk districts.

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## Salary Expenditures

Personnel salaries associated with the Food Stamp Program include salaries for both employees who work solely on the Food Stamp Program, and those who work on the Food Stamp Program as well as other social services programs. Districts identify all the individuals who perform a defined Food Stamp Program function, regardless of the time they spend on that function. Procedures require that such individuals complete time reports during the first month of each quarter, so that districts can prorate their salaries and staff counts between the Food Stamp Program and other social services programs.

We found that Suffolk, Monroe and Erie did not claim personnel salaries in accordance with Department procedures. Suffolk's allocation of the salaries of employees whose time was split between the Food Stamp Program and other programs was based on the overall percentage of time these employees worked on the Food Stamp Program. Suffolk officials multiplied this percentage by their total salaries from another program for this period and allocated the result to the Food Stamp Program. In response to our preliminary audit findings, Department officials stated that Suffolk would have to demonstrate that this allocation method resulted in accurate cost charges to the Program.

We also found that Monroe and Erie allocated some of their costs using outdated allocation rates that may not represent the employees' current workload. For example, Monroe allocated 20 percent of the total gross salaries of its Fair Hearings Unit to the Food Stamp Program based on a five-year-old allocation rate. Monroe also allocated a portion of employment examiner salaries to Food Stamp Employment and Training based on time studies that had not been updated for more than three years. In response to our preliminary audit findings, Department officials stated that they would remind these two districts that salary allocations must be based on current allocation rates.

Also, Erie's April 1995 claim included \$30,250 for the total salaries for 13 staff. We found that the job responsibilities of these 13 staff were unrelated to the Food Stamp Program. As a result, Erie officials overcharged the Food Stamp Program by \$30,250.

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## **Non-Salary Expenditures**

The Plan also contains procedures for districts to use in claiming non-salary expenditures. However, Suffolk, Monroe, and Rockland did not follow these procedures to claim non-salary costs. Further, we found that cost allocation methodologies differed considerably among the districts. Some districts based their claims on actual direct costs while others based their claims on allocated or estimated costs.

Suffolk improperly allocated some non-salary costs and all other basic direct expenditures based on the percentage of staff working in various non-Food Stamp Program operations. For example, Suffolk's claim for travel included costs incurred by employees working in another program. These unrelated costs overstate Food Stamp Program administrative costs.

Rockland officials charged all non-salary costs, except maintenance in lieu of rent, directly to the benefitting social services programs.

Monroe reported \$4,142 in non-salary costs, most of which (\$4,070) officials categorized as maintenance in lieu of rent. Monroe officials improperly allocated these non-salary costs among various non-Food Stamp programs on the basis of the square footage each program used. However, they could not justify the percentages they used to allocate the Food Stamp Program's share of these costs.

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## **Fraud and Abuse Expenditures**

The Plan requires districts to allocate the total Fraud and Abuse (F&A) expenditures to their benefitting programs based on the total number of cases that were investigated during the previous quarter. If a case was investigated for fraud under more than one program, the programs should share the case's F&A costs for reporting purposes (e.g., if a case was investigated for fraud under both the Aid to Families with Dependent Children (AFDC) and the Food Stamp Program, its costs would be allocated 50 percent to AFDC and 50 percent to the Food Stamp Program.

However, we found that Monroe did not allocate these costs according to the Plan and overstated the F&A costs attributable to the Food Stamp Program. Monroe officials allocated 33 percent (\$28,989) of their April F&A costs (\$88,381) to the Food Stamp Program. When we recalculated the percentage for the month, we found that Monroe should have allocated about 17 percent (\$14,954) of these costs to the Food Stamp Program. Therefore, Monroe overstated its April claim for these costs by \$14,035.

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## **Supporting Documentation for Verification of District Claims**

According to the Plan, districts must maintain audit trails and make related documentation available for Federal and State review. They are also required to justify the classification of expenditures claimed for reimbursement. Currently, Department personnel initially review the New York City (NYC) claim for completeness and mathematical errors. A second, more in-depth review is performed at a later date, usually after the Department has paid the claim. The second review focuses on supporting documentation for NYC's estimated and allocated costs charged to the Food Stamp Program.

Our review found that NYC did not maintain a proper audit trail in the preparation of claims for Food Stamp Program administrative costs. It was necessary for us to interpret various notations scattered over documents, and ask for explanations from district personnel who contributed to the completion of the April claim. To obtain increased assurance that NYC is allocating costs to the Food Stamp Program appropriately and documenting costs as required, the Department should perform its reviews in a more timely and thorough manner, and also instruct NYC staff about the need to maintain proper documentation of administrative costs.

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## **Recommendations**

1. Develop more detailed cost allocation guidelines to be used by the districts when charging administrative costs to the various social services programs.

(Department officials disagree with the need to develop a more detailed cost allocation plan, based on our finding that \$48,000 in monthly costs, or less than one percent of total claims submitted, were inappropriately claimed. However, as we noted in the report, since the improper claims resulted from the districts' use of inappropriate methodologies, overpayments to the five districts we audited could approximate \$580,000 on an annual basis. Additionally, similar methodological errors are likely occurring in other districts.)

2. Reinstruct district personnel to follow the Cost Allocation Plan procedures, including maintaining supporting documentation for administrative expenses related to the Food Stamp Program.

(Department officials agree with this recommendation.)

3. Periodically review district claims on a statewide basis to ensure that districts properly prepare their Food Stamp Program claims and that these claims are supported by complete documentation.

(According to Department officials, staffing limitations preclude them from auditing all local district claims. The officials noted that the New York City, Nassau, Suffolk and Westchester district claims, which comprise 75-80 percent of all statewide expenditures, are regularly reviewed for "first level" documentation. Further, Department officials note that all district claims are checked by the Automated Claiming System for mathematical accuracy. However, given our findings regarding inappropriate claiming methodologies, inaccurate claims, and insufficient documentation, it appears that the Department's current procedures are not sufficient and that periodic review of district claims on a statewide basis is warranted.)



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# Monitoring and Oversight of Administrative Costs

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The Department is responsible for overseeing the activities of districts to ensure they administer the Food Stamp Program in accordance with all Federal and Department procedures. We believe that improved monitoring by the Department may enable it to identify the best practices of those districts which operate effectively at a lower cost per household and apply these practices statewide. To begin this process, the Department needs to develop performance indicators related to the administrative cost aspects of the program (e.g., processing an application). Performance indicators establish benchmarks or outcomes that an entity can use to measure and assess its performance. These types of management tools allow program managers to isolate areas of strong performance and areas indicating opportunity for improvement.

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## **Variations in District Administrative Costs**

To determine how districts' administrative costs for the Food Stamp Program compare statewide, we used data the districts reported to the Department for the year ended December 31, 1994 to calculate each district's cost per household. We calculated that the average monthly administrative cost per household served was \$17, ranging from a high of \$57 (Hamilton) to a low of \$8 (Chautauqua). (Exhibit 1 of this report provides a detailed breakdown of the average administrative cost for each district). We compared the districts' monthly administrative costs using a classification system developed by Cornell University for the New York State Legislative Commission on Rural Resources. The system categorizes the State's 58 social services districts into six homogeneous groups based on the relative degree of urban or rural influence and a set of 40 population and socioeconomic factors. This homogeneity also suggests that there should be similarity in the average administrative cost per household for the districts in each group.

We used this classification system to identify those districts for which administrative cost comparisons would be reasonable. Our analysis identified significant variations within each group. We found that the lowest range between the lowest and highest cost districts in the same group was \$14; the highest range was \$47. Our analysis also found significant variations in the monthly administrative cost per household for districts within the same group that served approximately the same average number of households. For example, we found that Broome and Niagara, serving almost the same average number of households in 1994, reported costs per household of \$11 and \$18, respectively. Wyoming and Yates served almost the same average number of households, but Wyoming's reported monthly administrative costs per household were \$30, while Yates' were \$11.

Using Food Stamp administrative cost data provided to us by the Department (see Exhibit 1), we calculated the differences between the total average cost per household and for each homogeneous grouping of social services districts

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and the average costs for each district within the groupings, where the costs exceeded the average. On a statewide basis, these differences totaled \$17 million. We believe that such cost differences indicate the potential for achievable cost savings to the extent that the Department fulfills its oversight responsibilities by setting performance standards, identifying and communicating the best operating practices of the districts, and analyzing the reasonableness of costs incurred by the districts.

The Department's response to this report accurately states that factors such as the size of the AFDC caseload in each district may have improved our analysis of the differences in Food Stamp administrative costs per household. For example, as noted by the Department, the two districts with the highest cost per household (Hamilton \$53 and Putnam \$49) were also those with the smallest reported caseloads. These reported caseloads could contribute to the high cost per household in these counties. In fact, we discussed our methodology with the author of the Cornell study, who suggested that additional variables such as AFDC population and the amounts of sales and property taxes collected could be incorporated into the analysis to refine the results. However, the absence of these variables does not negate the validity of our analysis as an indicator of differences in administrative costs among social services districts. In our judgment, it is the Department's responsibility to undertake a more refined analysis and to act on the results.

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## **Caseload Size and Assistance Mix**

We identified two factors that may impact the variances in the districts' monthly administrative cost per household served: caseload size and the mix of assistance provided.

Regarding caseload size we found that the Department and the districts have no standards for the number of cases that an examiner can effectively manage. We found that examiner caseloads differ between the districts in the same group. Caseload variance may impact the monthly administrative costs to provide the Food Stamp Program to households.

We interviewed 5 of the 80 examiners in Erie about caseload size, and found that four of them reported having caseloads ranging between 489 and 550 per examiner; one examiner reported having a caseload of about 900. In Monroe, we interviewed 3 of 36 full time equivalent examiners who told us that their caseloads ranged from 671 to 778. Administrative costs per household in 1994 for both Erie (\$12) and Monroe (\$11) were comparatively low. In Suffolk, where 1994 administrative costs per household were relatively high at \$27, three examiners had caseloads which ranged from 330 to 335. New York City (\$13) uses 21 Food Stamp centers and two citywide mail-in centers for the elderly and infirm. At the 21 Food Stamp centers, examiners' caseloads ranged from 88 to 146. At the two mail-in centers, they ranged from 460 to 581. While the caseloads for the mail-in centers appear high, Department statistics indicate that nearly 62 percent of the mail-in centers' caseloads

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involved mail-in recertifications that required less examiner time than cases involving original certifications.

According to the Department, Section 20-a of the Social Services Law strictly prohibits the Department from establishing caseload standards that may impact the number of local district personnel. As stated in Section 20-a, the Department “...shall not have the power, directly or indirectly to prescribe the number of persons to be employed in any social services district providing the district complies with the minimum federal standards relating thereto (emphasis added).” Pursuant to an opinion of the State Comptroller’s counsel, the Department and the districts must be able to demonstrate that they comply with federal minimum staffing standards in order for this section of the Social Services Law to apply. However, we were unable to find any federal statute or regulation which imposes minimum staffing standards for administration of child welfare services and care by local social services districts. In addition, an attorney for the Department of Social Services confirmed that, to the best of his knowledge, there are no federal minimum standards. As such, it appears the Department can establish caseload standards for each district related to the administration of the Food Stamp Program. We have shared the opinion of the State Comptroller’s counsel with the Department.

We also observed that differences in the types of households served (i.e., mix of assistance provided) seemed to impact the average monthly cost to provide households with the Food Stamp Program. Included in the “Average Household Served Monthly” statistic reported by the Department are both public assistance (PA) and non-public assistance (NPA) households. Erie officials told us that determining food stamp eligibility for a PA household consumes less time and cost because the district has already qualified the household for public assistance. PA cases have an automated budget that includes the calculation of the food stamp budget. However, NPA case processing requires separate applications, stand-alone certification and budgeting, separate file documentation, complete food stamp budget preparation and separate authorization on the Department’s automated Welfare Management System. Therefore, a higher proportion of NPA cases could result in higher administrative costs.

For example, Erie's food stamp recipients included about 27,800 PA households (54 percent) and about 23,700 NPA households (46 percent). Erie officials estimated that of the \$5.9 million in annual administrative costs for the Food Stamp Program, the cost to serve PA households was about \$800,000, or about 14 percent of the Program’s administrative costs. Using this data, Erie’s monthly administrative cost per household would have been \$17 for NPA households and less than \$3 for PA households. By comparison, Erie’s composite monthly rate was nearly \$12 per household.

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Our analysis does not include impacts from other factors, such as efficiency and economy gains that could be related to certain districts' claiming practices and organization structure, or the extent to which districts have centralized eligibility determination functions. We believe that the Department needs to identify those critical factors which impact the administrative costs of the program. Once these factors are known, the Department needs to analyze the reasons for the wide ranges in the districts' administrative costs per household served. The higher costs per household could indicate potential opportunities for improvement in the efficiency of district operations. Once completed, the analysis could also produce performance indicators and benchmark data for the Department to use in monitoring the efficiency of district operations and the reasonableness of the costs associated with administering the Food Stamp Program. Such indicators and data could include determining the cost associated with processing PA and NPA food stamp applications.

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## **Recommendations**

4. Determine why the administrative costs for the Food Stamp Program differ significantly among similar districts.

(Department officials stated they have performed some preliminary work on the reasons for varying administrative costs among the districts, and found that several of the variables are out of the Department's and district's control. The officials indicated they would consider follow-up work in this area to the extent resources permit.)

5. Develop performance standards for the number of cases that an examiner can effectively manage.

(Department officials disagree with this recommendation, citing Section 20-a of the Social Services Law which prohibits the Department from establishing standards that would impact staffing levels assuming federal standards are being met. As stated in the body of the report, we could find no federal statute or regulation which imposes minimum staffing standards for administration of child welfare services and care by local social services districts. In addition, an attorney for the Department confirmed that, to the best of his knowledge, no minimum federal standards exist. Hence, it appears the Department can establish such standards.)

6. Establish benchmark data as a basis for evaluating the reasonableness of the Food Stamp Program's administrative costs.

(Department officials stated they would continue to examine administrative costs to the extent resources allow.)

## 1994 Average Monthly Food Stamp Program Administrative Costs

<u>Social Services District</u>	<u>Average Households Served</u>	<u>1994 Administrative Expense</u>	<u>Cost to Service a Household</u>
<b><u>GROUP 1</u></b>			
New York City	675,044	\$9,005,614	\$13
Nassau	16,413	252,158	15
Rockland	4,748	191,703	40
Suffolk	25,862	706,858	27
Westchester	24,033	739,873	31
<b>Total</b>	<b>746,100</b>	<b>10,896,206</b>	<b>15</b>
<b><u>GROUP 2</u></b>			
Albany	11,039	271,024	25
Broome	9,299	106,340	11
Dutchess	5,420	125,842	23
Erie	51,594	593,786	12
Monroe	33,323	373,634	11
Niagara	9,280	166,538	18
Oneida	11,317	211,037	19
Onondaga	18,437	309,318	17
Orange	9,577	156,616	16
<b>Total</b>	<b>159,286</b>	<b>2,314,135</b>	<b>15</b>
<b><u>GROUP 3</u></b>			
Cayuga	2,798	49,636	18
Fulton	2,191	61,079	28
Genesee	1,458	30,247	21
Madison	1,760	34,852	20
Montgomery	1,925	40,197	21
Ontario	2,792	67,968	24
Oswego	4,160	110,824	27
Putnam	683	33,551	49
Rensselaer	6,074	61,617	10
Saratoga	3,128	68,985	22
Schenectady	5,365	70,560	13
Tioga	1,514	39,708	26
<b>Total</b>	<b>33,848</b>	<b>669,224</b>	<b>20</b>
<b><u>GROUP 4</u></b>			
Cattaraugus	3,490	65,410	19
Chautauqua	7,069	57,750	8
Chemung	3,889	52,879	14
Clinton	3,579	55,218	15
Cortland	1,816	47,626	26
Jefferson	4,732	104,407	22
Otsego	1,571	38,816	25

<u>Social Services District</u>	<u>Average Households Served</u>	<u>1994 Administrative Expense</u>	<u>Cost to Service a Household</u>
St. Lawrence	5,250	\$ 80,551	\$17
Steuben	3,899	78,384	20
Tompkins	2,607	52,834	20
Ulster	5,524	85,720	16
Warren	1,776	29,971	17
<b>Total</b>	<b>45,202</b>	<b>749,566</b>	<b>17</b>
 <u>GROUP 5</u>			
Columbia	2,157	63,627	30
Greene	1,608	44,079	27
Herkimer	2,111	48,381	23
Livingston	2,134	40,804	19
Orleans	1,499	24,562	16
Schoharie	1,013	26,391	26
Schuyler	740	12,107	16
Seneca	911	28,214	31
Washington	1,865	45,643	24
Wayne	2,662	45,109	17
Wyoming	991	29,886	30
Yates	995	10,640	11
<b>Total</b>	<b>18,686</b>	<b>419,443</b>	<b>22</b>
 <u>GROUP 6</u>			
Allegany	2,672	66,650	25
Chenango	2,055	47,491	23
Delaware	1,770	18,323	10
Essex	1,674	22,198	13
Franklin	2,229	41,988	19
Hamilton	102	5,787	57
Lewis	905	27,742	31
Sullivan	2,789	78,275	28
<b>Total</b>	<b>14,196</b>	<b>308,454</b>	<b>22</b>

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## New York State Districts Grouped by Degree of Urban Life Influence

- Group 1**      **Metropolitan - Vastly Urban:** New York City, Nassau, Rockland, Suffolk and Westchester.
- Group 2**      **Metropolitan - Partly Rural:** Albany, Broome, Dutchess, Erie, Monroe, Niagara, Oneida, Onondaga and Orange.
- Group 3**      **Rural - Extensive Urban Influence:** Cayuga, Fulton, Genesee, Madison, Montgomery, Ontario, Oswego, Putnam, Rensselaer, Saratoga, Schenectady and Tioga.
- Group 4**      **Rural - Considerable Urban Influence:** Cattaragus, Chautauqua, Chemung, Clinton, Cortland, Jefferson, Otsego, St. Lawrence, Steuben, Tompkins, Ulster and Warren.
- Group 5**      **Rural - Moderate Urban Influence:** Columbia, Greene, Herkimer, Livingston, Orleans, Schoharie, Schuyler, Seneca, Washington, Wayne, Wyoming and Yates.
- Group 6**      **Rural - Limited Urban Influence:** Allegany, Chenango, Delaware, Essex, Franklin, Hamilton, Lewis and Sullivan.

*Source: Cornell University, Socioeconomic Trends in Rural New York State: Toward the Twenty-First Century.*

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## Major Contributors to This Report

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BRIAN J. WING  
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*Deputy Commissioner*  
Management Support and  
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October 29, 1996

Mr. Kevin McClune  
Director of State Audits  
Office of the State Comptroller  
A.E. Smith State Office Building  
Albany, New York 12236

Re: OSC Draft Report: DSS - Food  
Stamp Program Administrative  
Costs 95-6-133 (96-023)

Dear Mr. McClune:

We have reviewed the above referenced report. Before addressing the recommendations, we would like to offer the following comments on the findings and conclusions pertaining to that segment of the report dealing with the "Monitoring and Oversight of Administrative Costs."

We do agree that food stamp caseloads should be managed effectively, and in fact, we are doing so as part of our Partnership in Quality (PIQ) project with the United States Department of Agriculture's Food and Consumer Service. However, we are uncertain whether the report's purported cost reductions of \$17 million can be achieved simply by identifying best practices and setting performance standards for the number of cases a food stamp worker can effectively manage. Concerning the latter, it is important to note that Section 20-a of the Social Services Law strictly prohibits the Department from establishing caseload standards that may impact the number of local district personnel.

Furthermore, we believe that the methodology used in the review was flawed because it did not fully consider the impact of all the expenditures allocated to food stamp administration and that its use of "county typology" was not, in the opinion of the author of the Cornell University Study, the best predictor to analyze food stamp administrative costs.

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The report's description of the average cost for administering a case in each district would lead the reader to believe that each dollar spent on administrative costs directly impacts the processing of a food stamp application. What is not made clear is that administrative costs are made up of a number of factors including salaries and fringe benefits of workers directly involved in the Food Stamp Program, salaries and fringe benefits of other local district staff that are allocated to the Food Stamp Program and non-personal service costs composed of county-wide A-87 costs, recipient employment and training costs, recipient dependent care, and fraud and abuse detection costs. Had the review used only direct salaries and fringe benefits for Food Stamp workers as the basis for determining the cost of eligibility it would be logical to assume that setting caseload standards for food stamp workers would impact on the cost of administering eligibility. Since the auditors' methodology included all salaries and fringe benefits as well as non-personal service costs, we do not believe that establishing fixed caseloads would sufficiently impact these expenditures to achieve the level of cost reduction cited in the report.

The report also relies on the classification system developed by Cornell University to categorize the counties into six homogenous groups. The Department shared the report's findings with the author of the study for his review and analysis. Based on written comments received, the author notes that while counties within each group are similar, it should not be construed that they are equal. Likewise, the author points out that while county typology is a method to study the differences in similar counties, the "...percent of children on AFDC (or, in general, percent of population on welfare) is undoubtedly a much better 'predicator' of Food Stamps Administrative Costs per Household, and probably therefore, would have been a much more important criterion variable to use in the analysis than the county typology."

The author's position that county typology is not one of the better predictors to use is exemplified by the report's comparison of Broome and Niagara Counties. While the report found that the two counties served the same average number of households in 1994, their costs per household were different. Broome's costs per case was calculated to be \$11 while Niagara's was calculated to be \$18. A review of the districts' non-personal service costs showed that while Niagara spent 43% more on salary and fringes it also reported \$414,698 more in non-personal expenditures. The difference in non-personal service costs can be attributed to the fact that Broome County did not claim county-wide A-87 costs or A-87 costs related to fraud and abuse activity even though the county incurred costs for those activities in 1994. Therefore, it is misleading to presume that Broome's cost per household were actually \$11 in 1994. It should be pointed out that the county can claim A-87 costs up to two years after they are incurred.

Another concern that we have with the report is that it does not offer ancillary information about the districts that were included in the Department's statistics. For example the two districts with the highest costs per household (Hamilton \$53 and Putnam \$49) were also those with the smallest caseloads. Including this information in the narrative would explain to the reader how there cannot be efficiencies of volume in these districts. The report does not comment on Hamilton's demographics nor does it mention that the district has the lowest percentage of public assistance

cases versus total food stamp households which further adds to the district's average cost per case. We believe that if Hamilton County is going to be used as an extreme example of costs per household that an explanation should be used to clarify the condition.

Lastly, when we were discussing the report's findings with the auditors, it was our understanding that the \$17 million in cost reductions was going to be stated as a "dollar variance." In our opinion "cost reduction" means savings and we do not believe there is sufficient basis in the report to justify the \$17 million amount.

Our response to the report's recommendations are as follows:

Recommendation: Develop more detailed cost allocation guidelines to be used by the districts when charging administrative costs to the various social programs.

Response: According to the report, the review determined that the documentation supporting the \$7.2 million in claims reported by the five districts audited were reasonably accurate. The \$48,000 in monthly costs determined to be inappropriately claimed is less than one percent of the total claims submitted. In view of that fact, we do not believe it is necessary to develop a more detailed cost allocation plan. The report was shared with the districts that were audited and those districts are aware of the necessary steps that must be taken to correct the deficiencies found.

Recommendation: Reinstruct district personnel to follow the Cost Allocation Plan procedures, including maintaining supporting documentation for administrative expenses related to the Food Stamp Program.

Response: We will remind all local districts of Bulletin 143b requirements and the need to use correct statistics for allocating costs in accordance with the cost allocation plan.

Recommendation: Periodically review district claims on a statewide basis to ensure that districts properly prepare their Food Stamp Program claims and that these claims are supported by complete documentation.

Response: Due to staffing limitations, the Department cannot audit all local district claims. However, New York City, Nassau, Suffolk, and Westchester claims are regularly reviewed for first level documentation. Claims from these districts comprise 75-80% of all statewide expenditures. It should be noted that all local district claims when entered into the Department's Automated Claiming System are checked for mathematical accuracy.

Recommendation: Determine why the administrative cost for the Food Stamp Program differ significantly among similar districts.

Response: The Department has performed some preliminary work on the reasons for varying administrative costs for all programs and found that several of the major variables that create variances are out of the Department's and local districts' control (e.g., prevailing wages). To the extent resources are available (in view of recently mandated welfare reform) the Department will consider follow up work in this area.

Recommendation: Develop performance standards for the number of cases that an examiner can effectively manage.

Response: Section 20-a of the Social Services Law prohibits the Department from establishing standards that would impact staffing levels assuming minimum federal standards are being met. Even if we were able to establish caseload standards it could impact on Federal quality control issues which can result in fiscal sanctions on the state and local districts if quality levels are not maintained. Districts need flexibility in meeting these quality standards in terms of cases per worker, in light of quality of staff and prevailing wage variances between counties. In addition, variances in caseload mix would hamper the Department's ability to establish standards regarding cases per worker.

Recommendation: Establish benchmark data as a basis for evaluating the reasonableness of the Food Stamp Program's administrative costs.

Response: As mentioned above, the Department will continue to examine administrative costs to the extent resources allow.

We trust you will consider our response before issuing the final report.

Sincerely,



David P. Avenius  
Deputy Commissioner  
Management Support and  
Quality Improvement