



Pandemic Food Assistance Programs

The California Department of Social Services
Has Struggled to Deliver Timely Food Assistance
Because of Unclear Federal Expectations and
Other Factors Beyond Its Control

October 2021

REPORT 2021-613





CALIFORNIA STATE AUDITOR

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October 28, 2021

2021-613

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As authorized by state law, my office conducted a state high-risk audit of the California Department of Social Services' (CDSS) management of federal funds related to the COVID-19 pandemic (pandemic). CDSS is responsible for managing these federal COVID-19 funds as a part of two food assistance programs: the Supplemental Nutrition Assistance Program (SNAP) and the Pandemic Electronic Benefit Transfer (P-EBT) program. SNAP is a food assistance program that existed before the pandemic for lower-income households and, during the pandemic, these households have been eligible for additional SNAP payments. P-EBT issues payments to families whose children qualify for reduced-price meals at a school or child-care site but who have not received those meals due to pandemic-related closures.

CDSS has effectively overseen the distribution of additional SNAP payments and it initially succeeded in quickly distributing P-EBT payments during the early months of the pandemic. However, CDSS has not delivered additional P-EBT payments in a timely manner. Families have had to wait an average of more than 200 days to receive payments that replaced missed meals from school year 2020–21. Nevertheless, the key reasons for delays in P-EBT payments were outside of CDSS's control. Delays were primarily caused by the timing of federal legislation and guidance, unclear federal expectations, and constraints related to CDSS's electronic benefit transfer card vendor and food retailers.

Furthermore, about 500,000 of the P-EBT cards—the physical cards through which the P-EBT payments are issued to families—that CDSS issued for school year 2019–20 have not been used. Some of these cards may remain unused because of undeliverable mail or confusion among families about the program. CDSS could reduce the risk that families unknowingly miss out on P-EBT payments by notifying schools when families do not use their payments and encouraging schools to follow up with those families.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle".

ELAINE M. HOWLE, CPA
California State Auditor

Selected Abbreviations Used in This Report

CDE	California Department of Education
CDSS	California Department of Social Services
EBT	Electronic benefit transfer
FIS	Fidelity Information Services
P-EBT	Pandemic Electronic Benefit Transfer
SNAP	Supplemental Nutrition Assistance Program
SNAP-EA	SNAP emergency allotments
USDA	U.S. Department of Agriculture

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Summary

Results in Brief

As COVID-19 cases rose and the State directed residents to stay at home in March 2020, the number of unemployed Californians more than tripled and schools suspended in-person learning. During this same period, growing numbers of Californians reported that their children did not have reliable access to food. To help address the increasing levels of food insecurity throughout the country, the federal government authorized additional forms of food assistance for families.¹ First, Congress authorized states to provide additional payments to families enrolled in the already existing Supplemental Nutrition Assistance Program (SNAP). These additional payments were known as emergency allotments (SNAP-EA). Second, Congress created a new food assistance program—Pandemic Electronic Benefit Transfer (P-EBT)—to provide payments to families whose children ordinarily would have received free or reduced-price meals at their school or child-care site. The California Department of Social Services (CDSS) oversees both programs in California. Each program provides assistance through a benefit card onto which CDSS loads a household's payments.

CDSS has been able to quickly distribute SNAP-EA payments to eligible families, and it was able to issue most P-EBT payments for March through June 2020 as well as August and September 2020 with minimal delays. However, CDSS has taken many months to issue P-EBT payments for the majority of school year 2020–21 and all of summer 2021, undermining the program's purpose. As a result of these delays, families have had to wait an average of more than 200 days to receive P-EBT payments that were intended to provide assistance in lieu of the free or reduced-price meals their children would have ordinarily received from October 2020 through January 2021. CDSS projected that families will have to wait at least 209 days on average to receive payments intended for the remainder of school year 2020–21.

However, the key factors that have delayed CDSS's issuance of P-EBT payments have largely been outside of its control. CDSS must complete numerous steps before it can issue payments, and the key steps depend partly or entirely on other entities, including Congress and the U.S. Department of Agriculture (USDA). We determined that three particular factors have significantly delayed CDSS's completion of the required steps and, by extension, caused

Audit Highlights . . .

Our audit of CDSS's management of federal funds related to the pandemic highlighted the following:

- » *CDSS quickly distributed P-EBT payments for March through June 2020, but it has taken many months to issue P-EBT payments for most of school year 2020–21 and all of summer 2021.*
- » *Key factors that caused the delays have largely been outside of CDSS's control.*
 - *The timing of federal legislation and associated guidance created a delay in establishing the program.*
 - *Federal expectations were not communicated clearly, which caused CDSS to have to repeatedly revise and resubmit its P-EBT plan for approval.*
 - *Both the vendor that produces the State's benefits cards and food retailers that accept the cards have capacity constraints.*
- » *As of September 2021, about 500,000 of the P-EBT cards issued for school year 2019–20 had not been used at all, leaving at least \$182 million in payments unclaimed.*

¹ The federal law we discuss in this report uses the term *household* when discussing eligibility for the COVID-19 pandemic (pandemic) food assistance programs we reviewed. Because these programs address food insecurity among those responsible for caring for children, we use the terms *family* and *household* interchangeably in this report.

families to experience long waits for payments. First, the timing of federal legislation and the associated USDA guidance created an unavoidable delay in establishing P-EBT for school year 2020–21. Second, the federal government did not clearly communicate its expectations regarding states' distribution of school year 2020–21 payments, causing CDSS to have to repeatedly revise and resubmit its P-EBT plan to USDA for approval. Third, CDSS has had to work with the capacity constraints of both the vendor that produces the State's benefit cards and the food retailers that accept the cards.

Although most families who have received P-EBT payments are now using that assistance, CDSS could take additional steps to ensure that all eligible households benefit from the program. As of September 2021, about 500,000 of the P-EBT cards that CDSS issued for school year 2019–20 had not been used at all, leaving at least \$182 million in payments unclaimed. Further, families likely can no longer access some of these payments because the payments expire after 365 days of inactivity. Families may be uncertain of the program's rules or, in cases where CDSS received cards returned as undeliverable, they may not be aware that the program exists. CDSS could reduce the risk that families unknowingly miss out on needed assistance from school year 2020–21 and summer 2021 and future rounds of P-EBT by notifying schools when families do not use their payments and encouraging the schools to follow up with those families.

Summary of Recommendations

CDSS should identify the schools attended by children whose families have not used their P-EBT payments and request that those schools provide these families with basic information about the program and their eligibility.

Agency Comments

CDSS agrees with our findings and recommendations, and it plans to implement our recommendations. We provide one minor clarification to its response on page 29.

Introduction

Background

According to the U.S. Department of Agriculture (USDA), an average of nearly 10 percent of California's households experienced food insecurity from 2017 through 2019. The COVID-19 pandemic (pandemic) further exacerbated this problem. According to Northwestern University, in the early weeks of the pandemic—from April 2020 through May 2020—food insecurity more than doubled, from about 9 percent of California households to almost 22 percent. Further, from June 2020 through July 2021, an average of 27 percent of Californian respondents to a weekly U.S. Census Bureau survey on the impact of the pandemic reported that their children sometimes or often were not eating enough because food was unaffordable.

What Is Food Insecurity?

A family experiencing *food insecurity* is one that is sometimes unable to acquire adequate food for one or more household members because of insufficient money or other resources for food.

Source: USDA.

The Federal Government Has Provided Food Assistance in Response to the Pandemic

In response to the pandemic, Congress passed and the President signed into law the Families First Coronavirus Response Act (Families First Act) in March 2020. This action altered an existing federal food assistance program and also created a new food assistance program to address circumstances unique to the pandemic.

SNAP-EA

The Families First Act provided that states that met certain requirements could issue additional payments to families that were participating in the Supplemental Nutrition Assistance Program (SNAP). For at least the last three decades, the federal government has allowed states to distribute SNAP financial assistance to eligible low-income individuals and families through an electronic benefit transfer (EBT) card that the individuals and families can use to purchase staple foods, such as fruit, meat, and bread. As the text box on page 4 explains, the California Department of Social Services (CDSS) manages SNAP, while counties administer the payments. Eligible households generally receive SNAP payments through deposits to their EBT cards over the first 10 days of every intended benefit month—the month for which the payments were intended. From October 2018 through September 2019—the most recent federal fiscal year for which data not affected by the pandemic were available—SNAP payments ranged from a

maximum monthly allotment of \$192 for an individual to \$1,155 for a household of eight, with an additional \$144 per person more than eight. USDA data shows that during that period, the average California SNAP payment was \$141 per person and an average of 3.5 million Californians participated in the program each month.

CDSS and County Roles in the Implementation of SNAP

CDSS maintains oversight of SNAP by providing guidance.

Counties administer and deliver SNAP payments through the Statewide Automated Welfare System (SAWS) project.

SAWS serves California's 58 counties through three different county-level consortia systems. These systems collectively support eligibility determinations, payment calculations and distribution, and case management.

Source: CalSAWS Executive Overview and CDSS's website.

Pursuant to the Families First Act, SNAP participants became eligible to receive increased payments through emergency allotments (SNAP-EA), provided that certain public health conditions existed and that states applied for federal approval to issue these payments. The Families First Act generally allowed CDSS to request and receive federal approval to issue SNAP-EA payments to eligible households through their existing EBT cards. SNAP-EA essentially increased a participating household's SNAP monthly allotment to the maximum monthly allotment for a household of that size. For example, in June 2020, a three-person household's maximum allowable monthly payment under the

standard SNAP program was \$509. Therefore, if a three-person household normally received a monthly SNAP payment of \$299, they also received a SNAP-EA payment of \$210, for a total of \$509.

P-EBT

The Families First Act also created a new food assistance program to respond to the rapid and widespread closure of schools. Specifically, it allowed USDA to approve state plans to provide assistance to households with eligible children who generally would have received free or reduced-price meals at school if not for their school's pandemic-related closure of at least five consecutive days. To provide these payments, USDA approved plans to administer the Pandemic Electronic Benefit Transfer (P-EBT) program. As its name suggests, P-EBT is similar to SNAP in that it provides payments to eligible households through EBT cards.

In California, CDSS manages P-EBT in partnership with the California Department of Education (CDE), which maintains data related to children who are eligible for free or reduced-price meals at schools. The Families First Act provided for states to make P-EBT payments through the end of September 2020, which encompassed the end of school year 2019–20 and the early weeks of school year 2020–21. In California, CDSS issued payments under the Families First Act for March through June of 2020 as well as August and September of 2020; these payments ranged

from \$57 to \$120 a month per child. However, additional legislation extended the P-EBT program fully into school year 2020–21 and also expanded the eligible population of children to include children generally under the age of six who are receiving SNAP. The table shows each P-EBT payment period for which California has an approved P-EBT plan and the authorizing federal legislation. In March 2021, Congress authorized the P-EBT program in any school year in which there is a public health emergency. Accordingly, USDA published guidance in August 2021 describing the process that states should follow to apply for authorization to operate P-EBT programs in school year 2021–22. According to CDSS, as of the publication of this report, California is in the earliest stages of applying for school year 2021–22 approval.

Table

California Currently Has Federal Approval of P-EBT Plans for Four Time Periods

P-EBT PLAN	ELIGIBLE GROUP	BENEFIT PERIOD	PAYMENTS ISSUED AS OF AUGUST 2021	ESTIMATED PAYMENTS REMAINING	FEDERAL LEGISLATION
<i>School Year 2019–20</i>	School-age children	March 2020 through June 2020 (4 months)	\$1,582,000,000	–	Families First Act
<i>School Year 2020–21</i>	School-age children	August 2020 through May 2021 (10 months)	2,927,000,000*	\$1,992,000,000	Continuing Appropriations Act, 2021 and Other Extensions Act
<i>School Year 2020–21</i>	Children under the age of six	October 2020 through May 2021 (8 months)	273,000,000	711,000,000	Consolidated Appropriations Act, 2021
<i>Summer 2021</i>	School-age children and children under the age of six	June 2021 through August 2021 (3 months)	–	1,875,000,000	American Rescue Plan Act of 2021
Totals			\$4,782,000,000	\$4,578,000,000	

Source: Federal law and CDSS's P-EBT plans and financial reports.

* Total includes \$627 million of payments that CDSS issued in second half of 2020 as part of a plan that USDA approved for the months of August and September 2020.

The Management of Federal Funds Related to COVID-19 Is a High-Risk Issue

Our office designated the State's management of federal funds related to COVID-19 as a high-risk statewide issue in August 2020 based on the significant amount of funding the State received,

its urgent need for that funding, and its rapid allocation of the funding to state agencies, among other factors.² As of August 2021, combined SNAP-EA and P-EBT payments represent \$10.3 billion in federal aid that California has needed to quickly manage and distribute. Accordingly, we reviewed CDSS's administration of SNAP-EA and P-EBT to determine whether the State has delivered payments accurately and quickly to eligible households.

² *State High Risk Update: The California State Auditor Has Designated the State's Management of Federal COVID-19 Funding as a High-Risk Issue*, Report 2020-602, August 2020.

Audit Results

CDSS Quickly Provided SNAP-EA Payments, but Families Have Waited Months to Receive P-EBT Payments

When we reviewed CDSS's implementation of SNAP-EA, we found that it adequately ensured that families received the payment amounts for which they were eligible in a timely manner. As we discuss in the Introduction, CDSS oversees the counties' implementation of SNAP. From March 2020 through April 2021, CDSS oversaw the distribution of more than \$3.8 billion in SNAP-EA payments disbursed to an average of 1.5 million households per month. During this period, the federal government revised the rules for calculating SNAP and SNAP-EA payment amounts several times, likely in response to the changing pandemic environment. CDSS provided appropriate guidance to counties to ensure that they were aware of these new rules, and the counties adjusted their payment formulas to ensure that they calculated SNAP-EA payments correctly.

Further, households enrolled in SNAP have received their SNAP-EA payments relatively quickly. CDSS generally requires counties to issue a SNAP-EA payment no more than four weeks after the end of the benefit month for which a household received its regular SNAP payment. We reviewed a selection of SNAP-EA payments that one county issued and found that it consistently provided the payments within the four-week period that CDSS requires.

In contrast, California's families participating in P-EBT have faced significant wait times, even though delivering these payments promptly is critical to helping children experiencing food insecurity during the pandemic. Congress created P-EBT to ensure that families with children who would generally have received free or reduced-price meals at a school or child-care site would receive financial assistance to replace the meals that the children could not receive because of pandemic-related closures. When families have to wait for this financial assistance, it increases the risk that some may not be able to afford to provide these meals. We therefore expected that CDSS would have issued P-EBT payments during or soon after each benefit month, as it does for SNAP-EA.

In fact, CDSS issued most P-EBT payments for March through June of school year 2019–20 as well as August and September of 2020 with minimal delays. It was able to issue these payments so quickly in part because of quick federal approval of its plans to distribute them and in part because—as we describe in more detail later—USDA permitted a straightforward method for calculating the payment amounts for these periods. As a result, most families received P-EBT payments an average of 30 days after the beginning

of the benefit month in question for March through June as well as August and September of 2020.³ In contrast, families had to wait more than 200 days on average to receive P-EBT payments intended to cover their children's missed free or reduced-price meals from October 2020 through January 2021, as Figure 1 shows. Specifically, families with children under the age of six had to wait 226 days on average for payments meant to replace meals at child-care sites. Families with school-age children had to wait even longer—at least 264 days on average. Moreover, CDSS projected that families of children in both age groups will have to wait at least 209 to 243 days on average for payments intended for the remainder of school year 2020–21. CDSS estimated that it will not finish distributing payments to families for school year 2020–21 and summer 2021 until late 2021.

These delays have undermined the intent of P-EBT. As we describe in more detail throughout the rest of this report, the delays have largely been the result of circumstances outside of CDSS's control. Nonetheless, we believe that CDSS can take additional steps to ensure that all eligible families are aware of and receive their P-EBT assistance.

Factors Outside of CDSS's Control Have Delayed Its Ability to Quickly Distribute P-EBT Payments

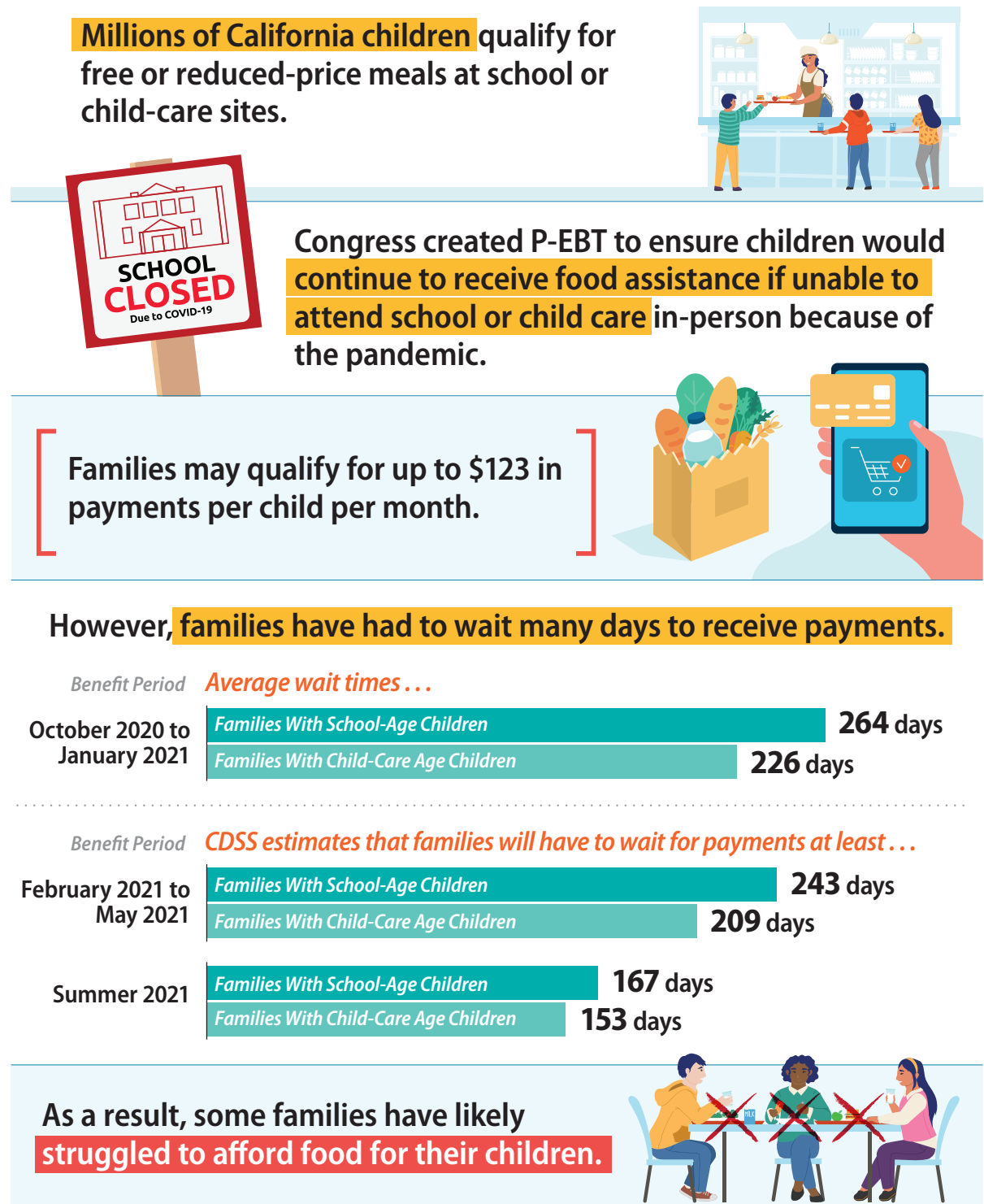
Before a family in California can receive P-EBT payments, a three-stage process must occur:

- Congress and USDA specify the rules and requirements that states must follow to distribute payments.
- CDSS submits a P-EBT plan to USDA that explains how it will issue payments, and USDA approves the plan.
- CDSS implements its P-EBT plan by identifying eligible families and producing and distributing EBT cards.

We identified key factors that have delayed CDSS's delivery of P-EBT payments related to each of these three stages. These factors include the timing of federal legislation and associated guidance from USDA, unclear federal expectations regarding acceptable P-EBT plans, and the capacity constraints of CDSS's EBT card vendor and of food retailers. All of these factors are largely outside of CDSS's control.

³ As we discuss later in the report, CDSS initially required some families to apply in order to verify their information. For those families, wait times depended on when they applied and when CDSS processed their applications. For our purposes here, we calculated the weighted average wait time for approximately 2.1 million benefit cards, which is equivalent to the number of children CDSS estimated did not need to apply for payments.

Figure 1
Families Are Having to Wait Months to Receive P-EBT Payments



Source: Analysis of U.S. Department of Education free and reduced-price meal data; federal law; and CDSS's P-EBT plans, payment data, and payment projections as of July 2021.

The Timing of Federal Legislation and Guidance Created an Initial Delay in P-EBT Payments for School Year 2020–21

One of the reasons CDSS did not issue timely payments to families for school year 2020–21 is that the federal government took several months to authorize the program and issue related guidance. P-EBT payments are federally funded. In order for a state to access these federal funds, Congress must appropriate funds and authorize the program and a state must receive approval from USDA. Therefore, CDSS could not reasonably be expected to distribute payments for school year 2020–21 until after Congress enacted legislation authorizing P-EBT for that period and USDA issued guidance clarifying what information states must include in their P-EBT plans to obtain its approval.

The timing of federal legislation made it highly likely that families with children who had missed free or reduced-price meals in the early months of school year 2020–21 would not receive timely payments to replace those meals. When Congress created P-EBT in March 2020, it authorized payments only through September 2020. As a result, states initially lacked the authority to issue payments for most of school year 2020–21 even if schools remained closed to in-person instruction because of the pandemic. Congress authorized payments for the remaining months of school year 2020–21 on October 1, 2020. Because USDA and the states still needed to develop guidance and plans for distributing these payments, the timing of the federal legislation not only essentially guaranteed that families would not receive payments for October 2020 until after that month passed but also increased the likelihood that CDSS would struggle to distribute payments for the rest of the school year in a timely manner.

Congress amended the federal P-EBT requirements for school year 2020–21 in late December 2020, several months after its initial authorization of the program and the start of that school year.

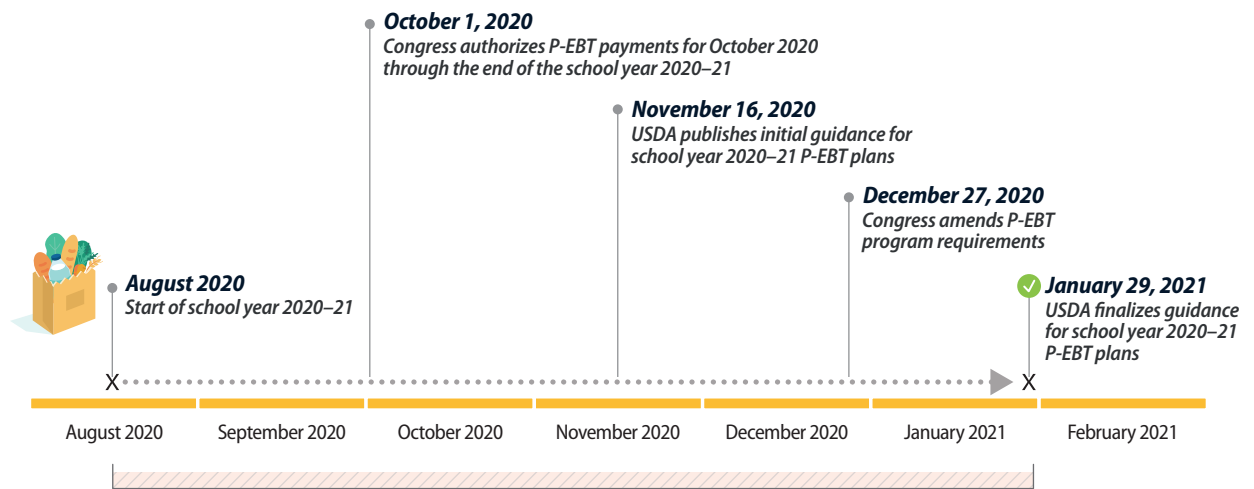
Further, Congress amended the federal P-EBT requirements for school year 2020–21 in late December 2020, several months after its initial authorization of the program and the start of that school year. These changed requirements altered the way states could administer their programs and prompted USDA to reissue guidance for program administration. Figure 2 shows the key events in the roll out of P-EBT payments for school year 2020–21.

The timing of USDA's issuance of guidance to states further constrained CDSS's ability to deliver payments quickly. USDA's guidance takes two primary forms: an application template and supplemental documents that describe what to include in the plan and answer common questions about the program requirements. Because federal law requires states to obtain USDA's approval for the plans they develop to provide P-EBT payments, a key constraint on CDSS's ability to distribute these payments was USDA's release of its guidance. As Figure 2 shows, the time USDA

took to issue guidance further delayed the earliest possible date by which California could begin issuing P-EBT payments for school year 2020–21. Ultimately, because of Congress’s December 2020 changes, USDA did not finalize its application and supplemental documents for P-EBT plans for school year 2020–21 until late January 2021.

Figure 2

The Federal Government Did Not Finalize P-EBT Rules for School Year 2020–21 Until Long After Children Were Eligible for Payments



The federal government did not finalize rules for most of school year 2020–21 until about 170 days after the school year began for many children.

Source: Federal law, USDA guidance, and CDSS’s school year 2020–21 P-EBT plan for school-age children.

The timing of the enacting legislation for a particular benefit period nor the associated USDA guidance are not factors that CDSS can control. Therefore, the department could do little to address or mitigate the delay resulting from these factors.

Unclear Federal Expectations Hindered CDSS’s Ability to Obtain Approval of Its School Year 2020–21 P-EBT Plans

USDA’s unclear expectations regarding what qualified as a sufficient P-EBT plan also delayed CDSS’s distribution of food assistance payments for school year 2020–21. For school year 2019–20 and August and September 2020, USDA permitted a straightforward

Calculating P-EBT payments for school year 2020–21 was more complex because CDSS needed to know the status of each of the schools in the State as either closed, open, or partially open.

approach for calculating these payments. In contrast, as Figure 3 demonstrates, calculating P-EBT payments for school year 2020–21 was more complex because CDSS needed to know the status of each of the schools in the State as either closed, open, or partially open. CDSS reported to USDA that this element of the changed requirements was particularly challenging because neither CDSS nor CDE had previously collected this information.

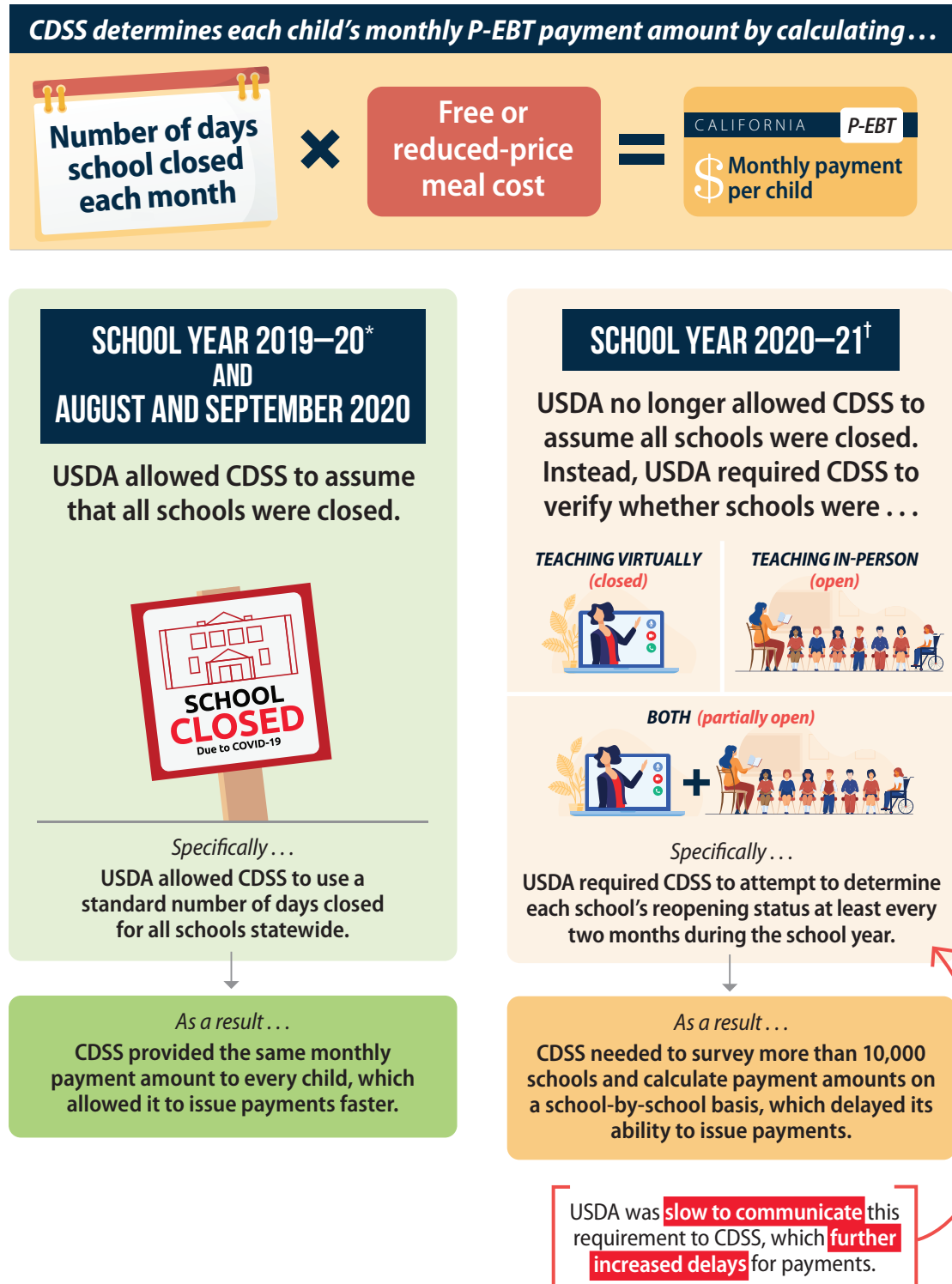
Congress allowed states to simplify the process of calculating payment amounts for school year 2020–21. In October 2020, when it fully extended P-EBT into school year 2020–21, it permitted states to use “simplifying assumptions” and “the best feasibly available data” to calculate payment amounts and establish eligibility periods. In December 2020, Congress further clarified that states could use the simplifying assumptions and best feasibly available data to determine a school’s status as opened or closed or to set a standard payment amount for regions within the state or for the state as a whole. Congress cited statewide or local pandemic-related public health ordinances as an example of information on which states might base their simplifying assumptions.

CDSS then incorporated simplifying assumptions about the reopening status of schools into the school year 2020–21 P-EBT plan for school-age children that it submitted to USDA in January 2021. To justify using those assumptions, CDSS indicated that the time it would take to complete the administrative tasks required to determine payment amounts at the student level would prohibit it from achieving the intended goal of providing timely nutrition assistance to children in response to the ongoing public health emergency. At the time of its January 2021 plan, CDSS found that more than 99 percent of enrolled children lived in counties in which the California Department of Public Health (CDPH) had restricted the schools’ ability to offer in-person instruction. Therefore, to simplify the payment calculation, CDSS proposed a standard statewide payment amount of \$117 per month for all months of the school year and for all eligible school-age children.⁴ In other words, CDSS proposed to avail itself of the option to use a simplifying assumption that Congress had indicated was allowable when it clarified federal law in December 2020.

⁴ To reach this amount, CDSS multiplied \$5.86—the cost for each school meal for school year 2020–21—by 20, which is the average number of school days in a month.

Figure 3

Changing Federal Requirements Complicated CDSS's Task of Calculating P-EBT Payment Amounts for School Year 2020–21



Source: Interviews with USDA staff, CDSS's approved P-EBT plans, and CDE data.

* This period covers March through June 2020.

† This period covers October 2020 through May 2021.

CDSS reiterated to USDA that an effort to determine payment amounts at the individual level would require an extraordinary effort.

CDSS's approach appeared to align with USDA's guidance. As Figure 4 shows, CDSS submitted its plan four days before USDA published detailed guidance on January 29, 2021, about how states could use simplifying assumptions.⁵ In that guidance, USDA explained that states should align school year 2020–21 payment amounts as closely as possible to children's circumstances, but it also encouraged states to make reasonable simplifying assumptions. USDA acknowledged that it might not be feasible to determine the circumstances of individual students or even the reopening status of each individual school, and it therefore permitted states to set a standard payment amount at the district, regional, or state level as long as the state provided information in its plan to justify its decision.

Nonetheless, in February 2021, USDA informed CDSS that it needed to revise its P-EBT plan to include more specific data to support its proposal to issue a standard payment amount to all eligible school-age children. USDA believed that California's public health orders were insufficient for approximating schools' reopening status. Specifically, USDA noted that the public health orders permitted schools with nearly half of the State's enrolled population to reopen in select circumstances, and it expressed concern that some schools might have done so in the first half of the school year. In response, CDSS submitted a revised plan later in February 2021 in which it proposed to calculate payments for the first half of the school year based on county-level public health orders and, going forward, to approximate schools' reopening status using data from a newly developed survey of school districts in California. CDSS reiterated to USDA that an effort to determine payment amounts at the individual level would require an extraordinary effort.

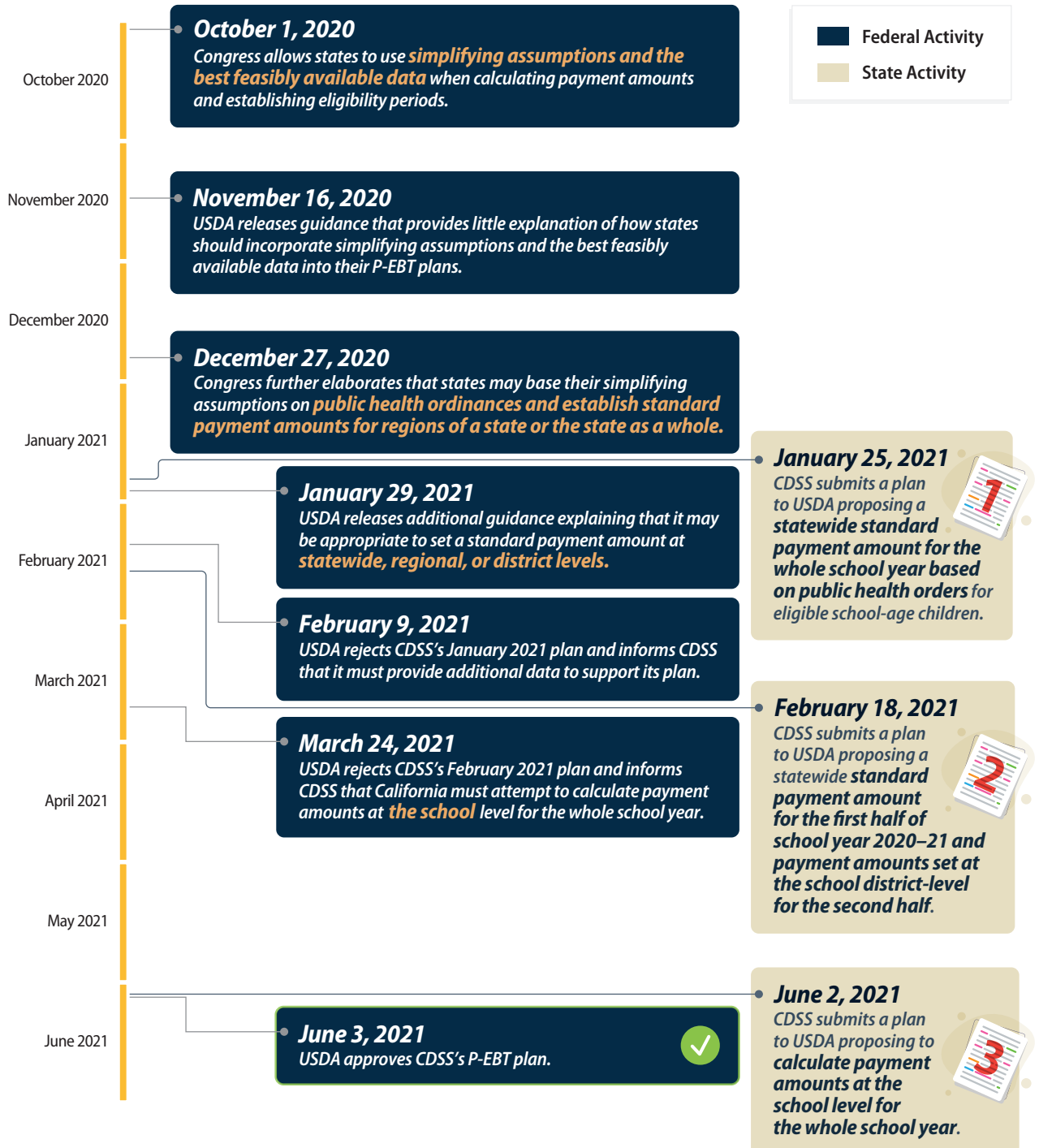
USDA also rejected this second proposal. When we asked the USDA's Western Region SNAP integrity branch chief—who was responsible for overseeing the P-EBT plan approval—why USDA declined to grant approval, she stated that USDA decided that states needed to at least attempt to identify the reopening status of every individual school. She stated that USDA communicated this expectation to CDSS in March 2021, after CDSS had twice submitted its plans for school-age children.

Although USDA did not approve CDSS's first two P-EBT plans for school-age children for school year 2020–21, we found that the approach CDSS proposed in each was reasonable. When we compared CDSS's plans to federal law and USDA's guidance,

⁵ Although USDA published some guidance for school year 2020–21 in November 2020, it included little discussion of simplifying assumptions.

Figure 4

CDSS's P-EBT Plan for School-Age Children for School Year 2020–21 Generally Aligned With Federal Guidance, but USDA Required Revisions That Delayed Payments



Source: Federal law, USDA guidance, CDSS's P-EBT plan documents, and email correspondence between CDSS and USDA.

USDA finally approved CDSS's plan in June 2021 after CDSS agreed to survey individual schools about their reopening status and to calculate payment amounts based on this information.

we did not identify any clear way that either plan deviated from the law or the guidance. In particular, both plans appear to have been consistent with USDA's guidance for using simplifying assumptions to determine a school's reopening status. Although USDA had concerns that CDSS's January 2021 plan made overly broad assumptions with respect to whether schools had reopened earlier in the school year, CDSS effectively answered these concerns in its February 2021 submittal. Specifically, it shared the results of a survey of the 25 largest school districts in the State with all but one stating that they were closed from August 2020 until early January 2021. Moreover, USDA indicated in November 2020 and January 2021 that it would consider approving plans with alternative approaches that might not align entirely with its guidance if the plans met statutory requirements. Consequently, despite the considerable amount of time it took CDSS to obtain USDA approval, we found no reason to fault CDSS for its approach. USDA finally approved CDSS's plan in June 2021 after CDSS agreed to survey individual schools about their reopening status and to calculate payment amounts based on this information.

Nonetheless, the timing of USDA's previous communications with CDSS and the resulting work CDSS needed to perform to align its plan with USDA's expectations significantly delayed the distribution of payments to families in need. The two sets of revisions that USDA required took CDSS a total of 129 days after submitting its first plan in late January 2021. In addition, CDSS stated that it deferred work on other P-EBT plans, such as its school year 2020–21 plan for children under the age of six and its plan for summer 2021 while it assessed how it would identify the reopening status of more than 10,000 schools.⁶ These lengthy delays likely increased hardship for families struggling to provide adequate food to their children.

Implementation Constraints Have Also Slowed CDSS's Distribution of P-EBT Payments

A final major element that has delayed Californians' receipt of P-EBT assistance is the time CDSS has needed to implement its approved plans for school year 2020–21 and summer 2021. CDSS has had to complete certain key tasks before it could begin distributing payments. For example, to ensure that it had sufficient data to calculate payment amounts for school year 2020–21, CDSS needed to allow schools time to report their reopening status. It then needed

⁶ It also took CDSS three attempts to obtain USDA approval for its plan for children under six. CDSS included children under the age of six in the plan for school-age children that it submitted in February 2021, which USDA did not approve, and CDSS resubmitted two more plans in April and May 2021. USDA approved CDSS's third submission in May 2021.

to contact any schools that did not initially indicate their status and, if the schools still did not respond, to estimate those schools' reopening status by analyzing the responses of nearby schools.

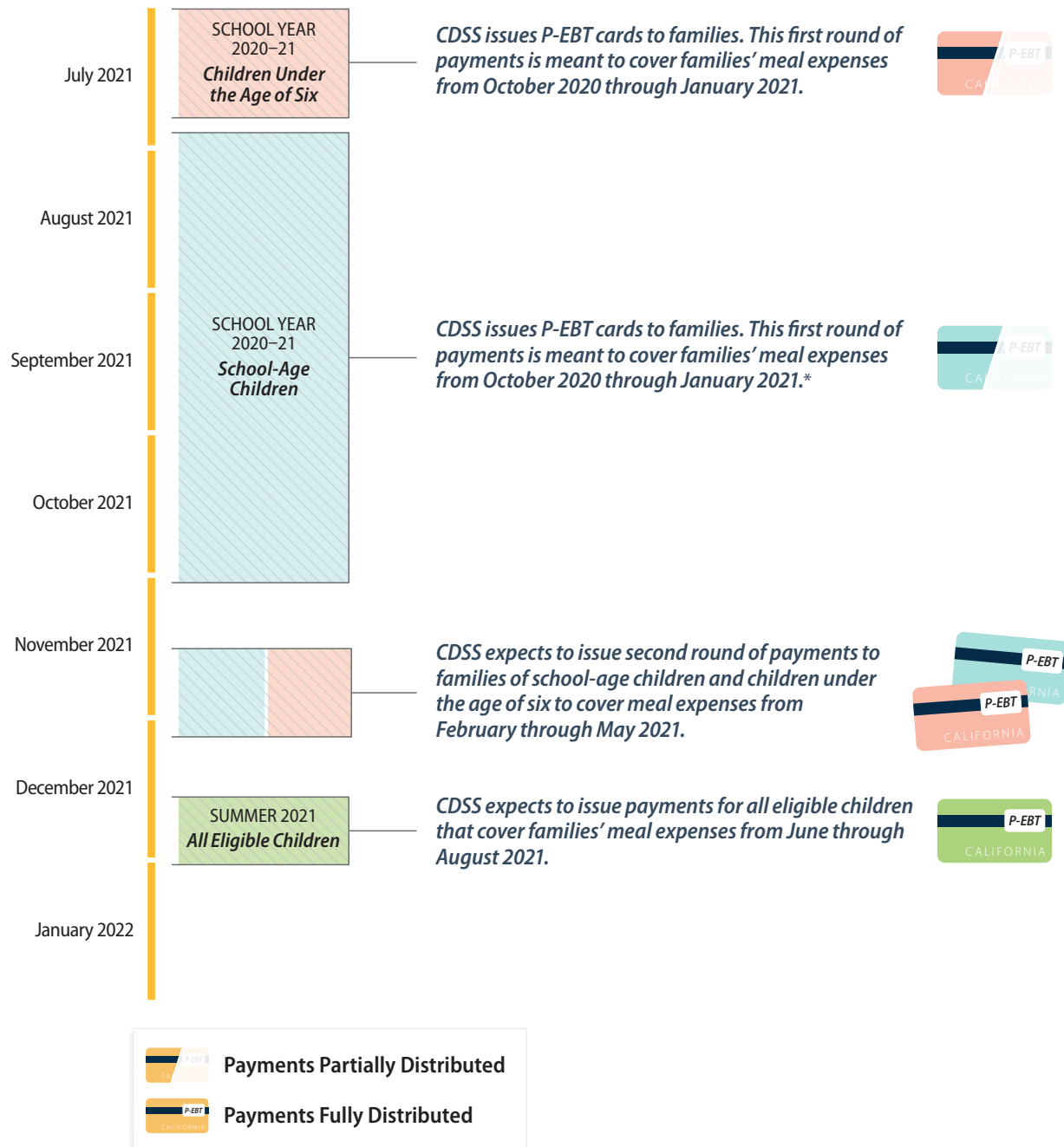
We found that two constraints in particular have played large roles in delaying payments during CDSS's implementation process. The first is the fixed capacity of CDSS's EBT card vendor. Because P-EBT delivers payments using EBT cards, the rate at which CDSS can produce these cards has limited how quickly it can distribute payments. Since at least 2016, California has contracted with Fidelity Information Services (FIS) to produce, mail, and manage EBT cards for the SNAP program.⁷ According to the Food Research & Action Center—a nonprofit focused on reducing poverty-related hunger—25 other states have also relied on FIS to produce P-EBT cards. Further, California contracts with FIS to produce EBT cards for 12 other programs that use these cards, such as SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children. Therefore, CDSS could not use the maximum capacity of FIS to solely produce P-EBT cards without suspending or slowing the production of EBT cards for other assistance programs.

Staff we spoke with at CDSS said that negotiations with FIS about how many cards it could produce in a particular period were almost entirely verbal and not documented. That fact limits our ability to determine whether CDSS could have negotiated with FIS to produce P-EBT cards at a faster rate. According to CDSS, FIS needed 17 days to mail P-EBT cards to the families of the about 546,000 eligible children under the age of six. As of July 2021, CDSS projected it would take FIS up to 88 days to distribute cards to the families of the about 4 million school-age children it estimated were eligible for P-EBT for school year 2020–21.

The time it takes FIS to produce EBT cards is not the only limitation on CDSS's payment distribution. Based on USDA guidance, CDSS has chosen to deliver payments in a staggered fashion, by initially loading P-EBT cards with only a portion of a family's payments and then loading the remaining payments at a later date. In January 2021, USDA recommended that states issue payments in multiple batches "to limit pressure on the supply chain" and to protect the program against fraud. As Figure 5 shows, CDSS is issuing payments in batches—one for the first half of the school year, one for the second half, and one for the summer—lengthening the amount of time families must wait for their payments.

As of July 2021, CDSS projected it would take FIS up to 88 days to distribute cards to the families of the about 4 million school-age children.

⁷ The Office of Systems Integration—a separate state entity dedicated to procuring and managing technology systems—contracts with FIS on behalf of CDSS.

Figure 5**CDSS Is Issuing School Year 2020–21 P-EBT Payments in Multiple Rounds**

Source: Analysis of CDSS's P-EBT payment projections as of July 2021.

* CDSS is issuing some supplemental payments to school-age children for the months of August and September 2020, but it issued the most payments for these two months in the second half of 2020.

For example, CDSS projects that families of children under the age of six will have to wait until November 2021 to receive payments that cover the months of February 2021 through May 2021. According to CDSS, issuing payments in batches reduces the risk that families will overwhelm food retailers by spending large amounts at once. CDSS also explained that it reduces the incentive for the theft of P-EBT cards since a particular card will have fewer funds on it at a given time.

CDSS's decision to issue payments in batches has extended wait times for critical food assistance payments. Nonetheless, the decision appears reasonable given that USDA issued guidance recommending that states do so. Had CDSS disregarded USDA's guidance and sought to issue payments in a single lump sum, it could have jeopardized its chances of obtaining USDA's approval of its P-EBT plans, which in turn might have required it to make more time-consuming revisions and further delayed payments to families.

CDSS's decision to issue payments in batches appears reasonable given that USDA issued guidance recommending that states do so.

CDSS Has Recently Taken Steps to Reduce Wait Times for P-EBT Payments

Although the key elements that delayed CDSS's issuance of payments have been largely outside its control, it has leveraged other factors to reduce the amount of time families have to wait to receive assistance. In particular, CDSS has mitigated delays for school year 2020–21 by eliminating an application requirement. In addition, it has expedited payments for summer 2021 by reusing families' existing P-EBT cards.

When it administered school year 2019–20 P-EBT payments, CDSS required many families to apply for assistance. According to CDSS, the primary purpose of the application was to identify children's correct addresses so it could mail their P-EBT cards. At the time CDSS launched P-EBT, it believed that the mailing address data for nearly half of the State's approximately 3.5 million eligible children were unreliable. We believe that CDSS's concerns about these addresses were reasonable because, according to CDSS, neither it nor CDE—the agency that collected the data—typically used those addresses to contact students; thus, schools had little incentive to routinely review and update them. To address that concern, CDSS required the families for which it had unreliable addresses to apply for P-EBT.

CDSS's use of an application was similar to the approach taken by other states we reviewed.⁸ Nonetheless, the application requirement appears to have significantly contributed to delayed payment for many families. Specifically, in April 2021—10 months after school year 2019–20 ended—CDSS reported that the families of more than 500,000 eligible children had yet to receive assistance for school year 2019–20. These families had either never applied or had submitted an application that CDSS did not process because either the families or the children's schools appeared to have submitted incorrect information.⁹

In an effort to speed up its distribution of assistance, CDSS did not require families to apply for P-EBT for school year 2020–21. CDSS stated that it performed outreach to schools in the months after USDA approved its school year 2019–20 plan; and through that outreach, it collected sufficiently reliable mailing address data. Therefore, in April 2021, CDSS requested and obtained USDA's approval to automatically issue payments to the families of the 500,000 children who had yet to receive them for school year 2019–20, and it has been automatically issuing payments to all eligible families for school year 2020–21. It intends to do the same for summer 2021 payments.

CDSS has further reduced delays by reusing families' P-EBT cards and reloading them with new payments.

CDSS has further reduced delays by reusing families' P-EBT cards and reloading them with new payments. Even though many families eligible for P-EBT in school year 2020–21 had likely already received a P-EBT card with school year 2019–20 payments, CDSS chose to issue new P-EBT cards to all eligible families for school year 2020–21. CDSS was reasonably concerned that families might have exhausted their school year 2019–20 assistance and disposed of their P-EBT cards in the months before the federal government announced that it was extending the program. However, CDSS has now instructed families to retain the P-EBT cards it sends them with their initial payments for school year 2020–21 because it will reuse these cards for issuing additional payments. This step will eliminate the delay inherent in producing and mailing new cards.

⁸ When we reviewed the approaches of five states with large eligible student populations, we found that three required at least some families to apply for benefits for school year 2019–20. One of these three states also required some families to apply for benefits for school year 2020–21.

⁹ To process families' applications, CDSS needed to match the children in each application with the list of eligible students. CDSS stated that sometimes families made mistakes on their applications or school administrators mistyped eligible students' information, preventing CDSS from processing the families' applications.

Although Most Eligible Households Are Using Their P-EBT Payments, CDSS Should Take Steps to Contact the Families That Do Not

For school year 2019–20, card usage data indicate that families have used nearly 3 million of the 3.4 million P-EBT cards CDSS issued and have purchased over \$1.3 billion in staple foods. CDSS’s P-EBT outreach efforts have likely contributed to the high rate at which families have obtained and used these payments. Its P-EBT plan for school year 2019–20 stated that its outreach efforts would include school and district engagement, informational emails, social media, website development, and a call center. CDSS implemented all of these planned outreach efforts for school year 2019–20.

However, as of September 2021, as Figure 6 shows, the total payments on about 500,000 P-EBT cards for school year 2019–20 indicate that at least \$182 million of the \$1.5 billion of payments that CDSS issued remained unused. Several factors may have contributed to these unused payments. According to CDSS, some families may have chosen not to use P-EBT assistance because they did not need it. Specifically, some children’s family income would ordinarily disqualify them from school meal programs. Despite this, they may have been eligible to receive P-EBT payments because they attend schools where all children receive free or reduced-price meals. Additionally, CDSS reported to us that about 5 percent of the school year 2019–20 P-EBT cards—about 174,000—were returned as undeliverable. The families for whom these cards were intended may be unaware of P-EBT or of their children’s eligibility. Lastly, some families may have declined to participate because of a mistaken concern that accepting assistance would negatively affect an application for citizenship.

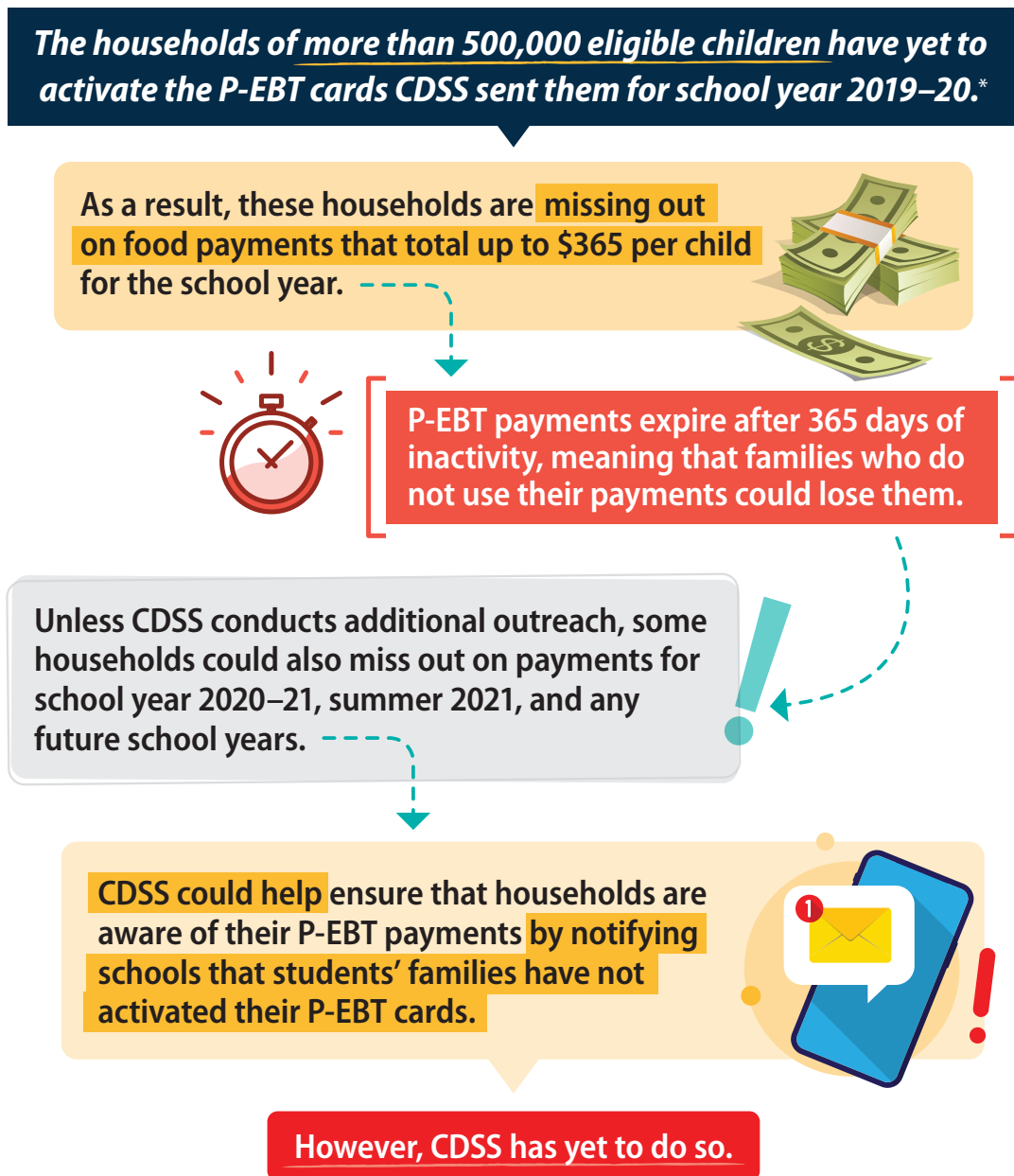
Given that some families may not be using their payments because they are unaware of them or have mistaken concerns related to their use, CDSS could better meet the intent of P-EBT if it implemented additional outreach efforts. In particular, CDSS could notify families or schools when it determines that a family has not used any of its P-EBT assistance after a certain period of time. For example, USDA indicates that recipients spend approximately 80 percent of their regular SNAP payments within two weeks of issuance and more than 97 percent by the end of the month. When we asked CDSS’s former CalFresh and Nutrition branch chief (former branch chief) about additional outreach to families with unused P-EBT cards, she agreed that it might be beneficial to identify families who may not be aware of the P-EBT program. CDSS confirmed that it has the ability to identify the schools children attend, though it stated it may need assistance from CDE to identify schools children attended in school year 2019–20. However, the former branch chief cautioned that attempting to conduct that activity while also issuing the remaining payments could slow the issuance of those payments. Subsequently, CDSS

The total payments on about 500,000 P-EBT cards for school year 2019–20 indicate that at least \$182 million of the \$1.5 billion of payments that CDSS issued remained unused.

further explained that its resources are currently strained as it is focused on issuing the remaining payments for school year 2020–21 and summer 2021.

Figure 6

CDSS Must Improve Its Outreach to Ensure That Eligible Households Do Not Miss Out on P-EBT Payments



Source: Analysis of CDSS's benefit issuance data and P-EBT card activation reports.

* We reviewed unclaimed P-EBT payments for school year 2019–20 because payments for school year 2020–21 began during our audit fieldwork and will continue after publication of this report. P-EBT card activation data are current as of September 8, 2021.

We agree with CDSS that further delay of payments is not desirable. Similar to SNAP payments, P-EBT payments expire from a card after 365 days of inactivity. Therefore, some urgency exists to ensuring that families are informed about P-EBT. Further, to the extent that families remain confused about P-EBT rules and that cards continue to be returned to CDSS as undeliverable, unused P-EBT payments will persist as CDSS finishes distributing payments for school year 2020–21 and begins issuing payments for summer 2021 and possibly future school years and summers.¹⁰

Congress appropriated funds to P-EBT to provide financial assistance to families whose children have been unable to receive meals at a school or child-care site because of a pandemic-related closure. To help these families meet their food needs, CDSS should be prepared to conduct additional outreach after it has distributed P-EBT payments. It can thus best ensure that eligible families are fully informed and have the opportunity to participate in P-EBT.

Recommendations

To ensure that all eligible families are aware of and have the opportunity to participate in P-EBT, CDSS should—in coordination with CDE as necessary—begin doing the following by no later than February 2022:

- Identify the schools attended by children eligible for P-EBT whose families have not yet received their P-EBT cards or have not used their P-EBT cards.
- Request that such schools contact those families to inform them of their eligibility for payments and to provide them with both general information about P-EBT and contact information for CDSS.

Additionally, because child-care age children are SNAP recipients, CDSS should directly contact families of those children who have not yet received or have not yet used their P-EBT cards. In implementing these actions, CDSS should ensure that it does not unduly slow the delivery of P-EBT payments and that its notifications allow families sufficient time to use P-EBT payments before the payments expire.

¹⁰ As we discuss in the Introduction, the American Rescue Plan Act extends the eligibility period for P-EBT to any school year or its corresponding summer while there is a federal public health emergency designation. In August 2021, USDA issued guidance to states for school year 2021–22 and CDSS indicates it is in the early stages of developing a plan for USDA approval.

We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by Government Code sections 8543 et seq. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
California State Auditor

October 28, 2021

Appendix

Scope and Methodology

State law authorizes the California State Auditor’s Office to establish a program to audit and issue reports with recommendations to improve any state agency or address any statewide issue that we identify as being at high risk for the potential of waste, fraud, abuse, and mismanagement or as having major challenges associated with its economy, efficiency, or effectiveness. In August 2020, we amended the state high-risk list to add the State’s management of federal COVID-19 funding as a high-risk statewide issue. Because CDSS is responsible for a portion of the State’s management of federal funds related to COVID-19, we performed this audit of its delivery of SNAP-EA and P-EBT payments. We list the objectives we developed and the methods we used to address them in the following table.

Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed federal and state laws, rules, and regulations related to SNAP-EA and P-EBT payments.
2 Determine whether CDSS is appropriately and accurately distributing federal funding to families that are eligible for SNAP-EA and P-EBT payments.	<ul style="list-style-type: none"> • Interviewed CDSS’s staff and reviewed relevant documentation to determine CDSS’s oversight of counties’ processes for calculating SNAP-EA payment amounts. • Interviewed CDSS’s staff and reviewed documentation relevant to its process for collecting information on schools’ reopening status. • Reviewed a selection of SNAP-EA payments to households from a county and compared issued amounts to the amount each household should have received. • Reviewed CDSS data on P-EBT payments and determined that the amounts were logical and appropriate given the rules for calculating benefits. • Reviewed CDSS’s assessment of potential overpayments in the P-EBT program; this identified an immaterial amount of overpayment. • Interviewed CDSS’s staff and reviewed relevant documentation to determine the total amount of SNAP-EA and P-EBT payments CDSS issued.
3 Determine the extent and cause for any delays in CDSS’s issuance of SNAP-EA or P-EBT payments, and to the extent possible, the impact on eligible families that resulted from any delays. Identify whether any opportunities exist to reduce the time that eligible families must wait to receive payments.	<ul style="list-style-type: none"> • Reviewed a selection of SNAP-EA payments to households from one county and compared the timing of those payments to the date each household should have received benefits to assess the timeliness of benefit issuances. • Reviewed P-EBT payment issuance data and CDSS’s approved P-EBT plans to determine the amount of time families had to wait for payments and whether CDSS met the timelines in its approved plans. • Interviewed CDSS and USDA staff and reviewed relevant documentation to identify the factors that delayed CDSS’s issuance of P-EBT payments, including delays in CDSS’s submitting or gaining approval of its P-EBT plans. • Interviewed staff and reviewed relevant documentation for a selection of five comparable states—Florida, Georgia, Illinois, New York, and Texas—to identify practices that could improve CDSS’s delivery of P-EBT payments or explain its delays. • Reviewed U.S. Census Bureau data to determine the prevalence of food insufficiency and assess the impact of CDSS’s delayed issuance of P-EBT payments.

continued on next page . . .

AUDIT OBJECTIVE	METHOD
<p>4 Identify the proportions of eligible Californians who have received SNAP-EA and P-EBT payments during the pandemic. To the extent possible, determine the reasons for significant changes in participation since March 2020, including whether CDSS conducted appropriate outreach activities.</p>	<ul style="list-style-type: none"> Reviewed SNAP-EA and P-EBT participation data to identify the number of Californians receiving payments each month and analyze the results to determine any significant changes in participation. We did not identify significant changes in SNAP-EA participation during the pandemic and we present our concerns about P-EBT participation in the last section of this report. Because data on the true number of households eligible for SNAP were not available, we could not determine the proportion of eligible individuals who received SNAP-EA payments. The number of P-EBT participants was generally consistent with the anticipated number of eligible children in school year 2019–20. Interviewed CDSS's staff and reviewed relevant documentation to evaluate the reasonability of CDSS's SNAP-EA and P-EBT outreach efforts. Interviewed CDSS's and CDE's staff and reviewed relevant documentation to evaluate their process for contacting families who did not receive or use their P-EBT cards. Interviewed CDSS's staff and reviewed relevant documentation to determine if it conducted a reasonable analysis to support an increase to staffing capacity at CDSS's P-EBT call center. We found that CDSS's approach was reasonable.
<p>5 Review and assess any other issues that are significant to the audit.</p>	<p>We did not identify any other issues of significance.</p>

Source: Audit work papers.

Assessment of Data Reliability

The U.S. Government Accountability Office, whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of computer-processed information we use to support our findings, conclusions, or recommendations. In performing this audit, we relied on CDSS's benefit issuance data to calculate various statistics related to the accuracy and timeliness of SNAP-EA and P-EBT payments. To evaluate these data, we reviewed existing information about the data, interviewed staff members knowledgeable about the data, and performed electronic testing of the data. As a result of this testing, we found the data were of undetermined reliability for our audit purposes. Nevertheless, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

October 2021



KIM JOHNSON
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



GAVIN NEWSOM
GOVERNOR

October 13, 2021

Elaine M. Howle, CPA*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

SUBJECT: CALIFORNIA DEPARTMENT OF SOCIAL SERVICES RESPONSE TO CALIFORNIA STATE AUDITORS REPORT ENTITLED PANDEMIC FOOD ASSISTANCE PROGRAMS

Dear Ms. Howle:

The California Department of Social Services (CDSS) acknowledges receipt of the California State Auditor's (CSA) review of the Pandemic Electronic Benefits Transfer (P-EBT) and Supplemental Nutrition Assistance Program Emergency Allotments (SNAP-EA) programs, as set forth in CSA's draft report submitted to CDSS entitled "Pandemic Food Assistance Programs" (the Report). CDSS provides this response on behalf of itself.

To increase food benefits in response to Coronavirus (COVID-19) and its effects on the economy, the Families First Coronavirus Response Act provided authority for CDSS to provide CalFresh emergency allotments and to operate the P-EBT program. Since March 2020, emergency allotments have raised each household's regular monthly CalFresh allotment to the maximum allowable allotment based on household size. Since then, CDSS has issued a monthly letter confirming the continued approval of emergency allotments. CDSS will continue to issue a monthly letter confirming the issuance date for each month's emergency allotment so long as SNAP-EA is federally approved.

P-EBT is a federal food program separate from CalFresh. CDSS, in partnership with the California Department of Education (CDE), received approval to operate the program in response to the COVID-19 pandemic related school and childcare closures. P-EBT provides food benefits to help families with young children (under age 6) who received CalFresh Food benefits between October 2020 and August 2021, and school age children who were eligible for free or reduced-price school meals through the federal School Breakfast or National School Lunch Program for School Years 2019-20 and 2020-21, and assumed to have attended school via distance learning at least some of that time. To date, the P-EBT program has provided approximately 5,627,701 children with \$4,782,063,755 of food benefits.

Although not mandated, CDSS appreciates the opportunity to comment on the Report. First, CDSS appreciates CSA acknowledging the quick distribution of SNAP-EA payments to eligible families. CDSS also appreciates the Report's statement that P-EBT payments for March through June of school year 2019-20 were provided quickly with minimal delays. Finally, CDSS is grateful the Report acknowledges that external factors, such as the timing of federal

* California State Auditor's comment appears on page 29.

Elaine M. Howle CPA
Page Two

legislation and guidance, unclear federal expectations, and other implementation constraints such as changes to governing law presented challenges in implementing the P-EBT program and that thus far CDSS's approach has been appropriate.

Below you will find CDSS's response to the recommendation in the Report.

CSA Recommendation for CDSS:

To ensure that all eligible families are aware of and have the opportunity to participate in P-EBT, CDSS should, in coordination with CDE as necessary, begin doing the following by no later than February 2022:

- Identify the schools attended by children eligible for P-EBT whose families have not yet received their P-EBT cards or have not used their P-EBT cards.
- Request those schools to contact those families to inform them of their eligibility for payments and to provide them with both general information about P-EBT and contact information for CDSS.

Additionally, because child-care age children are SNAP recipients, CDSS should directly contact families of those children that have not yet received or have not yet used their P-EB cards. In implementing these actions, CDSS should ensure that it does not unduly slow the delivery of P-EBT payments and that its notifications allow families sufficient time to use P-EBT payments before the payments expire.


CDSS Response:

CDSS agrees with CSA's recommendation above. CDSS, in coordination with CDE, will conduct outreach to schools and families to ensure eligible families are aware of P-EBT benefits available to them. CDSS is currently working on several initiatives related to client education and outreach including:

- P-EBT Media Campaign
- Targeted Outreach
- Toolkits for Educators
- Testimonial Videos

① As the delivery of P-EBT payments is managed separate and apart from P-EBT client communication efforts, CDSS does not expect any delay in P-EBT payments while notifying schools of available P-EBT benefits for eligible families.

Sincerely,


KIM JOHNSON
Director

Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

To provide clarity and perspective, we are commenting on CDSS's response to our audit. The number below corresponds to the number we placed in the margin of CDSS's response.

Although CDSS states that it does not expect any delay in issuing P-EBT payments while notifying schools of available benefits for families because the delivery of P-EBT payments is managed separate and apart from P-EBT client communication efforts, this contradicts what it told us while we were conducting the audit. Specifically, as we note on pages 21 and 22, CDSS cautioned that attempting to identify schools and provide additional outreach to families while also issuing the remaining payments could slow the issuance of those payments. However, we are pleased to learn that CDSS no longer considers this an issue, and that it has the ability to implement our recommendation without slowing the delivery of P-EBT payments to families.

①