



United States Department of Agriculture

Office of the Secretary  
Washington, D.C. 20250

JUN 25 2014

The Honorable Judith T. Won Pat, Ed.D.  
Speaker of the Guam Legislature  
155 Hesler Street, Suite 201  
Hagatna, Guam 96910

32-14-1790  
Speaker FNI  
Thru 7/1/14  
Judith T. Won Pat Ed.D.  
7.1.14  
7:53am  
Received by [Signature]

Dear Madam Speaker:

Today the Department of Agriculture (USDA) released the official Supplemental Nutrition Assistance Program (SNAP) overpayment, underpayment, and payment error rates for Fiscal Year (FY) 2013 under the quality control (QC) provisions of section 16(c) of the Food and Nutrition Act of 2008 (the Act).

Guam's QC error rates for FY 2013 are:

Overpayment Rate	5.47 percent
Underpayment Rate	1.18 percent
Payment Error Rate	6.65 percent

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Your payment error rate consists of the sum of two components: the overpayment rate and the underpayment rate. Overpayments reflect benefits issued over the amount that the household is entitled to receive while underpayments reflect benefits that a household is entitled to but did not receive. The overpayment error rate and the underpayment error rate may not add up to the exact payment error rate due to rounding. The national performance measure (national average payment error rate) for FY 2013 is 3.20 percent.

Statutory authorities regarding liability determination due to excessive payment error rates have been delegated by the Secretary of Agriculture to the Under Secretary for Food, Nutrition, and Consumer Services (FNCS). Under the Act, a 2-year liability system for excessive payment error rates is in place. Under this system, a liability amount shall be established when, for the second or subsequent consecutive FY, FNCS determines that there is a 95 percent statistical probability that a State's payment error rate exceeds 105 percent of the national performance measure for payment error rates.

FNCS determined that there was a 95 percent statistical probability that Guam's FY 2011 payment error rate of 6.25 percent exceeded 105 percent of the national performance measure for FY 2011. Therefore, Guam was notified on June 28, 2012, that FY 2011 was to be considered a first year and that a liability amount would be established if the same determination was made for the FY 2012 payment error rate. On June 21, 2013, Guam was notified that there was a 95 percent statistical probability that Guam's FY 2012 payment error rate of 7.33 exceeded

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105 percent of the national performance measure. Since this was the second consecutive year, a liability amount of \$151,030.00 was established for your State agency for FY 2012. Fifty percent (\$75,515.00) of the liability amount was placed at-risk for repayment if a liability amount for an excessive payment error rate was established for FY 2013.

This letter provides notification that, for FY 2013, FNCS has determined that there is a 95 percent statistical probability that Guam's FY 2013 payment error rate of 6.65 percent exceeds 105 percent of the national performance measure. There is no appeal pending for the FY 2012 liability amount.

Therefore, fifty percent of the FY 2012 liability amount of \$151,030.00 (\$75,515.00) that was previously placed at-risk must be paid by September 30, 2014, unless Guam appeals the FY 2013 liability amount. If Guam does not appeal the FY 2013 liability amount and the FY 2012 at-risk money is not paid by September 30, 2014, interest will begin accruing October 1, 2014. A separate bill for the FY 2012 at-risk money will be sent to Mr. James W. Gillan, Director for the Department of Public Health and Social Services.

Regarding the FY 2013 liability, FNCS has determined that as Guam's FY 2013 payment error rate of 6.65 percent exceeds 105 percent of the national performance measure, a liability amount of \$76,895.00 is being established for your State agency for FY 2013. A liability amount is being established for FY 2013 because FNCS has determined that FY 2013 is the second consecutive year that there was a 95 percent statistical probability that Guam's payment error rate exceeded 105 percent of the national performance measure.

USDA is required by section 16(c)(8)(C) of the Act to notify State agencies of payment claims or liability amounts. This letter serves as notice of your State agency's liability amount pursuant to section 16(c)(8)(C). In accordance with Section 16(c)(8)(C)(iii) of the Act, the Governor of Guam has also been advised of the error rates and the liability amount.

A Notice of Claim/Bill for Collection in the amount of \$76,895.00 is being sent under separate cover to Mr. James W. Gillan.

The effect of the amendment to section 16(c)(1)(D) of the Act made in the Agricultural Act of 2014 is that FNCS is required to:

- Designate 50 percent (\$38,447.50) of the liability amount as at-risk for repayment if a liability amount for an excessive payment error rate is established for FY 2014; and
- Designate 50 percent (\$38,447.50) of the liability amount for new investment in approved activities to improve administration of SNAP.

Guam also has the option to pay the claim for the liability amount in full.

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Please note that section 16(c)(1)(D)(ii) of the Act specifies that the percent determined to be at-risk is not subject to settlement between FNCS and Guam. The requirements for new investment and a discussion of the State appeal rights and procedures are being sent under separate cover to Mr. James W. Gillan, along with the Notice of Claim/Bill for Collection.

In addition, Guam's FY 2013 error rate is the first year of the two year excessive payment error rate cycle for Guam. If, for FY 2014, FNCS again determines that there is a 95 percent statistical probability that Guam's payment error rate exceeds 105 percent of the national performance measure for FY 2014, a liability amount may be established for your State agency for FY 2014.

Section 16(d)(2)(B) of the Act authorizes the Secretary to award \$48 million in bonuses to State agencies that demonstrate high or improved performance in administering SNAP. At this time, USDA is announcing the recipients of the payment accuracy error rate bonus payments for FY 2013. The payment accuracy bonus directly relates to one of FNCS' overarching goals, improving program integrity. Guam will not be eligible to receive any performance bonus awards, because section 16(d)(3) of the Act prohibits a State from receiving a performance bonus in any FY for which a liability amount has been established. Please contact your Food and Nutrition Service regional office for a list of award winners and Guam's relative ranking.

In addition to payment accuracy rates, FNCS identified three other areas of performance for FY 2013 awards: best and most improved case and procedural error rate (CAPER), highest and most improved program access index, and highest percent of timely processed applications. States will be advised of their CAPER, including notice of performance bonus awards, in a separate letter. A letter announcing the CAPER will be sent to Mr. James W. Gillan. The performance bonus awards for program access and timely processed applications will also be announced at a later date.

FNCS is committed to continuing our work with you now and in the future to improve the accuracy and effectiveness of Guam's SNAP. Proper administration of this important nutrition assistance program results in public confidence as we work together to provide services to needy Americans.

Sincerely,



Kevin W. Concannon

Under Secretary

Food, Nutrition, and Consumer Services