



CDSS

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May 9, 2016

ALL COUNTY WELFARE DIRECTORS LETTER

TO: ALL COUNTY WELFARE DIRECTORS

FROM: TODD R. BLAND
Deputy Director
Welfare to Work Division

SUBJECT: CALFRESH: INTEGRITY OF THE QUALITY CONTROL PROGRAM

REASON FOR THIS TRANSMITTAL

- ☐ State Law Change
- ☐ Federal Law or Regulation Change
- ☐ Court Order
- ☐ Clarification Requested by One or More Counties
- ☒ Initiated by CDSS

The California Department of Social Services (CDSS) is requesting your assistance in communicating with your staff and responding as needed to information contained in the USDA's Food and Nutrition Service (FNS) Administrative Notice 16-08 regarding quality control, issued January 21, 2016 (Enclosure A).

Quality control, as administered by the USDA, the states, and the counties, is a critical component to successfully administering the CalFresh Program and ensuring families and communities accurately receive nutrition assistance. As such, quality control processes at all levels must report valid statistical results. The additional guidance provided by FNS regarding quality control bias must be adhered to by the State and the counties, in order to preserve the integrity of the quality control program.

In the past three months, AN 16-08 has been shared and discussed at both the CDSS Food Assistance Action Committee (FAAC) meetings and the County Welfare Directors Association (CWDA) CalFresh and Self-Sufficiency Committees. Additionally, the CDSS is now formally transmitting the notice and is reminding the counties to facilitate any necessary adjustments as required by the USDA in order to be compliant. Adherence to the guidance provided will ensure the CalFresh program is administered effectively and maintains a high degree of integrity during the quality control process.

The Administrative Notice specifies certain activities that, when leveraged incorrectly, can potentially introduce bias to the quality control process: the use of 1) third party consultants, 2) second party reviews, and 3) error review committees.

First, if the State or a county enters into a contract with a third party consultant to help assess quality control processes, provide training, or manage any project that involves the interpretation of FNS regulations, policies, or handbooks, all activities and deliverables

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performed by the consultant must adhere to Federal regulations and policy. In the event that the third party consultant reviews individual cases in an effort to assess trends, the review must occur after the review results have been transmitted to FNS. Per the notice and effective immediately, the county must notify the State of its intent to hire a consultant at least 30 calendar days prior to entering into a contract and must submit a copy of all deliverables provided by the consultant once the contract is executed. Additionally, the State must be notified of any training sessions led by the contractor at least 10 days in advance and receive the documented discussion and any action taken when individual sampled cases are discussed.

Additionally, the notice provided clarification regarding second party review. If a county elects to implement second party review procedures, all cases or a sample of the cases must be reviewed to prevent bias. All types of cases, both error and non-error cases, should be assessed as part of the second party review. Subjecting only error cases to additional scrutiny introduces bias as error cases are being treated differently from cases not found in error. Applying additional scrutiny to cases originally found correct by the reviewer, may yield errors that were not initially identified. The emphasis of the second party review should be on the accuracy of the findings, not ameliorating payment errors found during the original review.

Lastly, the notice provided guidance regarding the proper and improper use of error review committees. These committees, previously promoted and endorsed by the FNS, are heavily utilized to review cases in order to assess trends for future corrective action planning. These committees operate most effectively when they include representation from quality control, policy, training, and technical staff responsible for eligibility systems. Although these committees are not prohibited by FNS, they can only be used to discuss trends or individual cases once the case results have been transmitted to FNS.

The CalFresh Branch looks forward to continued open collaboration with you and your staff regarding the new federal guidance. If you have any questions or would like to discuss this information further, please contact Tami Gutierrez, Chief of CalFresh Operations, at (916) 653-5420 or Tami.Gutierrez@dss.ca.gov, or Kim McCoy Wade, Chief of CalFresh Branch, at (916) 654-1896 or Kimmccoy.Wade@dss.ca.gov. Thank you for your partnership.

Enclosure



**United States Department of
Agriculture**
Food and Nutrition Service
Western Region

January 21, 2016

Reply to
Attn. of:

Administrative Notice 16-08
Quality Control Policy Memo 16-02

Subject:

Preventing Bias, Misusing Error Review Committees and Third Party Consultants,
Federal Access to State Systems, and States' Responsibility to Address Over and
Under Issuances Identified by Quality Control

To:

State SNAP Directors

The Supplemental Nutrition Assistance Program's (SNAP) quality control system is an integral component of FNS's responsibility to effectively administer the Program to ensure families and communities receive critical nutrition assistance while practicing strong public stewardship. As such, it is crucial that the quality control processes at the State and federal level report valid statistical results. This memorandum is intended to clarify existing regulatory and policy guidance to ensure awareness of our shared responsibility to preserve the integrity of SNAP's quality control system, based on findings from recent FNS reviews of State quality control operations. Furthermore, this memorandum establishes new procedures regarding the use of third party consultants to ensure that activities performed under contract are allowable SNAP administrative expenses.

The Review Process

The purpose of the SNAP quality control system is to determine the actual circumstances of the household and assess the accuracy of the eligibility and benefit allotment determination by State agencies. This measure is used to identify whether an improper payment occurred. To ensure the validity of the statistical reporting, it is critical that all sampled cases are reviewed using the same methodology and analysis. Following SNAP regulations at 275.14(b), States must follow the procedures outlined in the FNS 310 handbook to conduct quality control reviews. The 310 Handbook provides guidance on avoiding bias in the review process. It is the State's responsibility to establish procedures to ensure the same methodology and analysis are used to review all cases to prevent bias in its quality control system.

Quality control reviewers must verify all circumstances of the case in accordance with FNS policy and may not follow different procedures when an error is identified. Any attempt to single out error cases introduces bias into the quality control system. The following are examples of procedures that introduce bias:

- Applying second party review only to payment error cases. The purpose of the second party review is to ensure the quality control work is done

correctly following SNAP policies and procedures. Modifying State Quality Control Reviewer (SQCR) findings to offset an error or hide household circumstances from the quality control case file are against program rules. If a State elects to implement second party review procedures, the emphasis of the review should be on the accuracy of the findings, not ameliorating payment errors found during the review. All types of cases, both error and non-error cases, should be assessed as part of the second party review. Subjecting only error cases to additional scrutiny introduces bias as error cases are being treated differently from cases that were not found in error. If a State elects to implement second party review procedures, then all cases or a sample of cases must be reviewed to prevent bias. A second party review that provides additional scrutiny of cases originally found correct by the SQCR may yield errors that were not initially identified.

- Structuring SQCR performance metrics to encourage under counting errors. The State's error rate or the number of cases with payment errors discovered by State quality control should not factor into the performance rating for SQCRs. States must take precaution to ensure that performance metrics for SQCRs do not introduce bias by effectively encouraging the SQCR to under count errors. Furthermore, States may not incentivize the SQCR to find that the eligibility worker was correct in their initial determination. The objective of a SQCR is to determine the actual circumstances of the household and evaluate the accuracy of the initial determination and its applicability to the sample month based on applicable regulations and policy.
- Treating error and non-error cases differently. As noted earlier, quality control procedures do not allow error cases to be treated differently from non-error cases. Using different processes to verify household composition, income, deductions, or other information to offset or mitigate an error is not allowable. States must follow the FNS 310 Handbook and use standardized processes to determine monthly income and deductions that are consistent with Federal quality control procedures and State policy options to ensure all cases are treated the same.

Error Review Committees

The role of an error review committee is to review cases to assess trends for future corrective action planning. This process allows States to identify error trends discovered by quality control in order to implement process improvements or training to prevent future errors during the eligibility and benefit determination process. Committees operate most effectively when they include representation from quality control, policy, and technical staff responsible for eligibility systems. This allows for a variety of perspectives for how States may utilize training, process improvements,

or technology to prevent future errors from occurring based on the root causes identified through the quality control process.

In order to operate in accordance with SNAP policy, the error review committee may only review individual cases for future corrective action planning after case results have been transmitted to FNS. If a State uses an error review committee or supervisory review to examine cases identified as errors in order to mitigate findings by a SQCR prior to releasing case results to FNS, then the State has introduced bias into its quality control system. All discussions of quality control findings by State staff, whether or not formal committees are established, are considered error review committee activities by FNS and are subject to this policy.

The Use of Third Party Consultants

If a State elects to procure services of a third party consultant to help assess quality control processes, provide policy training, or manage any project that involves the interpretation of FNS regulations, policies, or handbooks, the State must ensure that all activities and deliverables performed by the third party consultant adhere to Federal regulations and policy. Activities performed or deliverables provided by a third party consultant that are not in accordance with Federal regulations or policies are unallowable SNAP administrative expenses and are not eligible for federal reimbursement.

Furthermore, if a State intends to hire or already has in place an existing contract with a third party consultant to train quality control reviewers regarding SNAP regulations, policies, or handbooks to improve payment accuracy, FNS requires the following procedures:

- The State must notify FNS in writing of its intent to hire a consultant at least 30 calendar days prior to entering into a contract.
- The State must submit to FNS a copy of the contract and supporting documentation that outlines all tasks and deliverables to be performed by the vendor. This is to be provided for all new contracts prior to ratification and all existing contracts within 30 calendar days from the date of this memorandum.
- The State must submit to FNS a copy of all deliverables provided by the vendor.
- The State must notify FNS of any training sessions led by the vendor, including the date, time, and location, at least 10 days in advance of the training. FNS reserves the right to attend any training session without prior notice.

- If the State schedules conference calls or meetings with the vendor to discuss individual sampled cases, the State must document the discussion and any action taken by the State within the case file. FNS reserves the right, upon request, to participate in any conference calls, meetings, or emails between the State and the vendor where individual sampled cases are analyzed.

Copies of requested documentation and notices stipulated above may be provided via email to the FNS Regional SNAP Program Director. These procedures are effective immediately.

Federal Access to State SNAP Eligibility and Quality Control Systems

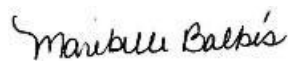
States may not restrict Federal reviewer access to State systems, certification files, or any information collected to determine the eligibility of a participant, or information maintained within the State SNAP quality control system. Additionally, States are required to provide Federal reviewers access to full certification case files and all data collected by the State to determine SNAP eligibility upon request by FNS per section 16(c)(4) and (5) of the Food and Nutrition Act of 2008, and 7 CFR 275.21. This information is necessary for Federal reviewers to conduct a thorough and independent assessment of the case results reported to FNS.

Taking Action to Address State Quality Control Findings

In accordance with 7 CFR 275.12(f), the SQCR must report all information verified to be incorrect during the review of an active case to the State agency for appropriate action to be taken by the eligibility worker. The State must establish a process to ensure that all incorrect information, variances and errors, regardless of the dollar amount, are reported and acted upon in a timely manner. This includes issuing benefits to correct any underissuance and examining the case in the claims process to determine if a claim should be established for any over-issuance found.

If you have any questions concerning this memorandum, please contact your Team Lead.

Sincerely,



MARIBELLE BALBES
Chief, Program Operations Branch
Supplemental Nutrition Assistance Program
Western Region