

Statement of Mike Carroll

Secretary, Florida Department of Children and Families

“SNAP: Examining Efforts to Combat Fraud and Improve Program Integrity”

Committee on Oversight and Government Reform  
Subcommittees for Government Operations and The Interior

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Thank you Chairman Meadows, Chairwoman Lummis, Ranking Members Connolly and Lawrence, and subcommittee members for inviting me to speak with you today and offer our insight from Florida on this important effort to reduce fraud and waste in the public assistance system.

I am proud of what Florida has accomplished, and I have a unique and firsthand perspective on it. I started with the Florida Department of Children and Families more than 26 years ago helping people with their eligibility applications. Back then, applications were still on paper, and filled out with a pencil.

On the days after it rained, lines would wrap around the building. Applicants had to come in sometimes multiple times to provide interviews and ensure their applications were submitted correctly. It was, of course, inefficient for everyone involved, but it was the best we could do at the time.

**Modernization**

Today, Florida is a leader in the modernization of our social services system, and virtually every state in the nation has come to Florida to study our model. Our efforts have led to a nearly 100 percent accuracy rate on applications, with 93 percent being submitted online, allowing us to reduce our eligibility staff from 7,000 to 4,000. Over the years, our cost per eligibility transaction has dropped from \$30 to \$7. Our experience in Florida is a testament to how government can run an operation that is cost-effective, efficient and optimizes access to services in a simplified way for customers.

However, we have a new fight on our hands with a growing epidemic of identity theft and trafficking. We are not talking about “mom and pop” storefront operations or cottage industries. We are talking about major criminal enterprises with ties to other serious and dangerous criminal activities including drug sales, prostitution and human trafficking.

We have to work together and we have to work quickly to invest more in the right technology, integrate fraud detection at every level of our process, and coordinate a more effective response, one that includes the right funding and flexibility to respond not only to what is

happening – as it is happening – on the ground, but also to put us in front in the fight against fraud and abuse. Wayne Gretzky said it very well: “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.”

In Florida, we have implemented effective front-end detection systems and common-sense legislation that addresses obvious fraud and abuse at the roots. We have banned EBT card transactions at all adult entertainment and gambling venues and in the purchase of alcohol, created a fraud reward program, enhanced criminal penalties for fraud, and revised the definition of EBT trafficking in Florida law to include swapping food benefits for weapons or controlled substances. In addition, our Office of Public Benefits Integrity last year conducted more than 23,000 investigations resulting in more than \$27.6 million in cost avoidance.

Florida was the first state in the nation to partner with the Food and Nutrition Service in the battle to combat ID theft. That partnership remains critical in shaping Florida’s anti-fraud efforts, and we want to continue to be a leader in developing new and innovative anti-fraud strategies for the nation.

As we look to ways to improve the fight against public assistance fraud, we have to look at it the same you look at improving any system – you have to keep in mind how the system itself is evolving. We are in a different place than we were 20 years ago. We are now fully immersed in a world of technology, and the landscape changes every day. It presents real challenges, but it also offers real possibilities to turn this fight around. We already use it to identify patterns of fraud and abuse that previously might have taken years to detect. We have to continue to evolve with it and harness its power. If we do not, we will face the unintended consequences of increased costs and barriers to access; if we do, we can create a seamless system that moves the fight against fraud to the front-end so that we can focus on improving service to those clients who depend on this system.

We think Florida could serve as a laboratory for this kind of innovation and improvement, and we encourage and invite you to let us.

### **How can we improve the system?**

On a national level, we must tighten the net on fraud throughout the system by providing critical support to states.

1. We must continue to invest in the power of technology. Florida has demonstrated the success of advanced technology with our automatic identity verification tool, and we want to build on those capabilities.
2. We must revisit the one-size-fits-all approach in FNS regulations. Fraud trends change rapidly, and our response must be equally swift to be effective.
3. Let’s remember technology is only one part of the arsenal. We have to take time to review and apply what we learn. For example, the current burden of proof for recipient fraud is “clear and convincing,” which is a higher burden of proof than for retailer fraud.

We should reduce the burden of proof for recipient fraud to “preponderance of evidence.” Right now it is easier to arrest a recipient than to disqualify them from the SNAP program.

When it comes to retailer fraud, we need a bigger army and more cohesive approach.

1. The U.S. Department of Agriculture’s Office of Inspector General has sole authority to investigate retailer fraud, yet has 1/10th of the resources in Florida as the Health and Human Services’ Office of Inspector General.
2. FNS needs to immediately suspend a SNAP Authorized Retailer upon criminal arrest.
3. We need stronger federal policies to require repayment from retailers. Currently, retailers rarely are required to repay trafficked amounts in administrative sanctions. We need to send a strong message that fraud will not be tolerated.
4. SNAP retailer applications must be scrutinized more closely.

### **What it means to states**

We get bonuses for our accuracy, but we get no reimbursement or incentive for our good work of preventing fraud on the front end. Yet, we get 35 cents for every dollar we recover. We are literally spending a dollar to chase a dime.

We agree with the Government Accountability Office’s recommendation to at least consider financial incentives for states based on fraud deterrence and cost avoidance. We have to continue to work together to find new ways to keep that money in the system, and use more recovery dollars to ensure the system is working for those who need it.

### **Opa Locka**

The largest food stamp trafficking bust in the federal program’s history occurred just last month at a flea market in South Florida. It was great work, but it also demonstrates how much more work we need to do. Operation Stampede so far has resulted in the arrests of 22 owners of SNAP authorized retailers and uncovered – just for the past year – \$17 million in fraud.

- Officers found thousands of dollars in cash and guns, storefronts that were actually drug sale operations, and human trafficking and prostitution.
- Also uncovered were empty storage rooms, unsanitary conditions, rotten produce, empty display boxes, and even plastic fruit and vegetables on display.
- One store owner was an illegal alien who used someone else’s Social Security Number to get FNS authorization. Another owner was here on a work permit. And yet another failed to disclose they were a convicted felon.
- Since 2011, there has been nearly \$89 million in SNAP transactions at this location.
- We now have to look at more than 41,000 authorized SNAP recipients just since July – and that number is growing – to find cases that might rise to the level of “clear and convincing evidence.”

- And, the trafficking has not stopped. Today, there are at least eight authorized retailers with transactions consistent with the pattern of fraudulent activity for which this location is now well known. In the first two weeks following the raid, these stores had over \$163,000 in SNAP redemptions involving over 1,100 recipients.

We urge FNS to take every appropriate action to stop the fraud at this location. While the Opa Locka Flea Market is not and should not be the poster child of this program, it demonstrates why states should have input into retailer authorizations and greater flexibility in responding to fraud.

### **Close**

We can identify and shut down these violators quickly, efficiently, and effectively – we just don't have the authority. We can do it smartly, without added costs, if we could share more of the recovery dollars and not just the burden of recovery. With the strong support of Governor Rick Scott and the Legislature, Florida is committed to ensuring we get the right benefits to the families and individuals who need it, but we have to move quickly – and in partnership – to get further upstream. Let's work together to cut through the red tape and let Florida, and all states, be full partners in this fight. Thank you.

## **DCF Secretary Mike Carroll**

Secretary Mike Carroll has devoted his entire state career of more than 25 years serving the Florida Department of Children and Families. During his tenure, he has driven numerous improvements to the way Florida serves and protects vulnerable children and families, and is recognized as a skilled organizational and systems assessor.

Most recently, he led the department's development of a first-of-its kind website to allow public review of abuse-related child deaths, giving communities the ability to identify and bridge gaps in local services. He also hired the state's first Assistant Secretary for Child Welfare and first Child Fatality Specialist, and oversaw an in-depth review of the state's mental health treatment facilities and behavioral health system.

Prior to being named Secretary, he served four years as the Regional Managing Director and six years as Director of Programs for the 11-county SunCoast Region spanning from Pasco to Collier County. As Regional Managing Director, Mr. Carroll developed innovative and significant system models that were ultimately implemented statewide. He was integral in the regional implementation of the Managing Entity concept in substance abuse and mental health, the transition to a community-based system of care in child welfare, and a redesign of the economic self-sufficiency program. Mr. Carroll has served in or managed almost every program the department oversees. His previous management experience includes foster care and child care licensing, strategic planning, quality assurance, economic self-sufficiency eligibility programs, and special programs including one focused on reintegrating ex-felons into the community.

Mr. Carroll has served on the Florida Sterling Board of Examiners for nearly 20 years, and is a judge for the Governor's Sterling Award process. He has a Bachelor of Science degree in Business Administration from Boston College and is a Certified Public Manager.

Mr. Carroll has two children, Samantha and Jason. He is active in his local community and has been a dynamic youth football coach and mentor for more than 25 years.