

# SNAP: EXAMINING EFFORTS TO COMBAT FRAUD AND IMPROVE PROGRAM INTEGRITY

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## JOINT HEARING BEFORE THE SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND THE SUBCOMMITTEE ON THE INTERIOR OF THE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS

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## **SNAP: EXAMINING EFFORTS TO COMBAT FRAUD AND IMPROVE PROGRAM INTEGRITY**

**Thursday, June 9, 2016**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GOVERNMENT OPERATIONS, JOINT  
WITH THE SUBCOMMITTEE ON THE INTERIOR,  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,  
*Washington, D.C.*

The subcommittees met, pursuant to call, at 2:05 p.m., in Room 2154, Rayburn House Office Building, Hon. Mark Meadows [chairman of the Subcommittee on Government Operations] presiding.

Present from Subcommittee on Government Operations: Representatives Meadows, Jordan, Walberg, Massie, Palmer, Carter, Grothman, Connolly, Norton, and Plaskett.

Present from Subcommittee on the Interior: Representatives Lummis, Palmer, Lawrence, Cartwright, and Plaskett.

Also Present: Representative Lujan Grisham.

Mr. MEADOWS. All right. The Subcommittee on Government Operations and the Subcommittee on the Interior will come to order. And without objection, the chair is authorized to declare a recess at any time.

I want to thank you for coming, and I thank my other chairman here and ranking members for their willingness to embark on this topic.

For many individuals and families, the SNAP program is a vital lifeline to ensure that there is food on the table. And I think we can all agree that no one in America should go hungry. While most individuals and retailers in the SNAP program are honest participants, unfortunately, some do indeed take advantage of the system.

We will hear examples today of various ways individuals and retailers commit fraud in trafficking such as swapping SNAP benefits for other cash or illegal drugs. There was a raid in the Florida flea market just last month that was the largest SNAP trafficking bust in the program's history. And so far 22 owners of SNAP retailers at that flea market have been arrested or charged with over \$13 million in fraud just for the past year.

We will also hear about the connection between SNAP trafficking and the ongoing opioid epidemic in Maine and across this country. American taxpayers deserve to know that their tax dollars are being spent effectively and wisely, and when someone abuses a system, they defraud the American taxpayers. They hurt individuals and families that are truly in need. Despite improvements in prior years, OMB designated the SNAP program as a high-error program

due to the estimated \$2.6 billion in improper payments for fiscal year 2015.

So we are here today to examine how the SNAP program can better serve families, more efficiently utilize taxpayer dollars, and prevent fraud and trafficking of SNAP benefits. Innovative efforts to leverage technology and analyze data such as Florida's identity verification process and Maine's effort to analyze out-of-state SNAP usage can provide real helpful insights.

And so I look forward to hearing from our witnesses about how we can improve the SNAP program to better ensure that the right benefits get to the families and individuals that need them most.

Mr. MEADOWS. I now recognize my good friend, the ranking member of the Subcommittee on Government Operations, Mr. Connolly, for his opening statement.

Mr. CONNOLLY. I thank you, Mr. Chairman, and welcome to our panel. And I want to thank you for holding this hearing.

I support the Supplemental Nutrition Assistance Program, which I think has proven to be an effectively managed program that does, in fact, reduce fraud and misuse. Individual and isolated examples of problems notwithstanding, there is very little evidence of widespread SNAP fraud. Actually, the evidence suggests that the Department of Agriculture investigates potential fraud pretty aggressively. State antifraud efforts are also functioning as effectively as possible, despite difficulties in conducting fraud investigations due to reduced funding and staff levels. Those antifraud efforts are important because SNAP benefits are a vital part of the national safety net.

SNAP provides people at or below 130 percent of the poverty line, which is currently an annual income of \$26,100 for a family of three—good luck in living on that—\$127 a month toward an affordable, adequate diet. About 70 percent of SNAP participants are families with children, and 25 percent are in households with seniors and people with disabilities.

SNAP also protects the overall economy. Because SNAP is an entitlement and provides money to people who need it, they spend it directly on food. CBO found that among policies implemented by Congress to stimulate economic growth and create jobs during the economic recession, SNAP had one of the largest increases in economic activity and employment per budgetary dollars spent. That is to say if you want a direct injection into the economy to stimulate, this is a great way to do it.

According to the Census Bureau, SNAP kept 5 million Americans out of poverty during the recession, which followed the 2008 financial crisis. That is an extraordinary number. Since then, SNAP spending has fallen—as you would expect as the economy recovers—by 7 percent in 2014, and the Center of Budget and Policy Priorities reports that reduced caseloads will continue in 2016 because of the growing and stronger economy.

I understand the concerns my friends on the other side of the aisle to ensure the SNAP program continues to work efficiently, and I think we have common ground on that. I too want to eliminate the small percentage of bad actors who misrepresent facts about themselves and cheat people in need.



In fiscal year 2012, over 100 FNS analysts and investigators around the country reviewed more than 15,000 stores and conducted nearly 4,500 undercover investigations. Over the last 10 years, more than 8,300 retail stores were permanently disqualified because of fraud.

I find the House majority's recent proposal in the war on poverty troubling. The answer to completely eliminating fraud in the SNAP program is not by converting it into a block grant program. Actually, block granting step is probably the first step to eliminating SNAP. That could be the fate of a number of safety-net programs such as child welfare services and elderly services. They were put together into the social services block grant. This year, the Republican budget eliminates them.

I would welcome the opportunity to work with my friends on the other side of the aisle to find ways to improve the SNAP program seeing as it actually serves more constituents often in their districts, rural districts than actually their Democratic counterparts. The absence of widespread fraud and the tiny potential savings from SNAP belie the purported interest sometimes in oversight.

So I look forward to the common ground. We want to make sure this program is effective and as clean as possible, but we don't want to harm in the process the people who rely on this program and use it to get back up on their feet and become productive citizens.

With that, I yield back.

Mr. MEADOWS. I thank the gentleman.

The chair now recognizes the chairwoman of the Subcommittee on Interior, Mrs. Lummis, for her opening statement.

Mrs. LUMMIS. Thank you, Mr. Chairman.

I want to waive my opening statement so we can listen to our witnesses, and I want to especially thank you all for being here today. The representatives and witnesses from Maine and Florida, I believe, are particularly to be recognized for traveling all this way to provide their guidance and expertise on this subject. Having come from the executive branch of State government, I know how hard you work, and you are on the frontlines. We really appreciate what you do, so thank you for being here today to share your expertise, one and all.

Thank you, Mr. Chairman. I yield back.

Mr. MEADOWS. I thank the gentlewoman from Wyoming.

The chair recognizes the gentlewoman, Mrs. Lummis, for her opening statement, the ranking member of the Subcommittee on Interior—Lawrence, I am sorry.

Mrs. LAWRENCE. Sister from another mother.

[Laughter.]

Mr. MEADOWS. My apologies. Twins separated at birth. Mrs. Lawrence, go ahead.

Mrs. LUMMIS. Go ahead, sis. Give them a good one.

[Laughter.]

Mrs. LAWRENCE. Thank you, Mr. Chairman. I would like to thank our witnesses for being here today.

The Supplemental Nutrition Assistance Program, SNAP, is our country's most effective and important tool for fighting hunger. In 2015 there were over 45 million SNAP participants. While this

number sounds extremely high, the Great Recession drove many to depend on SNAP.

My home State of Michigan was hard-hit by the recession, as many of you know, and SNAP was there to help. Michigan received over \$2.5 billion in SNAP benefits, 198 percent higher than the national average. And 1.6 million residents depend on SNAP benefits to survive.

In my district, 49 percent of SNAP participants were in families with children, 27 percent were families with elderly, and 48 were working families. Ladies and gentlemen, understand the qualification income levels to receive SNAP, and 49 percent were working families. In other words, they were working poor.

SNAP is not easy to get. The average monthly benefit is \$126 per person. That is less than \$32 per person a week. How many of you can live on \$32 a week to feed yourself? Not a luxury, food is a human basic need.

Recipients must go through a rigorous application process where they meet specific qualifications and prove their eligibility. SNAP recipients must reapply every 6 to 12 months and inform the State of their income changes. There are even minimum periods of disqualifications ranging from 1 to 6 months, which may be increased by the State SNAP agencies. States even have the option to disqualify an entire family for up to 180 days if the household head fails to comply with work requirements. So a child could be penalized if the parent does not comply.

I would like to enter into the record the Michigan Department of Health and Human Services application booklet, which includes the types of forms families must fill out to get public assistance. And I want you to look at this. This is what a person is given in Michigan, 40 pages they must fill out in order to apply for SNAP.

The SNAP benefit can only be used to purchase approved foods sold by authorized SNAP retailers. There is a restaurant option for populations that have difficulty preparing food such as elderly and veterans, and in a few States, including California, Arizona, and Michigan.

I feel the allegations of fraud and abuse are overblown. SNAP has been one of the lowest fraud rates in any Federal program. Of the past several years, USDA has taken aggressive steps to improve SNAP oversight and to work with States in rooting out waste. USDA have seen declines in the rate of trafficking from 4 percent down to a little over 1 percent of benefits in the last 20 years. While no amount of fraud or waste is acceptable, we must not throw out the baby with the water. You would not shut off the water for an entire street or entire city if a few households leave their hoses on for an entire day. You would not stop buying groceries for your family because the oldest child drank up all of the milk or spilled it.

We should not make the majority suffer for a few bad apples. But this is exactly what we are dealing with today. This year, Speaker Ryan's Task Force on Poverty, Opportunity, and Upward Mobility is proposing to transfer SNAP into a block grant. The 2017 budget, ladies and gentlemen, call on eliminating another block grant of social services for children and elderly. I am worried that some future actions by my colleagues on the other side of the aisle will call

for eliminating a block grant that they are now trying to put into SNAP.

And I yield back my time.

Mr. MEADOWS. I thank the gentlewoman from Michigan, Mrs. Lawrence, for her opening statement.

Mrs. LAWRENCE. Thank you, sir. But my sister and I, we are still good.

Mr. MEADOWS. Well, we appreciate that.

And I will hold the record open for 5 legislative days for any members who would like to submit a written statement.

I will now recognize our panel of witnesses, and I am pleased to welcome Mr. Kevin Concannon, Under Secretary for Food, Nutrition, and Consumer Services at the U.S. Department of Agriculture, welcome; Ms. Kay Brown, director of Education, Workforce, and Income Security at the U.S. Government Accountability Office. Welcome, Ms. Brown. Ms. Mary Mayhew, commissioner of Maine's Department of Health and Human Services. Thank you, Ms. Mary Mayhew for your traveling and your willingness to be here. Mr. Mike Carroll, the secretary of the Florida Department of Children and Family Services. Thank you, Mr. Carroll, for making the special effort to be here. And Ms. Stacy Dean, vice president for food assistance policy at the Center on Budget and Policy Priorities.

Welcome to you all. And pursuant to committee rules, all witnesses will be sworn in before they testify, so I would ask that you please rise and raise your right hand.

[Witnesses sworn.]

Mr. MEADOWS. And let the record reflect that all witnesses answered in the affirmative. And in order to allow time for discussion, I would ask that you please limit your oral testimony to 5 minutes. However, your entire written testimony will be made part of the record.

And I would go ahead and now recognize Mr. Concannon for 5 minutes.

## WITNESS STATEMENTS

### STATEMENT OF KEVIN CONCANNON

Mr. CONCANNON. Thank you very much. Chairmen and members of the committee, I appreciate the opportunity to explain directly FNS's efforts to assure the integrity of the SNAP program. Integrity is essential to SNAP's success, and so it's paramount to me personally and to the agency. And as I've said many times, we have zero tolerance for fraud in SNAP.

SNAP provides essential food assistance, nutrition education, work-support services to 44.3 million low-income individuals. In 2014, 64 percent of recipients were children, seniors, and those with disabilities, and 42 percent lived in a household with earnings. To those who claim that SNAP discourages work, I say that the data clearly states otherwise.

In SNAP, those who can work must register to do so and accept a job if offered. This core program requirement cannot be waived by a State. In 2015, 13.6 million SNAP recipients were registered to work. USDA funds SNAP's employment and training programs

to support States in helping recipients find and keep good-paying jobs.

In 2015, SNAP EBT served more than 1 million recipients. Unfortunately, some State agencies do too little to use the Federal funding, technical assistance, and support available. So USDA has expanded its capacity to help States meet their E&T responsibilities through the newly established Office of Employment and Training, staff of the team with long experience at both the Federal and State level. They're building a more robust foundation of monitor, improve, and promote SNAP EBT.

I believe strongly that the public's concern over high SNAP participation must be resolved in the right way, by getting people jobs. The wrong way is to reduce cost, is to kick people off SNAP, or worse, block grant it, which would also erode the national standards and accountability that helps make SNAP effective.

Let me turn now to program integrity. USDA's focus on identifying, penalizing, and excluding those who seek to defraud SNAP has reduced trafficking from 4 percent to 1.3 percent over the last 20 years. While this is real progress when almost \$70 billion total are involved, there's no acceptable level of fraud, and complacency is never an option. Continuous attention, energy, and diligence are required.

This administration is pursuing an energetic anti-trafficking strategy. First, we've organized SNAP retailer management into a single centralized business structure that targets resources to high-risk areas. Second, we use data analytics to closely track EBT transactions and identify stores most likely to traffic. Third, we've upgraded our alert system with state-of-the-art technology to better detect suspicious activity and are strengthening policies to combat misuse of benefits and impose stronger penalties against retailers who break the rules. Store owners that traffic are disqualified for life.

And on the GAO report, we're in mutual agreement and support both the findings and the recommendations of the GAO audit. These efforts bring real results. In 2015, we issued almost 2,700 sanctions against violating retailers, a 21 percent increase over the prior year. More than 1,900 store owners were permanently disqualified for trafficking or falsifying applications, and over 700 are sanctioned for other violations.

We believe that predictive data analytics, combined with related information such as excessive requests for card replacements can be real game-changers in targeting the most likely trafficking recipients. Unfortunately, very few States really take advantage of this option, so there's much room for improvement.

While the Federal Government is responsible for controlling retailer trafficking, action against recipient trafficking, the other side of the same crime, is a State agency responsibility. States conduct investigations of recipient fraud, disqualify violation of SNAP, and make claims to recover improperly received benefits.

That said, I must caution that while some States see photo EBT cards as a solution to trafficking, it does not work as well as they may think. Let me explain. SNAP is a household benefit, so any member of that household may legally use that card. Putting one person's photo on the card simply creates confusion at the point of

sale. A card with a photo cannot and will not prevent two bad actors from breaking the law, case-in-point, the 2001 audit in the State of Missouri. But it is an option for States, and our main concern is that States that implement photo EBT comply with Federal law and regulation. That's part of our oversight duties.

One final but very important point I want to make, the majority of SNAP recipients honor the rules, play by the rules, as is true of the majority of retailers as well. The Nation entrusts USDA and our State partners to administer SNAP with accountability and integrity. Americans expect and deserve their government to manage hard-earned tax dollars. Without that, we simply cannot sustain public confidence. That's why we are committed to tough action to find and punish fraud.

Thank you.

[Prepared statement of Mr. Concanon follows:]

For Release only by the  
House Oversight and Government Reform Committee

**Statement of Kevin W. Concannon, Under Secretary for the Food, Nutrition and  
Consumer Services Before the House Subcommittees on Government Operations and  
Interior  
June 9, 2016**

Thank you to the Chairmen and members of the Subcommittee on Government Operations and the Subcommittee on the Interior. I am pleased to share what we are doing at the Food and Nutrition Service (FNS) to protect and assure the integrity of the Supplemental Nutrition Assistance Program (SNAP).

SNAP is the cornerstone of our Nation's nutrition assistance safety net – lifting 4.7 million Americans out of poverty right now, and improving later-life health and economic self-sufficiency for the children it reaches. The program currently provides food assistance, nutrition education and work support services to 44.3 million low-income individuals according to the most recent month of data. In Fiscal Year (FY) 2014, 64 percent of SNAP recipients were children, seniors, and those with disabilities and 42 percent of SNAP participants lived in a household with a working adult. In other words, the vast majority of recipients are people who already work or, because of age or disability, are not expected to work. Moreover, other Census-based estimates show that among SNAP households with at least one working-age, non-disabled adult, more than 80 percent work in the year before or after receiving SNAP benefits (Rosenbaum 2013).

SNAP provides critical nutrition assistance to low-income households and ensuring the integrity of the program is important to making sure that this assistance remains available to the households who need it. The integrity of the program is paramount to me personally, as well as to the Agency. When we talk about integrity, we often focus solely on the critical aspects of ensuring benefits are issued and used as they were intended, ensuring that fraud and trafficking does not take place, and, when it does, that bad actors are held accountable. However, integrity also involves ensuring that States administer the Program in accordance with rules and regulations. That is our responsibility as the Federal oversight agency. It is in this light that I think we need to look carefully at States that assert success simply because their SNAP rolls are being reduced. I believe that there are right ways and wrong ways to move recipients off the Program. Not processing SNAP applications or application re-certifications timely, or pushing

recipients off the Program instead of helping them get jobs, in my view, are examples of the wrong ways. Helping them get jobs so they are self-sufficient and need less help is an example of the right way.

As a senior Federal official responsible for this program, and as a former State commissioner, I can tell you without reservation that the best way to reduce the number of low-income people on SNAP is to connect them with better paying jobs and support them with employment and training. We have seen this strategy pay off with a recent decline in participation, at the same time as our national streak of private sector job creation has cut unemployment by more than half to 4.7 percent. Our objective is to reduce the need for SNAP by helping adults who are able to work to secure stable, good-paying employment, while at the same time ensuring that those who need nutrition assistance – including working families who do not earn enough to make ends meet - are able to get it.

One criticism heard repeatedly in some quarters is that SNAP discourages work. This claim does not hold up under close scrutiny. Work is important not only to household economic success, but also to the well-being of families more generally. The claim that SNAP does not support work reflects more ideology rather than evidence:

- In contrast to commonly heard rhetoric, SNAP does have work requirements. In general, those who are able to work must register to do so, they must accept a job if offered, and they may not voluntarily quit or reduce work hours in order to become eligible for or continue receiving SNAP. This requirement is not waivable. Those who violate the work requirements face sanctions and may be permanently disqualified from SNAP. In FY 2015, 13.6 million SNAP recipients were registered for work.
- SNAP's Employment and Training (E&T) program helps participants prepare for and secure good paying jobs, serving about 600,000 SNAP participants in FY 2014 and more than 1 million participants in FY 2015.
- USDA continues to expand its capacity to administer the SNAP E&T program nationally and work with States to strengthen their programs to help more SNAP participants gain skills and find work. FNS recently established the Office of Employment and Training to better target E&T resources to the most effective strategies.

- We are using this new capacity to provide technical assistance to States, create a more robust foundation for monitoring the fiscal and operational management of the program, and raise awareness of SNAP E&T among our Federal, State, and local human service and workforce development partners.
- States have considerable flexibility in designing locally responsive E&T programs. They may target specific populations or geographic areas, operate mandatory or voluntary programs, partner with other State or local agencies to provide services, develop third-party reimbursement models, and decide which services to offer to E&T participants. Unfortunately, State investment in E&T varies greatly despite the availability of Federal funding for this purpose.
- We are working with 10 States to implement the E&T pilot projects authorized by the 2014 Farm Bill. These projects were awarded in March 2015 through a competitive selection, along with a rigorous evaluation to determine their effectiveness in helping recipients prepare for and secure good paying jobs. We expect, based on a rigorous evaluation of a variety of strategies and approaches used in the pilots, to obtain a better understanding of what does and does not work to help low income individuals gain skills and credentials, obtain decent employment and move towards economic self-sufficiency, and ultimately reduce their need for public assistance.

In addition, able-bodied adults without dependents (ABAWDs) are only eligible for SNAP for three months in any three-year period unless they are working or participating in qualifying education and training activities. Some have argued that States should end the practice of seeking waivers of the ABAWD time limit in areas of high unemployment. The law already makes this a State choice. To me, it is unwise to impose time limits in places where ABAWDs seeking work are unable to obtain jobs because the economic conditions are particularly difficult. Moreover, all States should be utilizing their E&T resources to help ABAWDs prepare for and find employment so that these individuals both are able to move toward self-sufficiency and so that they can continue receiving SNAP while preparing for employment programs. Unfortunately, too many States do not take this responsibility seriously and leave substantial E&T resources, including 100 percent Federal funding, unused. This includes states that are re-imposing time limits on SNAP for ABAWDs, either because the job market has rebounded or



because they have chosen not to seek to continue a waiver even though some areas continue to have high unemployment. In either case, ABAWDS are a group with many barriers to employment and finding work can be challenging, making it critical that states do all they can to help these individuals find work.

I know that there are States – and you may hear some of this today – that assert they are doing a great job administering the program, are having success reducing the rolls, and would like USDA to get out of their way so they can do even more moving forward. Over the past 38 months, SNAP caseloads have begun to fall nationally and in many states. This is as is expected - SNAP is designed to expand during recessions and contract as need declines and more people are able to make ends meet without SNAP assistance. As the labor market continues to improve, we are starting to see reductions in the number of households who need SNAP. At the same time, some states are seeing more rapid declines in their caseloads and in some cases this is not due to reductions in need, but states that are taking steps to make it harder for households in need to access needed nutrition assistance. USDA is committed to ensuring that States operate their SNAP programs consistently with the statute and regulations, which are designed to promote program integrity and program access.

Today I will largely limit my remarks to the importance and activities associated with integrity and accountability. But before I do, I would like to make note of the core program attributes and the people served by this important nutrition assistance program.

Studies have shown that participating in SNAP is associated with a significant decrease in food insecurity and, in turn, helps to address a range of negative health outcomes that are associated with food insecurity. SNAP lifts millions of people out of poverty. Recent Census data indicate that 4.7 million people, including 2.1 million children, were lifted out of poverty due to SNAP benefits in 2014. The impact is greatest for the most poor, moving 13 percent of participating households from below to above 50 percent of the poverty line as it improves their well-being with better access to food resources. The Supplemental Poverty Measure shows that SNAP reduced child poverty by almost three percentage points in 2014—the largest child poverty impact of any safety net program other than refundable tax credits. Evidence is clear that SNAP benefits increase household expenditures on food and reduce food insecurity. But SNAP does not just help relieve short-term hardship. A growing body of high-quality research shows SNAP's benefits are especially evident and wide-ranging for those who receive food assistance as children; they extend beyond the immediate goal of alleviating hunger and include

improvements in short-run health and academic performance as well as in long-run health, educational attainment, and economic self-sufficiency.

SNAP also benefits local businesses and economies through its countercyclical design. During economic downturns, every \$1 issued in SNAP benefits generates up to \$1.80 in economic activity. Every time a family or individual uses SNAP benefits to put food on the table, it benefits the store and the employees where the purchase was made, the truck driver who delivered the food, the warehouses that stored it, the plant that processed it, and the farmer who produced the food. In short, SNAP strengthens individuals, their families, and their communities.

It also operates with efficiency. Almost 95 percent of Federal SNAP spending goes directly to families to buy food. Most of the rest goes toward the Federal share of State administrative costs. Only a small portion goes to Federal administration, including oversight of State operations and monitoring of retailers that accept SNAP. Relative to other federal means-tested programs, SNAP spends far less on program administration.

FNS and our State partners share in the administration of SNAP, including ensuring integrity in the program. On the Federal side, we establish rules and regulations, provide monitoring and oversight of State administration of the program, pay the full cost of SNAP benefits (\$69.7 billion for FY 2015), and pay approximately half of the expenses incurred by the States to administer the program. We also provide technical assistance to States, including general guidance associated with the options, of which there are many, available to States through regulations and statute. Overall, SNAP is a program that offers a great deal of State flexibility and opportunities for State choice through options and waivers.

USDA takes the lead on the authorization, monitoring and oversight of stores that redeem SNAP benefits—over 260,000 stores around the country. On behalf of American taxpayers, we work in concert with the Department's Office of Inspector General (OIG) and in close coordination with the States that operate the program and others to protect the Federal investment in SNAP. We work together to make sure benefits are used as intended—for eligible food items. The biggest threat to this aspect of integrity is trafficking—the illegal sale or purchase of SNAP benefits for cash. Trafficking involves two parties – both the retailer and the participant – and it is not always clear that both parties are fully aware of fraud as it occurs.

FNS has reorganized to put resources at the doorstep of fraud and modernized our efforts using data analytics to fight new tactics by those who want to commit fraud.

Our State agency partners are responsible for investigating participant fraud and punishing those found to be trafficking. Punishments can include permanent disqualification and even prosecution. According to the latest data available, in FY 2015 when more than 45.7 million people participated in the program, States conducted approximately 723,000 investigations resulting in over 46,500 disqualifications for recipient fraud and collected almost \$86 million in fraud claims from households. The statute authorizes State agencies to retain 35 percent of the amount they collect on fraud claims. We would like to see States focus more on the trafficking side as well.

As vital as the program is to so many, and as well as it operates, we can all agree that it can do even better, and it is up to all of us, the Federal Government, the States, and the local providers to work together to improve it by holding ourselves accountable. This Administration is committed to continually improving the integrity of SNAP. USDA has long recognized that SNAP cannot succeed without strong public confidence, so good stewardship of tax dollars is one of our most important objectives. That is why we continually strive to improve program oversight and to identify, penalize, and exclude those who seek to defraud the program. We view this as critical to preserving benefits for the vast majority of participants who play by the rules and need help to ensure their families have access to adequate and nutritious food.

With that background on our program, let me now talk about what we have accomplished. FNS has succeeded in reducing trafficking from about **4 percent to 1.3 percent** over the last 20 years. While the trafficking rate is low, and 98.7 percent of the benefits are used properly, we continue to focus on this vital area because, when almost \$70 billion (in FY 2015) in taxpayer supported benefits are involved, continuous attention, energy and diligence is required. Among the actions taken in this Administration to improve integrity related to retailer trafficking:

- We have restructured our retailer management functions into a single cohesive, centralized retailer management business structure that allows us to better target resources to particular high-risk areas;

- We have used data analytics to examine EBT transactions at stores as well as other retailer information, to focus on the stores most likely to traffic;
- We have upgraded our Anti-fraud Locator Using Electronic Benefit Transfer Retailer Transactions (ALERT) system to stay in step with state of the art technology to better detect suspicious SNAP redemption activity across the country;
- FNS implemented policies that combat abuse and the misuse of benefits and impose stronger penalties and sanctions against retailers who violate program rules; and
- We have provided resources to retailers and the public about ways to fight fraud and how to report abuses to help stop trafficking.

I am happy to report that our efforts, particularly those aimed at removing or preventing fraudulent retailers or those with other business integrity issues from participating in the Program, are working. In FY 2015, we issued sanctions against nearly 2,700 retailers who committed violations, reflecting an overall increase of 21 percent as compared to FY 2014. More than 1,900 stores were permanently disqualified for trafficking or falsifying an application, and over 700 stores were sanctioned for other violations such as the sale of ineligible items. Our strengthened vetting policies and procedures have increased our ability to prevent the authorization of firms that attempt to circumvent SNAP's business integrity rules. In 2015, there was a 254 percent increase in stores denied SNAP participation because of problems with business integrity of store ownership as compared to 2010.

Nevertheless, we continue to focus on improvement, particularly in the area of recipient trafficking. The General Accountability Office (GAO) released a report a couple of years ago titled "Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud." As noted in their report, FNS was already working to improve tools and technical assistance to States in this area; however, GAO also noted more could be done and recommended that FNS reassess current detection tools, reassess current financial incentives and issue guidance to assist States further in their efforts to detect fraud and report on their efforts. FNS agreed. Indeed, we had already begun the process. FNS issued almost \$15 million in grants to States to improve detection, investigation and prosecution of recipient trafficking. These projects focused on the use of technology and data analytics to improve and better track outcomes.

- We contracted with one of the nation's premier data analytics consulting firms to improve business processes in this area and use cutting edge technology to build a model using predictive analytics to help States more effectively identify SNAP recipient trafficking. The models use a variety of eligibility and transaction data, including card replacement data.
- FNS has completed studies in seven SNAP State agencies: New York (Onondaga County), Pennsylvania, South Carolina, Wisconsin (Milwaukee County), California (Sacramento County), and Texas.
- The preliminary results demonstrated success so this year we added four additional States Arizona, District of Columbia, Utah, and Washington to share this proven data analytics model.

Predictive data analytics, when paired with relevant information such as retailer disqualifications and excessive requests for card replacements, can be most effective in targeting the most likely trafficking participants. Let me highlight a couple of examples of how working with States, FNS has helped to reduce trafficking. Texas is a State with strong controls to prevent and investigate recipient fraud—the State operates an in-house data analytics program to identify and root out potential recipient trafficking. They also have strong business processes around their anti-fraud activities and have had significant success in this area. Another State, South Carolina, is now converting over 83 percent of its investigations of potential trafficking into successful disqualifications. This represents an increase of 22 percentage points from the State's investigation success rate prior to using FNS's model. Between March 2015, when FNS implemented the model, and December 2015, South Carolina disqualified 185 recipients for trafficking, representing a cost avoidance of just over \$1 million dollars. Unfortunately, few States are operating the level of Texas and South Carolina; that is why I believe there is much room for States to improve.

Another GAO recommendation was to revise our reporting form for States to provide FNS more thorough and complete information on their anti-fraud activities and their results. We are doing this and will soon be in a better position to have more accurate information on what States are doing, and be able to better analyze trends and returns on investment in State anti-fraud activities.

Finally, GAO also recommended improvements in the area of trafficking through social media websites. USDA has indeed focused on enhancing tools to help combat trafficking in this area. In 2015, FNS conducted a pilot in Washington to test innovative strategies for investigating and preventing trafficking attempts of SNAP benefits through social media websites. We are using lessons learned from these pilots to update our guidance to States for effectively combatting such attempts, which we expect to release later this year.

Beyond addressing the efforts discussed in the GAO report, we have gone further to work with our State partners on combatting recipient fraud. USDA continues to establish State Law Enforcement Bureau agreements with States, harnessing their additional law enforcement resources. The 2014 Farm Bill strengthened our ability to use these relationships to maintain focus on and expand recipient investigations in States as well. USDA continues to refer clients with suspicious transaction patterns at disqualified retailers to States for further investigation and encourages States to use that information to investigate and take action against clients believed to have trafficked.

USDA encourages States to take advantage of any tools available that can assist in the detection, investigation and prosecution of recipient fraud. We will continue to improve the tools available to States, provide technical assistances on how to use these tools, and share promising practices. States must pay close attention to recipients who request multiple EBT replacement cards. Though there may be a perfectly reasonable explanation, this is an indicator of fraud in certain circumstances. In fact, our data analytics project found that in these States, excessive card replacement requests is one of the leading indicators of potential trafficking. States have the option to call clients into the local office after the fourth request for a replacement card before issuing a new one; yet, to date, very few States have taken that option. States need to recognize the predictive value of this data and take full advantage of a proven successful option that is available to them.

Client education focused on recipient responsibilities is another strategy States need to use to tackle the issue of recipient integrity. FNS recently released an education package to help State agencies communicate the rules and the responsibilities involved with the program to participating recipients. Education such as this encourages voluntary compliance and prevents SNAP trafficking up front. In this area, as with others, States vary in their focus and level of

effort. There is room for States to do more education about SNAP rules with participating households.

Finally, I would be remiss if I did not mention the use of a photo on the EBT card. To be clear, implementation of a photo on the EBT card is a State option. However, it involves complex, legal, operational, and civil rights issues. Experience has taught us, if not well-planned and well executed, use of a photo on an EBT card can adversely affect the ability of participants to put food on the table. Let me explain: SNAP eligibility is determined for a household, not an individual. Any member of the household or authorized representative can use that card to redeem benefits according to Federal law. Putting the photo of one individual does not help fight fraud, but rather creates confusion at the point of sale. A photo will not prevent two bad actors from breaking the law. To that point, a 2001 State audit in Missouri found that the photographs on EBT cards did not serve as a fraud deterrent. Missouri subsequently discontinued use of photo EBT. Nevertheless, photo EBT remains an option available to States. Therefore, any State that chooses to implement such an option must do so in compliance with federal law. In fact, ensuring that is part of our oversight responsibility.

#### **Other Integrity Efforts**

While the instances of cases of duplicate participation (i.e. households simultaneously certified for benefits in two states) are low, it is another issue that USDA takes very seriously. USDA supported a pilot project in conjunction with OMB's Partnership for Program Integrity and Innovation and a five State consortium to develop the National Accuracy Clearinghouse (NAC). The NAC established a database pilot to test a shared data clearinghouse that allows the pilot States to check in real, or near-real, time whether a SNAP applicant is already receiving SNAP benefits in another pilot State. The final report indicates that the NAC reduced duplicate participation in all five pilot States, though effectiveness varied by the level of automation each State was able to implement. Although duplicate participation is already low, States saw significant reductions in duplicate participation from pre-pilot levels. FNS has urged states for a number of years to consider data-matching agreements with border States that have mobile populations and the pilot reinforces this type of data sharing. Massachusetts and New York are examples of States that are already doing this type of match via a low tech data batching approach. Other States could do the same.

**Conclusion**

Proper stewardship of Federal funds is intrinsically linked to constant and vigilant attention to program integrity and proper implementation of our role in oversight and monitoring of State program operations. And although the vast majority of those involved with SNAP, recipients as well as retailers, are honest and abide by the rules, we cannot accept or tolerate any fraud or abuse. The Nation entrusts us – USDA and our partner States – to administer SNAP, a program funded by the American taxpayer with accountability and integrity. Americans expect and deserve a government that ensures their tax dollars are managed efficiently and with integrity. To sustain public confidence in these programs, we must meet this expectation.

FNS will continue to pay close attention to these issues and to act where we can to reduce fraud. We will continue to work with States; encouraging them to do more where they can. It is our responsibility. I appreciate the Committee's interest in promoting and improving SNAP integrity, and welcome your questions.



Mr. MEADOWS. Thank you.

Ms. Brown, you are recognized for 5 minutes.

#### **STATEMENT OF KAY BROWN**

Ms. BROWN. Chairman Meadows, Ranking Member Lawrence, and members of the subcommittees, I'm pleased to be here today to discuss our work on Federal and State efforts to combat fraud by SNAP recipients. My remarks are based on our 2014 report with updates on USDA actions on our recommendations.

We studied the efforts of 11 States to prevent recipient fraud and detect recipient trafficking. First on preventing recipient fraud, States are responsible for investigating possible intentional program violations such as whether applicants have made false or misleading statements in order to obtain benefits. All 11 selected States were using well-known tools either required or recommended by USDA for detecting fraud. States were operating fraud hotlines and comparing information provided by applicants with data from various sources to check for accuracy. Some States were performing additional checks such as paying private companies for data to confirm the income information provided by applicants.

However, most of these States reported difficulties in conducting fraud investigations in part due to steady or even reduced staffing levels at a time when the numbers of SNAP recipients had grown significantly. Further, the size, range of duties, and programs covered by the investigative units varied widely by State. We recommended that USDA explore ways that Federal financial incentives could better support cost-effective State fraud prevention efforts.

Regarding detecting recipient trafficking, concerns had been raised that recipients may be trafficking their benefits by exchanging them for cash or goods and services on e-commerce and social media sites. In response, USDA recommended States use certain free Web-based automated tools to help detect such trafficking. However, State officials reported problems with these tools, and upon testing them, we found them to be of limited use. In fact, we found that manually searching e-commerce Web sites produced more positive results than were detected by the automated tools. We recommended that USDA reassess its guidance.

We also reviewed USDA's guidance to States regarding recipients who requested multiple EBT card replacements. This can be but is not necessarily an indication of trafficking. We found that States had limited success detecting fraud using USDA's approach. Instead, using data we obtained from three States, we developed a more targeted and efficient approach. By combining data sources, we identified households that had requested multiple replacement cards and, at around the same time, had also made purchases considered to be potential signs of trafficking. This type of approach can help identify households at higher risk of trafficking for benefits. And we recommended that USDA revisit its guidance in this area.

Finally, we also studied USDA oversight of State antifraud activities. We reported that USDA had increased its oversight in recent years. It issued new regulations and guidance and commis-

sioned studies on recipient fraud. Also, in fiscal year 2013 for the first time, the Department examined all 50 States' compliance with Federal requirements governing SNAP antifraud activities.

Despite these efforts, we found that USDA did not have consistent and reliable data on States' activities. Its reporting guidance lacked specificity, and States did not have a uniform understanding of what should be reported. As a result, USDA could not compare activities and performance across States. We recommended the Department take steps to enhance the consistency among State reports.

USDA officials agreed with all of our recommendations and are taking substantive steps in response. As you have just heard, they have made progress in studying improved anti-trafficking approaches, and they have redesigned the forms States used to report investigations. However, they have yet to finalize actions that would fully address all of our recommendations. Given the significant size of the program, the reality of constrained public resources, and the constant advances in technology, it's particularly important that USDA make every effort to make sure SNAP funds are used for their intended purposes.

This concludes my statement. I'm happy to answer any questions.

[Prepared statement of Ms. Brown follows:]



United States Government Accountability Office

Testimony

Before the Subcommittees on Government Operations and the Interior, Committee on Oversight and Government Reform, House of Representatives

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## SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Enhanced Detection Tools  
and Reporting to Combat  
Recipient Fraud Are in  
Development

Statement of Kay E. Brown, Director  
Education, Workforce, and Income Security Issues

## GAO Highlights

Highlights of GAO-16-719T, a testimony before the Subcommittees on Government Operations and the Interior, Committee on Oversight and Government Reform, House of Representatives

### Why GAO Did This Study

In fiscal year 2015, SNAP, the nation's largest nutrition support program, provided about 46 million people with \$70 billion in benefits. Fraud has been a long-standing concern in the program, and state agencies are responsible for addressing SNAP recipient fraud. In 2014, GAO reviewed state and federal efforts to combat SNAP recipient fraud.

This testimony summarizes: (1) findings from GAO's 2014 report and (2) the steps FNS has taken since then to address GAO's recommendations. For its 2014 report, GAO reviewed relevant federal laws, regulations, guidance, and documents; interviewed officials in 11 states; interviewed federal officials; tested fraud detection tools using fiscal year 2012 program data, the most recent available at the time of GAO's report; and monitored websites for potential trafficking online. Although GAO's results are not generalizable to all states, the selected states served about a third of SNAP recipient households. For this statement, GAO reviewed FNS's actions to date on its recommendations.

### What GAO Recommends

In 2014, GAO recommended that FNS reassess its financial incentives for state anti-fraud efforts and tools for website monitoring; establish additional guidance related to EBT replacement card data; and enhance the reliability of state reporting. FNS agreed with GAO's recommendations and has been taking steps to address them. GAO is not making new recommendations in this testimony statement.

View GAO-16-719T. For more information, contact Kay E. Brown at (202) 512-7215 or [brownke@gao.gov](mailto:brownke@gao.gov)

June 9, 2016

## SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

### Enhanced Detection Tools and Reporting to Combat Recipient Fraud Are in Development

#### What GAO Found

In 2014, GAO found that selected states employed a range of tools to detect potential Supplemental Nutrition Assistance Program (SNAP) recipient fraud, but they faced challenges, including inadequate staffing levels, that limited the effectiveness of their actions, and the Food and Nutrition Service (FNS) lacked data about the states' efforts. The 11 states GAO studied reported using detection tools required or recommended by FNS, among others, to combat SNAP recipient fraud. However, 8 of these states reported difficulties in conducting fraud investigations due to reduced or stagnant staff levels and funding despite program growth, and some state officials suggested changing the financial incentives structure to help support the costs of investigating potential fraud.

GAO also found limitations to the effectiveness of website monitoring tools and the analysis of card replacement data states used, under the direction of FNS, for fraud detection. Specifically, GAO found FNS's recommended website monitoring tools to be less effective than manual searches and impractical for detecting internet posts indicative of SNAP trafficking—the misuse of program benefits to obtain non-food items. Further, although FNS required states to monitor SNAP households that request at least four replaced electronic benefit transfer (EBT) cards in a year, GAO found that multiple EBT card requests in the same benefit period may not indicate increased risk of trafficking. GAO found that, by adjusting the analysis to focus on SNAP households that both requested cards in at least four different monthly benefit periods and engaged in suspicious transactions, states could possibly detect potential fraud more accurately. For example, in 2014, GAO found that 4,935 SNAP households in Michigan received at least 4 replaced EBT cards in a year. However, out of these householders, GAO identified 39 households that both received multiple replacement cards in at least four different monthly benefit periods and engaged in suspicious transactions indicative of SNAP trafficking, resulting in 10 or more trafficking flags. GAO reported that this type of targeted analysis may help provide states with a starting point for identifying higher priority households for further review, which can be particularly helpful given that states had reported having limited resources for conducting investigations.

GAO also found that, despite FNS's increased oversight efforts at that time, it did not have consistent and reliable data on states' anti-fraud activities because its reporting guidance lacked specificity. For example, the FNS guidance did not define the kinds of activities that should be counted as investigations, resulting in inconsistent data across states.

In 2014, GAO recommended, among other things, that FNS reassess current financial incentives, detection tools, and guidance to help states better combat fraud. As of May 2016, FNS reported progress in studying current anti-fraud approaches and developing better data on them, and is in the process of developing the final tools and guidance states need to help enhance the integrity of the SNAP program.

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Chairmen Meadows and Lummis, Ranking Members Connolly and Lawrence, and Members of the Subcommittees:

Thank you for the opportunity to discuss our work on states' efforts to combat Supplemental Nutrition Assistance Program (SNAP) recipient fraud. In fiscal year 2015, the federal government provided more than \$70 billion in benefits to help about 46 million people purchase food through SNAP. On average, recipient households received about \$258 a month in assistance in that year. The U.S. Department of Agriculture's Food and Nutrition Service (FNS), in partnership with states, is tasked with establishing the proper agency controls that help ensure SNAP program funds are used for their intended purpose. However, FNS program officials have had long-standing concerns that some recipients can falsify information to receive benefits, or misuse their benefits to solicit or obtain non-food goods, services and cash—a practice known as trafficking. SNAP recipient fraud can undermine the integrity of the program and the public's confidence in the program. Technology has provided new opportunities to combat as well as commit such fraud. For example, electronically monitoring recipient transaction data may provide clues to potential SNAP fraud, while e-commerce and social media websites have emerged as new venues for trafficking benefits.

State and federal governments share responsibility for addressing SNAP recipient fraud. State agencies are directly responsible for detecting, investigating, and prosecuting recipient fraud and FNS is responsible for providing guidance to states and monitoring their activities. FNS has traditionally focused on pursuing retailer fraud. We reported on FNS efforts to combat retailer fraud in 2006 and found that FNS was making progress in using electronic data to investigate trafficking.<sup>1</sup>

To enhance these efforts, FNS implemented most of our 2006 recommendations, including taking additional steps to target and provide early oversight of retailers most likely to traffic; developing a strategy to increase penalties for trafficking; and promoting state efforts to pursue recipients suspected of trafficking. Since then, the agency has increased its attention to the recipient side of trafficking. For example, in fiscal year

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<sup>1</sup> *Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties*, GAO-07-53 (Washington, D.C.: Oct. 13, 2006).

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2012, FNS recommended that states use certain tools, such as analyzing transaction data for those requesting multiple benefit card replacements and monitoring websites where traffickers may be attempting to buy or sell SNAP benefits.

In 2014, we again reviewed the SNAP program and issued a report on recipient fraud and selected states' efforts to combat this type of fraud. My testimony today summarizes: (1) the findings in our 2014 report on states' efforts to combat SNAP recipient fraud, and (2) the steps FNS has taken to address the recommendations in our 2014 report.<sup>2</sup>

For our 2014 report, we focused on federal and state efforts to combat SNAP recipient fraud for fiscal years 2009 to 2014, a period after the program received additional funding through the American Recovery and Reinvestment Act of 2009 (Recovery Act).<sup>3</sup> We reviewed relevant federal laws, regulations, program guidance and reports, and we interviewed FNS officials in headquarters and all seven regional offices. We included 11 states in our review—Florida, Maine, Massachusetts, Michigan, Nebraska, New Jersey, North Carolina, Utah, Tennessee, Texas, and Wyoming.<sup>4</sup> For all 11 states, we interviewed knowledgeable state and local officials about their recipient anti-fraud work and obtained related documentation. We also analyzed fiscal year 2012 replacement card and transaction data for households in three of the selected states—Michigan, Massachusetts, and Nebraska—to assess the extent to which certain analyses could better uncover patterns of potential fraud. Furthermore, we monitored popular e-commerce and social media websites for certain periods of time to determine how our selected states could use certain automated monitoring tools recommended by FNS to detect potential

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<sup>2</sup> GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud*, GAO-14-641 (Washington, D.C.: August 2014).

<sup>3</sup> Pub. L. No. 111-5, § 101, 123 Stat. 115, 120.

<sup>4</sup> We chose these states to achieve variation in geographic location, and a mix of high, medium and low SNAP payment error rates, percent of the total number of SNAP households nationwide, and proportion of recipients whom state officials reported as disqualified from the program due to non-compliance.

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SNAP fraud.<sup>5</sup> Additionally, we obtained and analyzed documents and reports relevant to FNS's program oversight, including their fiscal year 2013 assessments of state anti-fraud work for all 50 states and the District of Columbia.<sup>6</sup> More detailed information about our objectives, scope and methodology can be found in our issued report. For this testimony, we conducted follow-up work to obtain information on the status of our recommendations from the 2014 report. This involved contacting agency officials and obtaining relevant documents.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. 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 our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

The goal of SNAP, formerly known as the federal Food Stamp Program, is to help low-income individuals and households obtain a more nutritious diet and help alleviate their hunger. It does so by supplementing their income with benefits to purchase allowable food items. The federal government pays the full cost of the benefits and shares the responsibility and costs of administering the program with the states. Specifically, FNS is responsible for promulgating program regulations and ensuring that states comply with these regulations by issuing guidance and monitoring their state activity. FNS headquarters officials are assisted in this oversight work by federal officials in seven regional offices. FNS also determines which retailers are eligible to accept SNAP benefits in exchange for food and investigates and resolves cases of retailer fraud. State officials, on the other hand, are responsible for determining the eligibility of individuals and households, calculating the amount of their monthly benefits and issuing such benefits on an electronic benefit

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<sup>5</sup> "E-commerce" websites allow users to advertise the sale of goods and services. "Social media" websites allow subscribers to exchange information and ideas with others who may or may not subscribe.

<sup>6</sup> All of the data included in our 2014 report were assessed and determined to be sufficiently reliable for our purposes.

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transfer (EBT) card in accordance with program rules. States are also responsible for investigating possible violations by benefit recipients and pursuing and acting on those violations that are deemed intentional.<sup>7</sup>

Trafficking is an intentional program violation that includes acts of fraud, such as making false or misleading statements in order to obtain benefits and trafficking (i.e., using benefits in unallowable ways, such as by exchanging benefits for cash or non-food goods and services or attempting to do so).<sup>8</sup> For example, recipients can traffic benefits by selling EBT cards to another person, exchanging the EBT card and the corresponding Personal Identification Number (PIN)<sup>9</sup> for cash or non-food goods or services (e.g., rent or transportation). These sales can occur in person or by posting offers on social media and e-commerce sites. Recipients can then contact state agencies to report the sold EBT cards as lost or stolen and receive new cards which can be used for future trafficking transactions, for example, when the benefits are replenished the next month.

According to a September 2012 U.S. Department of Agriculture Office of Inspector General (USDA OIG) report, the magnitude of program abuse due to recipient fraud is unknown because states do not have uniform ways of compiling the data that would provide such information. As a result, the USDA OIG recommended that FNS determine the feasibility of creating a uniform methodology for states to calculate their recipient fraud rate.<sup>10</sup> FNS reported that it took action on this recommendation but ultimately determined that it would be infeasible to implement as it would require legislative authority mandating significant state investment of time

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<sup>7</sup> 7 C.F.R. § 273.16.

<sup>8</sup> 7 U.S.C. § 2015(b), 7 C.F.R. § 273.16. Furthermore, under federal law, it is illegal for a person to knowingly use, transfer, acquire or possess SNAP benefits in any manner that is contrary to the laws and regulations that govern the SNAP program. 7 U.S.C. § 2024(b). The statute applies to program recipients and retailers as well as people not participating in the program.

<sup>9</sup> Similar to a bank card, for security purposes, SNAP EBT cards require a PIN to access the benefits associated with the card.

<sup>10</sup> USDA OIG, *Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts*. Audit Report 27002-0011-13 (Washington, D.C.: Sept. 28, 2012).



and resources in investigating, prosecuting and reporting fraud beyond current requirements.

### Selected States Faced Challenges in Detecting Benefit Fraud, and FNS Lacked Reliable Data about State Efforts

#### To Detect Fraud, Selected States Employed Tools Such As Data Matching, Referrals, Analysis of Transaction Data, and Website Monitoring

In the selected states we reviewed in 2014, officials told us they were using well-known tools for detecting potential recipient eligibility fraud, such as data matching and referrals obtained through fraud reporting hotlines and websites. Specifically, at that time, all 11 states that we reviewed had fraud hotlines or websites, and all matched information about SNAP applicants and recipients against various data sources to detect those potentially improperly receiving benefits, as FNS recommended or required. (See table 1.)

**Table 1: Tools Used in 2014 to Detect Potential Supplemental Nutrition Assistance Program (SNAP) Eligibility Fraud**

Detection tool	Federal or state initiative	Number of states using (out of 11)	Description
eDRS match	FNS required	11	The Food and Nutrition Service (FNS) requires states to check for disqualified individuals in the Electronic Disqualified Recipient System (eDRS) when certifying or recertifying them for SNAP
Prisoner match	FNS required	11	States must routinely match applicants and recipients against a prisoner verification system to prevent receipt of SNAP benefits by incarcerated individuals
Death match	FNS required	11	States must check SSA's Death Master File to prevent receipt of benefits by deceased individuals <sup>a</sup>
PARIS match <sup>b</sup>	FNS recommended	11	States provided lists of SNAP recipients for the quarterly PARIS matching, and received lists of recipients who were also on the SNAP rolls of another state
Wage matching	State-initiated	9	These states reported data matching to detect unreported and underreported wages (Florida, Maine, Massachusetts, Michigan, North Carolina, New Jersey, Tennessee, Texas, Wyoming)

Detection tool	Federal or state initiative	Number of states using (out of 11)	Description
Other data matching	State-initiated	6	These states verified information provided by applicants/recipients by matching with other data sources, such as local jails, schools, and lists of lottery winners (Florida, Maine, Michigan, North Carolina, Tennessee, Texas)
Online data search services	State-initiated	2	Florida and Texas paid a private company for searches of numerous public and private databases including vital statistics, current wage and new hire data, child support, and residence information based on phone lines and motor vehicle registrations
Identity verification software	State-initiated	2	Florida and Texas used software that required individuals to provide information confirming their identities when they set up or access an online SNAP account
Error-prone profile	State-initiated	1	Florida provided case workers with a profile for applications that listed items to watch for that may indicate applicant fraud
Mapping software	State-initiated	1	Michigan used locator software to identify individuals applying for SNAP from a computer in another state
Public referrals	State-initiated	11	States provided fraud hot lines or online fraud referral
Exchange of most recent available SNAP enrollment data	FNS pilot	1	5 states, including 1 within the scope of our review, were participating in a pilot of the exchange of their most recent available SNAP enrollment data (Florida) <sup>c</sup>

Source: GAO analysis of data from selected states. | GAO-16-719T

<sup>a</sup>The Death Master File database contains the complete name of the deceased, the Social Security Number, birth and death dates, and whether the death report was verified.

<sup>b</sup>PARIS is the Public Assistance Reporting Information System administered by the Department of Health and Human Services.

<sup>c</sup>The remaining states participating in this pilot are Alabama, Georgia, Louisiana, and Mississippi.

Beyond the required and recommended data matches, at the time of our report, Florida, Texas, Michigan, and one county in North Carolina used specialized searches that checked numerous public and private data sources, including school enrollment, vehicle registration, vital statistics, and credit reports to detect potential fraud prior to providing benefits to potential recipients. Florida officials we interviewed shifted the majority of their anti-fraud resources to more cost-effective and preventive efforts in identifying potential fraud by developing tools geared towards detecting eligibility fraud and improper benefit receipt, such as identification verification software and profiles that case workers could use to identify error-prone applications. These state officials stated that this focus on preventive efforts was key to helping them manage recent constraints on their investigative budgets.

To track potential trafficking, officials in the 11 states reported that they analyzed patterns of EBT transactions and monitored replacement card

data and online postings pursuant to FNS's requirements and guidance.  
(See table 2.)

**Table 2: Tools Used to Detect Potential Supplemental Nutrition Assistance Program (SNAP) Trafficking in 2014**

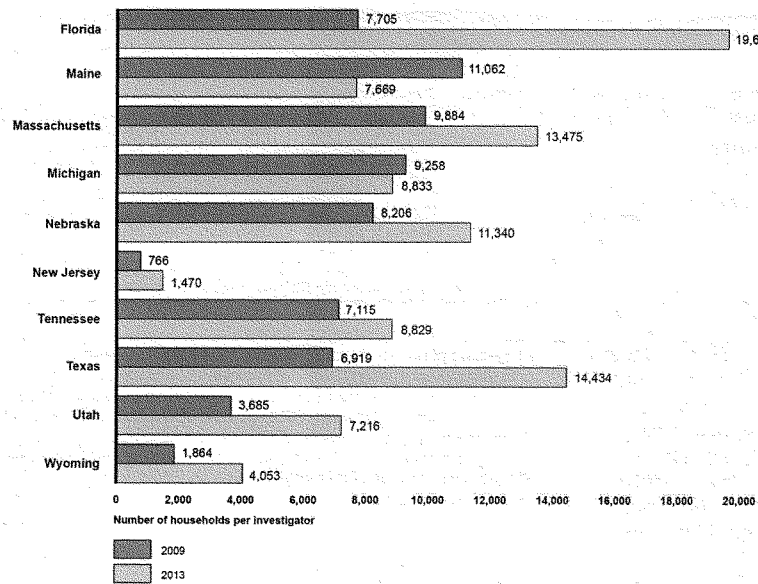
Detection tool	Federal or state initiative	# of 11 states that reported using tool	Description
Monitoring of excessive replacement EBT cards	FNS required	11	The Food and Nutrition Service (FNS) required states to track recipients who have requested 4 or more replacement electronic benefit transfer (EBT) cards in a 12-month period. States may send them letters explaining the proper use of EBT cards and generally must warn them that their EBT transactions are being monitored. (all 11 states)
Monitoring of online postings	FNS recommended	8	8 states used either automated feeds or manual monitoring to detect postings on social media and e-commerce websites by individuals seeking to sell SNAP benefits (Florida, Maine, Michigan, New Jersey, Tennessee, Texas, Utah, Wyoming)
Analysis of EBT transactions data	FNS recommended	11	All 11 states analyzed EBT transaction data for patterns that may indicate trafficking. The data analysis efforts varied from state to state.

Source: GAO analysis of data from selected states. | GAO-16-719T

**In 2014, Most Selected States Reported that Their Investigations' Effectiveness was Hindered by Limited Staffing and Caseload Increases, but Some Leveraged Additional Resources**

At the time of our 2014 report, most of the selected states reported difficulties in conducting fraud investigations due to either reduced or stagnant staff levels while SNAP recipient numbers greatly increased from fiscal year 2009 through 2013. (See figure 1.) Furthermore, state investigators in all 11 states we reviewed were also responsible for pursuing fraud in other public assistance programs, such as Medicaid, Temporary Assistance for Needy Families and child care and housing assistance programs.

**Figure 1: Number of Supplemental Nutrition Assistance Program (SNAP) Households per Investigator in Selected States, Fiscal Years 2009 and 2013**



Source: GAO analysis of information provided by selected states. | GAO-16-719T

Note: New Jersey provided calendar year information for investigators. Florida lost 27 investigators in late 2009, dropping from 130 to 103. North Carolina was unable to provide the number of investigators because some local offices do not have designated fraud investigators. Furthermore, all investigators in the selected states were responsible for pursuing fraud in other public assistance programs, and therefore, could be responsible for monitoring a larger population than is mentioned in the figure.

However, at the time of our report, some states implemented a strategy to leverage their available investigative resources. Specifically, four of the states we reviewed—Florida, Massachusetts, Michigan and Nebraska—had implemented and two states—Maine and North Carolina—were in the process of implementing state law enforcement bureau (SLEB)

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agreements. According to FNS officials, the agency was supportive of states' efforts to establish these agreements between state SNAP agencies and federal, state, and local law enforcement agencies, which would enable state SNAP investigators to cooperate in various ways with local, state, and federal law enforcement agents, including those within the USDA OIG. For example, under these agreements, law enforcement agencies can notify the SNAP fraud unit when they arrest someone who possesses multiple EBT cards, and SNAP agencies can provide "dummy" EBT cards for state and local officers to use in undercover trafficking investigations.<sup>11</sup> Officials in one county in Florida told us at the time of our report that this type of cooperation allowed local police officers to make 100 arrests in its first undercover operation of recipients who were allegedly trafficking SNAP benefits.

At the time of our report, some state officials suggested changing the financial incentives structure to help support the costs of investigating potential SNAP fraud because some investigative agencies were not rewarded for cost-effective, anti-fraud efforts that could prevent ineligible people from receiving benefits. According to GAO's Fraud Prevention Framework, investigations, although costly and resource-intensive, can help deter future fraud and ultimately save money.<sup>12</sup> Officials in one state told us that it would help its anti-fraud efforts if FNS would provide additional financial incentives for states to prevent potential fraud at the time of application beyond what is currently provided for recovered funds. Specifically, when fraud by a recipient is discovered, the state may generally retain 35 percent of the recovered overpayment, but when a

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<sup>11</sup> In most of the 11 states we reviewed, the fraud units were housed in the human services department or a state division responsible for program integrity, and investigators may be concentrated in the state capital or located around the state.

<sup>12</sup> GAO's Fraud Prevention Framework, developed during previous program audits and revised in 2015, emphasizes that comprehensive controls are necessary to minimize fraud, waste, and abuse within any federal program. For more information, see *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 2015); *Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection and Prosecution*, GAO-06-954T (Washington, D.C.: July 12, 2006); *Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to be between \$600 Million and \$1.4 Billion*, GAO-06-844T (Washington, D.C.: June 14, 2006); and *Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*, GAO-06-403T (Washington, D.C.: Feb. 13, 2006).

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state detects potential fraud by an applicant and denies the application, there are no payments to recover.

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**In 2014, Selected States Reported Limited Effectiveness in Using Automated Monitoring Tools for Detecting Online Fraud and Replacement Card Data as a Detection Tool**

In our 2014 report, we found that, upon testing, FNS's recommended approaches to detecting online fraud were of limited utility and selected states had limited success with using FNS's required approach to replacement card monitoring. Specifically, we found that FNS provided states with guidance on installing free web-based software tools for monitoring certain e-commerce and social media websites for online sales of SNAP benefits, but some officials from the selected states reported problems with these detection tools.<sup>13</sup> According to FNS, these tools could automate the searches that states would normally have to perform manually on these websites, which states reported as being cumbersome and difficult given limited resources. Of the 11 states we reviewed, officials from only one reported that the tool worked well for identifying SNAP recipients attempting to sell their SNAP benefits online. At the time of our review, FNS officials acknowledged that there were limitations to the monitoring tools, and stated that they provided these tools at the request of states to help with monitoring efforts.

In 2014, we tested these automated detection tools for certain periods of time on selected geographical locations covering our selected states and found them to be of limited effectiveness for states' fraud detection efforts. For example, our testing of the recommended automated tool for monitoring e-commerce websites found that the tool did not detect most of the postings found through our manual website searches. Specifically, out of 1,180 postings we reviewed manually, we detected 28 postings indicative of potential SNAP trafficking. Twenty-one of these 28 postings were not detected by FNS's recommended monitoring tool.<sup>14</sup> We also found the automated tool for monitoring social media websites to be impractical for states' fraud detection efforts, given that, for example, it could not be tailored to a specific location. We concluded that this could

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<sup>13</sup> The tools employ Really Simple Syndication (RSS) technology, which is designed to keep track of frequently-updated content from multiple websites and automatically notify users of postings that contain key words.

<sup>14</sup> These postings advertised the potential sale of food stamp benefits in exchange for cash, services, or goods.

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have potentially limited a state's ability to effectively determine whether the postings detected were relevant to the state's jurisdiction.

In 2014, we also reported that FNS required that states examine replacement card data as a potential indicator of trafficking, but state officials we interviewed reported difficulties using the data as a fraud detection tool. In 2014, FNS finalized a rule requiring states to monitor replacement card data and send notices to those SNAP households requesting excessive replacement cards, defined as at least four cards in a 12-month period. Officials we interviewed in the 11 states reviewed reported tracking recipients who make excessive requests for replacement EBT cards, as required by FNS, but said they had not had much success in detecting fraud through that method. Specifically, officials in 4 states reported that they had not initiated any trafficking investigations as a result of the monitoring, officials in 5 states reported low success rates for such investigations, and officials in 1 state reported that they had just started tracking the data. Officials in only 1 state reported some success using the data to detect potential trafficking. Furthermore, officials from 7 of the 11 states we reviewed reported that the current detection approach specified by FNS often led them to people who had made legitimate requests for replacement cards for reasons such as unstable living situations or a misunderstanding of how to use the SNAP EBT card. At the time of our report, FNS was aware of states' concerns about the effectiveness of this effort, but continued to stress that monitoring these data was worthwhile.

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**Targeted Analysis of  
Excessive Replacement  
Cards Found Potential  
Recipient Trafficking**

We found that while all of the selected states reported analyzing SNAP replacement card data to detect fraud as required by FNS,<sup>15</sup> a more targeted approach to analyzing high-risk replacement card data potentially offered states a way to better use the data as a fraud detection tool. Specifically, we analyzed fiscal year 2012 replacement card data in three selected states—Michigan, Massachusetts, and Nebraska—using an approach aimed at better identifying SNAP households requesting replacement cards that are at higher risk of trafficking benefits. Our approach took into account FNS's regulation that defined excessive

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<sup>15</sup> In 2014, FNS finalized a rule that requires states to monitor replacement card data and send notices to those SNAP households requesting excessive replacement cards, defined as at least four cards in a 12-month period.

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replacement cards as at least four requested in a 12-month period. However, we also considered the monthly benefit period of replacement card requests by focusing on SNAP households receiving replacement cards in four or more unique monthly benefit periods in a year. Based on our analysis, we determined that because SNAP benefits are allotted on a monthly basis, a recipient who is selling the benefits on their EBT card and then requesting a replacement card would generally have only one opportunity per month to do so. Thus, if a SNAP recipient was requesting a replacement card because they had just sold their EBT card and its associated SNAP benefits, it was unlikely that there would be more benefits to sell until the next benefit period. As a result, we determined that additional replacement card requests in the same benefit period may not indicate increased risk of trafficking.

Using this approach in the three selected states, our 2014 analysis reduced the number of households that should be considered for further review compared to the FNS requirement that states look at replacement cards replaced four or more times in 12 months. We then reviewed fiscal year 2012 transaction data for this smaller number of households to identify suspicious activity that could indicate trafficking.<sup>16</sup> We identified 7,537 SNAP recipient households in these three selected states that both received replacement cards in four or more monthly benefit periods in fiscal year 2012, and made at least one transaction considered to be a potential sign of trafficking around the time of the replacement card issuance, as shown in the table below. We found that these 7,537 households made over \$26 million in total purchases with SNAP benefits during fiscal year 2012. (see table 3.)

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<sup>16</sup> Specifically, we analyzed the data for trafficking indicators based on suspicious transaction types already used by FNS and state SNAP officials. We tested for six different suspicious transaction types, including large-dollar transactions and even-dollar transactions.



**Table 3: GAO's Analysis of SNAP Households Receiving Excessive Replacement Cards and Making Transactions Potentially Indicative of Trafficking in Fiscal Year 2012**

	4 or more replacement cards	Replacement cards in 4 or more benefit periods	Suspicious transactions and cards in 4 or more benefit periods
Michigan	8,190	4,935	3,183
Massachusetts	6,380	4,786	4,008
Nebraska	697	549	346
<b>Total</b>	<b>15,267</b>	<b>10,270</b>	<b>7,537</b>

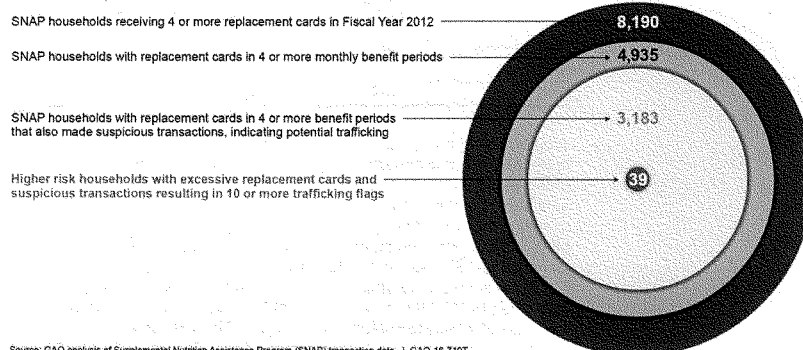
Source: GAO analysis of Supplemental Nutrition Assistance Program (SNAP) transaction data. | GAO-16-719T

We also found that by comparing the number of benefit periods with replacement cards and the total number of transactions flagged for potential trafficking, states may be able to better identify those households that may be at higher risk of trafficking. For example, as shown in the figure below, while there were 4,935 SNAP households in Michigan that received an excessive number of replacement cards, we identified just 39 households that received excessive replacement cards and made transactions resulting in 10 or more trafficking flags. We concluded in 2014 that while state SNAP officials may not want to limit their investigations to such a small number of households, this type of analysis may help provide a starting point for identifying higher priority households for further review. Furthermore, we reported that our more targeted approach may also be particularly helpful given that states had limited resources for conducting investigations.

**Figure 2: Targeting Potential Supplemental Nutrition Assistance Program (SNAP) Benefit Trafficking Using Replacement Card and Transaction Data to Identify Higher Risk Households in Michigan, Fiscal Year 2012**

**Michigan SNAP households receiving replacement cards in Fiscal Year 2012**

By taking a targeted approach to analyzing replacement card data in conjunction with related transaction data, we identified those households receiving excessive replacement cards that may be at higher risk of trafficking.



Source: GAO analysis of Supplemental Nutrition Assistance Program (SNAP) transaction data. | GAO-16-719T

**In 2014, We Reported that FNS Had Increased Its Oversight of State Anti-Fraud Activities but Lacked Reliable Data on These Efforts**

In 2014, we reported that FNS had increased its oversight of state anti-fraud activities in recent years by issuing new regulations and guidance, conducting state audits, and commissioning studies on recipient fraud since fiscal year 2011. For example, in fiscal year 2013, for the first time, FNS examined states' compliance with federal requirements governing SNAP anti-fraud activities through Recipient Integrity Reviews. These assessments included interviews with state officials, observations of state hearing proceedings, and case file reviews in all 50 states and the District of Columbia. Following these reviews, FNS regional officials issued state reports that included findings and, where appropriate, required corrective actions.

Despite these efforts, at the time of our report, FNS did not have consistent and reliable data on states' anti-fraud activities because its reporting guidance lacked specificity. For example, through our review of the 2013 Recipient Integrity Review reports, we also found that FNS had a nationwide problem with receiving inaccurate data on state anti-fraud activities through the Program and Budget Summary Statement (Form

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FNS-366B). Some federal and state officials we interviewed recognized that there was not a consistent understanding of what should be reported on the FNS-366B form because the guidance from FNS was unclear. For example, on the form in place during the time of our report, FNS instructed states to report investigations for any case in which there was suspicion of an intentional program violation before and after eligibility determination. According to state and federal officials we interviewed, this information did not clearly establish a definition for what action constitutes an investigation and should then be reported on this form.

After reviewing states' reports, we found examples of inconsistencies in what states reported as investigations on the FNS-366B forms. Specifically, in fiscal year 2009, one state had about 40,000 recipient households, but reported about 50,000 investigations. During the same year, another state that provided benefits to a significantly larger population (about 1 million recipient households) reported about 43,000 investigations. Officials from the state that served the smaller population, but had the larger number of investigations, explained that they included investigative activities such as manually reviewing paper files provided by the state's Department of Labor for each SNAP recipient with reported wages in the state. Officials from the state that served the larger population said that they counted the number of times a potential fraud case was actively reviewed by investigators, including interviews with witnesses and researching of related client information. Given these differences, state officials said that FNS and states were not able to compare program integrity performance because there was no standardization of data collection across states.

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#### FNS Is Working to Address GAO Recommendations to Enhance Detection Tools and Reporting

As a result of our 2014 findings, we made several recommendations, and FNS officials agreed with all of these recommendations and are taking actions to address them. Specifically, we recommended that the Secretary of Agriculture direct the Administrator of FNS to:

- explore ways that federal financial incentives can better support cost-effective state anti-fraud activities;
- establish additional guidance to help states analyze SNAP transaction data to better identify SNAP recipient households receiving replacement cards that are potentially engaging in trafficking, and assess whether the use of replacement card benefit periods may better focus this analysis on high-risk households potentially engaged in trafficking;

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- reassess the effectiveness of the current guidance and tools recommended to states for monitoring e-commerce and social media websites, and use this information to enhance the effectiveness of the current guidance and tools; and
  - take steps, such as guidance and training, to enhance the consistency of what states report on their anti-fraud activities.

While FNS agreed with the recommendations and is taking steps to address them, it has yet to fully develop the detection tools and improved reporting methods that would address these recommendations.

To explore ways to provide better federal financial incentives, FNS reported it published a Request for Information in the Federal Register in 2014 to solicit state and other stakeholder input on how it could more effectively incentivize states to improve overall performance, including in the area of program integrity, with new bonus awards. However, more recently, FNS officials reported that, based on the feedback from this process, they have decided not to pursue bonus awards for anti-fraud and program integrity activities at this time. At the time of our 2014 report, FNS officials also stated they could not make changes in the state retention rate for overpayments without a change to federal law.

FNS officials reported that they have provided states with technical assistance for how to effectively utilize replacement card data as a potential indicator of trafficking. Specifically, FNS has worked with seven SNAP state agencies: New York (Onondaga County), Pennsylvania, South Carolina, Wisconsin (Milwaukee County), California (Los Angeles County), Kansas, and Texas to help these states more effectively identify SNAP recipient trafficking, using models that incorporate predictive analytics. FNS officials stated that the models use a variety of eligibility and transaction data, including replacement card data, and have demonstrated a significant improvement in effectiveness in these states. According to FNS officials, over 90 percent of South Carolina's investigations of potential trafficking resulted in disqualifications from SNAP, which FNS officials stated is an increase of 29 percent from the state's investigation success rate prior to using FNS's model. Based on these state results, FNS officials stated that FNS was targeting four additional states in fiscal year 2016 for technical assistance in implementing the model: Arizona, the District of Columbia, Utah, and Washington. Furthermore, as of May 2016, FNS officials had reported that FNS is conducting a training program for state technical staff to teach them how to build predictive models that incorporate the use of card replacement data.

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FNS officials also reported that they continue to provide technical assistance to states on the effective use of social media and e-commerce monitoring and have further studied the use of these tools. Most recently, FNS officials reported that, in 2016, the agency conducted an analysis to evaluate states' current use of social media in their detection of SNAP trafficking. Based on the information gained through this analysis, FNS officials reported that they plan to determine how best to present further guidance to state agencies on using social media to combat trafficking.

As of May 2016, FNS had also redesigned the form FNS-366B used to collect consistent recipient integrity performance information and submitted a draft to the Office of Management and Budget (OMB). FNS officials anticipate OMB approval of the revised form prior to the end of fiscal year 2016, and the form is expected to be implemented in fiscal year 2017. FNS reported it published an interim final rule on January 26, 2016, (effective March 28, 2016), changing the reporting frequency of the form from an annual submission based on the state fiscal year to a quarterly submission based on the federal fiscal year. To date, FNS officials reported that they provided 4 separate trainings to approximately 400 state agency and FNS regional office personnel, covering the new and modified elements of the final draft form and the corresponding instructions.

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In conclusion, the challenges that states have faced in financing and managing recipient anti-fraud efforts heighten the need for more efficient and effective tools for safeguarding SNAP funds. In order to provide useful guidance to best guide states in these efforts, FNS officials need reliable information on what can currently be done with available federal and state resources. As of May 2016, FNS officials have reported progress in studying current anti-fraud approaches and developing better data on them but are still in the process of developing the final tools and guidance for enhancing the integrity of the SNAP program.

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Chairmen Meadows and Lummis, Ranking Members Connolly and Lawrence, and Members of the Subcommittees, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

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**GAO Contact and  
Staff  
Acknowledgments**

If you or your staff have any questions about this statement, please contact Kay Brown, Director, Education, Workforce, and Income Security Issues, at 202-512-7215. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement include James Bennett, Kate Blumenreich, Alexander Galuten, Danielle Giese, Scott Hiromoto, Kathryn Larin, Flavio Martinez, Jessica Orr, Deborah Signer, Almeta Spencer and Shana Wallace.



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Mr. MEADOWS. Thank you, Ms. Brown.

Ms. Mayhew, you are recognized for 5 minutes, but before you start, I wanted to just say it was interesting to hear from your Governor about really leaving the home in an unbelievable age of 11 to go out and—so someone who has experienced poverty first-hand and now has raised to the highest level of the executive government in the State of Maine is a great story about American greatness. So, Ms. Mayhew, you are recognized for 5 minutes.

#### **STATEMENT OF MARY MAYHEW**

Ms. MAYHEW. Thank you, Chairman Meadows and members of the subcommittees. I appreciate the invitation to be here today to share some of our key welfare reforms that have helped to deter fraud, protect benefits for the truly needy, and guard against waste of precious taxpayer dollars.

When Governor LePage took office in 2011, he prioritized reforming Maine's welfare programs to help lift families and individuals out of poverty and away from welfare dependency. Program integrity and accountability are critical to those reforms. There is no doubt that fraud exists in these programs, and every dollar that is diverted through fraudulent and criminal activity is a dollar taken away from a child or a family in need. The programs we have put in place to reduce fraud and abuse help to ensure that taxpayer dollars are reaching those in need, not fueling criminal activity.

Our program integrity efforts have focused on data analytics, engagement with law enforcement, and commonsense measures to guard against fraud and abuse. I want to share a few of our efforts and make some suggestions for further improvements in the SNAP program. We have provided a number of recommendations attached to my testimony.

Working with local law enforcement officials, we found regular instances of multiple EBT cards recovered in drug busts. In most cases, the cards are not issued to the suspects who are holding them. We know there is an unfortunate connection between benefits trafficking and the drug trafficking world, but current Federal SNAP regulations often create barriers to pursuing these traffickers. FNS rules provide that if someone has the EBT card and the PIN, they are considered an authorized user of the card. Regulations should require authorized users to register with the welfare agency and be limited to no more than three per case, similar to WIC.

Under Federal law, States have the option of placing photos on EBT cards. Maine pursued this option to help address the trafficking in EBT cards for drugs or cash. When someone's picture is on their card, it follows that they are less likely to sell it or trade it. Maine's photo EBT program is voluntary, and we currently have about 60,000 cards with photos out of 101,000 SNAP cases.

While this is a legal option for all States, myriad regulations and rules place a chilling effect on States that may be considering photos. This basic protection against fraud and abuse should be streamlined so States can implement this reform without undue burden. It would also be a reasonable step to require States to place photos on their EBT cards to deter fraud.

In 2011, Maine had more than \$15 million in welfare benefits spent outside of Maine, including significant amounts in places like the Bronx, Brooklyn, Philadelphia, and Worcester, Massachusetts. Our drug enforcement agents in Maine have been clear that these cities are hubs for heroin trafficking and other drugs which flow up the I-95 corridor to Maine.

Our data system identifies anyone using a Maine EBT card exclusively in another State for 2 consecutive months. We then follow up to confirm Maine residency and appropriate use of the benefit. Our efforts have reduced out-of-state use, but the data still shows uses of SNAP benefits in places all over the country like New York, California, and Florida. Federal regulations don't currently allow States to restrict SNAP benefits to certain geographic areas. We believe there should be some reasonable restrictions on the mobility of EBT cards.

Often, what SNAP benefit cards are trafficked, it is in conjunction with a SNAP-approved retailer who's helping turn the card to cash that can be used to purchase things other than food. In a recent Maine case of suspected retailer fraud, a small store with just one cash register had SNAP reimbursements totaling nearly that of a large local Hannaford grocery store with 18 cash registers. We found numerous purchases of \$300 and above in this small store that had no grocery carts. This same store is suspected of trading cash for EBT cards and helping SNAP participants commit tax fraud.

States do not have the authority to remove noncompliant or fraudulent stores from SNAP participation. To assist with this problem, States should be given the authority to investigate and remove offending retailers similar to WIC. All States should operate robust welfare fraud investigation units. To incentivize this, States should be allowed to retain 50 percent of funds collected from welfare fraud overpayments instead of the current 35 percent.

Additionally, Federal rules should require that recipients cooperate with State welfare fraud investigators if there is a credible allegation of fraud or risk losing their benefits. Maine is determined to address the issue of fraud and to protect benefits for our neediest residents. States need additional tools. Federal laws and rules should allow and encourage States to pursue meaningful program integrity efforts without unnecessary barriers.

Today, policies that combat fraud are too often sacrificed in the name of convenient and expeditious access to welfare benefits. We hope that Congress and the Federal Government will give serious consideration to our suggested reforms and will work to ensure that laws and regulations give States a fighting chance against fraud and criminal activity. Thank you.

[Prepared statement of Ms. Mayhew follows:]

Statement of  
Mary Mayhew  
Commissioner, Maine Department of Health  
and Human Services

*SNAP: Examining Efforts to Combat Fraud  
and Improve Program Integrity*

The Government Oversight Committee  
Subcommittees for Government Operations  
and The Interior

June 9, 2016

Good afternoon Chairman Meadows, Chairwoman Lummis, Ranking Members Connolly and Lawrence and members of the subcommittees on Government Operations and The Interior. My name is Mary Mayhew and I serve as the Commissioner of the Department of Health and Human Services (DHHS) in Maine for Governor Paul LePage. Maine's DHHS has a budget of \$3.4 billion annually and manages the Medicaid program, Temporary Assistance for Needy Families, (TANF), Supplemental Nutritional Assistance Program (SNAP/Food stamps), child welfare, child support enforcement, child care subsidy program, mental health and substance abuse programs and services, aging and disability services, and public health. I have had the privilege to serve in this role since 2011.

I appreciate the invitation to be here today and I'm grateful for the opportunity to share with you some of Maine's key reforms to our welfare programs that have helped to deter fraud, protect benefits for the truly needy and secure taxpayers peace of mind that their tax dollars aren't being wasted.

I also want to make some suggestions for ways in which we can work together to combat fraudulent benefits schemes that are defrauding taxpayers and hurting the truly needy that rely on government assistance.

I am a product of Maine's true values of a strong work ethic and sacrifice. My father and his six siblings were raised by a widowed single mother in the aftermath of the Great Depression. My grandmother worked every job imaginable, from paving driveways to planning weddings, to provide for her family, and was simultaneously a source of great charity in her town. My parents similarly worked tirelessly to support a family of six, my mother was a nurse's aide at the local hospital and my father worked at a nearby factory in the small town of Pittsfield, Maine. They worked to support our family with basic priorities of food on the table and a roof over our heads. And they instilled in me the importance of personal responsibility and the value of work.

With that as a backdrop, I take seriously my role as Commissioner of Maine's Department of Health and Human Services (DHHS) to promote pathways of prosperity that encourage independence and self-sufficiency through the support of the safety net programs administered by Maine DHHS. When Governor LePage took office in 2011, he was intent on reforming Maine's welfare programs to address the serious plight of too many families and individuals trapped in welfare dependency. The Governor's focus has been on advancing meaningful reforms to transform lives and lift people out of poverty.

Our approach has been multifaceted but has been rooted in these principles: that safety net programs must serve the most vulnerable, help people achieve their dreams of independence, and utilize every dollar in support of basic necessities. President Franklin Roosevelt said in his 1935 State of the Union address: "continued dependence upon relief induces a spiritual disintegration fundamentally destructive to the national fiber. To dole our relief in this way is to administer a narcotic, a subtle destroyer of the human spirit." We talk about the American dream but then too often design welfare programs that trap people in a nightmare of poverty, dependency and despair.

For years Maine DHHS had reeled from one financial crisis to the next focusing on filling budget shortfalls and managing in a perpetual state of crisis. We have spent the last five years stabilizing the financial foundation, aligning our limited taxpayer resources with core priorities,

and establishing a significant focus on program accountability and performance through data analytics. This effort includes making sure that every dollar is spent efficiently, for our most vulnerable individuals and families, and for the intended purpose.

Today I want to focus on our efforts to apply these same principles to our management of the welfare programs and specifically food stamps, also known as the Supplemental Nutrition Assistance Program (SNAP). We cannot turn a blind eye to the vulnerabilities and susceptibility to fraud and abuse within the food stamp program and the destructive nature of that fraud and abuse to our mutual goals of helping vulnerable individuals and families with the purchase of nutritional food.

There is no doubt that fraud exists in these programs. Certainly any program of this magnitude is susceptible to fraud and abuse and we have a responsibility to protect these programs in support of their intended purpose. What we must never forget is that the benefits under discussion today are intended for the truly needy – and every dollar that is diverted through fraudulent and criminal activity is a dollar taken away from a child in need or a vulnerable adult.

When a convenience store trades an Electronic Benefits Transfer (EBT) card for cash that is used to purchase a pack of cigarettes instead of fresh fruits and vegetables, that represents a child going to school hungry. When a drug dealer trades an EBT card for heroin, that represents yet another life traveling further down the path of personal destruction and not self-sufficiency.

Because I also oversee the state's child welfare program, I see as well the destructive impact of drugs on our young families where more than 60% of children come into the state's protective custody because of parental substance abuse. It is imperative that we take seriously the connection between this crisis and the trafficking of EBT cards for drugs and cash.

States and the federal government should work hand-in-hand to ensure that fraudulent and criminal activity is investigated thoroughly and any avenues allowing exploitation of these programs are shut down. Just as we work to identify and close breaches used by hackers to steal our identities and financial data, a similar approach is vital in protecting welfare programs. It is essential that for continuous process improvement we examine all aspects of these programs to assess whether it is performing consistent with its stated goals, is financially efficient, and compliant with all program integrity requirements.

When I compare the amount of data analysis we do and are expected to do to prevent against fraud and abuse in Medicaid, it is difficult to explain why the same level of public transparency and program integrity is not integral to the management of SNAP. We must ask the tough questions and find the right answers to keep SNAP clean of criminal activity and exploitation.

The programs we have put in place to reduce fraud and abuse do not create a heavy burden on recipients. Instead, they help to ensure that precious taxpayer dollars are reaching the truly needy, not fueling criminal activity or enabling illegal drug buys.

For background purposes, when Governor LePage took office in January 2011, Maine had a record 250,000 people on SNAP with annual expenditures on benefits of \$330 million out of a population of 1.3 million people. To strengthen the program integrity of SNAP in the best interests of protecting this safety net program for its intended purpose and for those eligible, we have focused on data analytics, engagement with local law enforcement, common sense

measures to guard against fraud, and areas of federal reform that would support our mutual efforts to support this safety net program.

#### **Authorized Users**

When we dug into the welfare fraud problem what we found was alarming. Working with law enforcement officials we found all-too regular instances of multiple EBT cards recovered in drug busts. On these occasions police often found five or more EBT cards, none that had been issued to the arrested person.

In a recent case in Maine a 33 year old man was arrested in a drug raid that found crack cocaine, guns, cash and 5 EBT cards. The EBT cards were all in the name of someone other than drug dealer arrested. One of the cards issued had been re-issued to the recipient 47 times in a span of a few years.

In another similar case last year in Maine a drug felon was accepting SNAP-loaded EBT cards as payment for the illicit drug Fentanyl, which is 50 times more potent than heroin and responsible for thousands of overdose deaths.<sup>1</sup>

We know there is a very unfortunate and direct connection between benefits trafficking and the drug-trafficking world, but federal SNAP regulations often create barriers to pursuing cases against these traffickers. FNS rules state categorically that if someone has the EBT card and the PIN, FNS considers them an authorized user of the EBT card.

Law enforcement officials give us examples of persons arrested with drugs and EBT cards who tell them they are going grocery shopping for the person whose name is on the card. Because of the regulation, there is little we can do to stop that practice. The regulation should be changed to require authorized users to register as such with the welfare agency overseeing the program and should be limited to no more than three per case at any given time.<sup>2</sup>

This is similar to how the Woman, Infants and Children (WIC) program operates currently in Maine, which is also administered by Maine DHHS, and is permitted under federal regulation. Users of the WIC benefit can have only two “proxies” at a given time who must register with the WIC agency.

#### **Photos on EBT**

Another key strategy in Maine’s mission to deter welfare fraud has been to place photos on our EBT cards. This is a common sense measure that provides protection against trafficking or theft. When someone’s picture is on their card, it only follows that they are less likely to sell it for cash or trade it for drugs. We have seen the results – while EBT cards still turn up in drug-related arrests too often, we don’t see EBT cards with photos turning up in those raids.

In Maine, we run a voluntary program for photo EBT’s. We invite individuals to participate by having their photo placed on their EBT card. While the program isn’t mandatory at this time, we have over 59,700 photos for EBT cards out of 101,500 SNAP cases.

<sup>1</sup> <http://www.cdc.gov/drugoverdose/data/fentanyl.html>

<sup>2</sup> Attachment A - *Food Stamp Program Problems and Recommendations* section 3 on page 2

Some concerns raised during implementation centered on how this might unduly burden the disabled and elderly. However we have learned that the disabled and elderly in particular are agreeable to having their photo on their card, recognizing it can help protect their benefit. Of the 59,000 with a photo, 53% are age 50 and above while 40% of photos are requested by disabled persons.

While it is currently an option for states to place photos on their EBT cards, myriad regulations and rules place a chilling effect on states that may be considering the option. This basic protection against fraud and abuse should be streamlined so states are able to implement it without undue burden. It would be a reasonable program integrity measure to require states to place photos on their EBT cards to deter fraud.<sup>3</sup>

#### **EBT Data and Out of State EBT Usage**

Another key to fighting welfare fraud is for states to have an elevated focus on EBT card transactional level data. While most states have access to EBT data, many may not regularly research that information at the transactional level. This is critically important to find red flags for fraud. States should operate systems that give them ready access to analyze their data.

In Maine, we have found that out of state usage of our EBT cards is a major warning sign of fraudulent activity. In 2011, Maine had more than \$15 million in welfare benefits spent outside of Maine, including significant amounts in places like the Bronx, Brooklyn, Philadelphia and Worcester, Massachusetts.<sup>4</sup> Our Law Enforcement partners informed us these are known drug trafficking cities, with heroin and other drugs flowing up the I-95 corridor to Maine.

Our data analytics software alerts us when someone has used a Maine EBT card exclusively in other states for two consecutive months. We then follow up with the client to ensure there is no inappropriate use and that they still reside in Maine. By working with this EBT data extensively, we cracked down on inappropriate out of state welfare use. As a result, out of state usage of Maine EBT cards has been reduced to \$8 million a year.

Unfortunately, the data still shows regular usage of SNAP benefits in places all over the country, like Brooklyn, New York, California and the Walt Disney World area of Florida. Federal regulations don't currently allow states to restrict SNAP benefits to certain geographic areas. We don't believe it is right for Maine SNAP benefits to be spent by someone living outside of Maine and we see the connection between interstate usage of EBT and fraud. We believe there should be some reasonable restrictions on the mobility of EBT cards.<sup>5</sup>

#### **Retailer Fraud and Non-compliance**

Often when SNAP benefits cards are trafficked it is in conjunction with a SNAP approved vendor who is helping turn the card to cash that can be used to purchase things other than food. In some cases, the offending stores are small "convenience" type stores. There are many of these stores participating in the SNAP program that may not be meeting the goals of the "nutrition" program based on their real food inventories.

<sup>3</sup> Attachment A - *Food Stamp Program Problems and Recommendations* section 4 on page 3

<sup>4</sup> Attachment B - *Maine EBT Out-of-State Usage*, Maine DHHS

<sup>5</sup> Attachment A - *Food Stamp Program Problems and Recommendations* section 9 on page 5

For example, in one Maine case of suspected retailer fraud this year, a small store with just one cash register had SNAP reimbursements totaling nearly that of a large local Hannaford chain grocery store with 18 cash registers. We were alerted to the potential fraud because our data tracking found numerous instances of \$300 and above purchases in this small store that had no grocery carts to carry out that amount of produce. The same store is suspected of trading cash for EBT cards and helping SNAP participants commit tax fraud.

The current investigation into that store also revealed extremely low levels of real food items. There were recent improvements in the Farm Bill to require a higher minimum of real food items in participating stores and we support those changes.

#### **Retailer Oversight**

In the case that a store is committing fraud or is in non-compliance with food standards, states do not have the authority to remove them from SNAP participation. We rely on the federal government for that function. The investigator we have in our region does a great job, but we know that USDA is resource constrained in our region in terms of investigating and disqualifying offending stores. Only 8 stores in Maine have been sanctioned since 2011.

It would be helpful to give states the ability to investigate and remove offending stores. By deputizing state partners in this way, it would increase the capacity to identify stores committing fraud and act to remove them from SNAP. States are currently able to remove fraudulent WIC vendors from participation and that model should be replicated in SNAP. This may also allow for greater frequency in compliance inspections to assist in oversight of SNAP vendors.<sup>6</sup>

#### **Multiple Replacement EBT cards**

We also found that often EBT cards had been reissued to the recipient multiple times in a given year, which is a significant red flag for fraud. As in the example cited above, a card that turned up in the possession of a drug dealer had been issued to a person 47 times. Federal rules allow states to restrict re-issuance of cards to require contact after the fourth card in a year, and Maine has recently taken that option. However this should be stricter, allowing intervention after the second card in a year and by allowing states to require face-to-face contact in order to receive subsequent cards, which can only be required now through an FNS waiver.<sup>7</sup>

#### **State Fraud Investigations**

In 2011, Maine more than doubled our number of welfare fraud investigators, from eight to seventeen. By focusing on welfare fraud, Maine has increased the number of referrals for prosecution of criminal level fraud from just four the year Governor LePage took over, to more than 100 last year. We think it is prudent for all states to operate a dedicated welfare fraud unit.

However, states hands are somewhat tied in what can be prosecuted. States can't mandate recipients to cooperate with a fraud investigation. The federal government should require that, as

<sup>6</sup> Attachment A – *Food Stamp Program Problems and Recommendations* sections 7 and 8 on page 4

<sup>7</sup> Attachment A – *Food Stamp Program Problems and Recommendations* section 6 on page 3



a condition of eligibility, recipients must cooperate with state welfare fraud investigators if there is a credible allegation of fraud or risk losing their benefits.<sup>8</sup>

Also, allowing states to retain 50% of funds collected from welfare fraud overpayments instead of the 35% currently allotted in regulation, would increase the incentive to investigate fraud and allow for reinvestment into important data mining technology and additional investigators.<sup>9</sup>

### Conclusion

Welfare enrollment, particularly in SNAP, has had explosive growth since 2000. SNAP has grown from 17 million to 45 million people.<sup>10</sup> Welfare fraud has followed the trend and in Maine we've seen a disturbing and strong connection to the drug problem.

We can't sit idly by as taxpayer funded programs help fuel the drug trade through trafficking or divert scarce resources away from hungry children and needy families. We have an obligation to deter fraud, protect benefits for the truly needy and secure taxpayer's peace of mind that their money isn't being wasted.

Maine is determined to address the issue of fraud and to protect benefits for the truly needy. I believe Maine has been successful in the deliberate and strategic implementation of these important safeguards to combat this growing problem.

States need additional tools to combat this growing problem. Federal laws and rules should allow and encourage states to pursue meaningful program integrity efforts without unnecessary barriers. Today, policies that combat fraud are too often sacrificed in the name of convenient access to welfare benefits.

We hope that Congress and the federal government will give serious consideration to our suggested reforms and will work to ensure that laws and regulations give states a fighting chance against fraud and criminal activity. Thank you for the opportunity to appear before you today, and for your continued support of the great State of Maine. I look forward to answering your questions.

<sup>8</sup> Attachment A – *Food Stamp Program Problems and Recommendations* section 9 on page 5

<sup>9</sup> Attachment A – *Food Stamp Program Problems and Recommendations* section 14 on page 6

<sup>10</sup> <http://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>



## STATEMENT SECRETARIES' INNOVATION GROUP

*Endorsed by Members, November 19, 2014 Meeting, Washington DC*

One out of every seven Americans currently receives Food Stamps. The Supplemental Nutrition Assistance Program (SNAP), which is known as Food Stamps, has quadrupled in cost since 2001, and has doubled in cost since President Obama took office in 2008. States face an uphill battle on reforming this program. Federal regulations and laws are not designed to best ensure integrity and effectiveness in the program, and the federal administering agency, Food Nutrition Service (FNS) puts up roadblocks to reform whenever possible.

A common sense approach is needed in Washington D.C. to allow states the ability to ensure welfare benefits are being used appropriately. Despite intense opposition, States have made significant strides in some areas to tackle fraud, waste and abuse in the system. For instance, several states have implemented photos on Electronic Benefits Cards (EBT) and are requiring working-age, non-disabled adults to meet work requirements.

Measures underway by states, and the reforms proposed below are aimed at deterring fraud, protecting legitimate beneficiaries and securing taxpayer's peace of mind that the Food Stamp program is best serving the people of the United States. With the help of reform-minded voices in Congress, States can move forward with significant and meaningful reforms to this important program.

### FOOD STAMP PROGRAM PROBLEMS AND RECOMMENDED SOLUTIONS

#### 1) The "Nutrition" program allows the purchase of soda, candy and other harmful products

PROBLEM: The Supplemental Nutrition Assistance Program is intended to subsidize

nutrition for needy families. Instead it is fueling the Obesity problem in America. Too many recipients are utilizing their benefit to purchase items that are not only void of nutrition, they are damaging to their health. “More than one-third of adults and 17% of youth in the United States are obese,” according to the Journal of the American Medical Association.<sup>1</sup>

The Obesity epidemic, driven in part by poor choices in Food Stamp purchasing, costs the U.S. and states billions of dollars. According to a Health Affairs study, the medical costs associated with Obesity are an estimated \$147 billion in 2008.<sup>2</sup> This massive spending certainly includes state’s Medicaid programs, which is a major cost driver in state and federal budgets.

Examples of real purchases made in Maine in 2013 with SNAP benefits:

- Multiple Red Bulls
- RockStar Energy Drinks
- 1-LB Bag of Reese’s Peanut Butter Cups
- 3 gallons of Hershey’s Ice Cream (one purchase)

*SOLUTION A: Recommend that allowable SNAP purchases mirror allowable purchases in the Women, Infants and Children (WIC) program. SNAP purchases should be healthy and nutritious choices.*

*SOLUTION B: At a minimum, ban the purchase of harmful products with no nutritional value that are commonly purchased at “convenience” stores, like energy drinks and other sugar-sweetened drinks (Red Bull, RockStar, Mountain Dew) and candy.*

## 2) Key SNAP purchase data is not available to States

**PROBLEM:** Micro-level transaction data which shows how SNAP benefits are being spent is not available to the States because the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) does not allow its capture or dissemination. This data would provide an objective, measurable picture of where reforms are needed to ensure the program is effective in providing essential nutrition for those in need.

*SOLUTION: Require FNS and SNAP-EBT vendors (i.e. Xerox) to capture all SNAP transaction-level data and make it available to States. Transparency on how SNAP dollars are spent (Mountain Dew vs. Milk) is important to inform program officials, legislators and the public on what changes are needed in the program to ensure its effectiveness.*

## 3) EBT card traffickers can easily avoid prosecution

**PROBLEM:** Electronic Benefit Transfer (EBT) cards are regularly trafficked for cash and illegal

<sup>1</sup> <http://jama.jamanetwork.com/article.aspx?articleid=1832542>

<sup>2</sup> <http://content.healthaffairs.org/content/28/5/w822.full.pdf+html>

drugs. A suspected trafficker encountered by Law Enforcement might have multiple EBT cards on them, or a card that does not have their name or picture. The potential trafficker can claim they are authorized by the household to use the card and if the Law Enforcement agent cannot contact the household the card was issued to, there is nothing else they can do. This issue is often cited by Law Enforcement and Fraud Investigators as the number one reason EBT/SNAP traffickers avoid prosecution.

*SOLUTION: Amend 7 CFR 273.2(3) to allow only individuals who have been certified in writing as an "Authorized Representative" to possess and use the EBT card for purchases. States will collect and retain information on the authorized representative(s) for the case and can verify if possession of the EBT card is legitimate. In addition, the number of "authorized representatives," that are not part of the household, should be limited to no more than three individuals at a given time.*

**4) No federal requirement for Photos on EBT cards**

PROBLEM: Photos on EBT cards is permitted by federal law but discouraged by restrictive federal rules and in practice by FNS.

*SOLUTION: Require photos on all EBT cards nationwide. Photos on EBT cards deter potential criminal activity, allow for quick basic checks of card ownership by law enforcement and protect legitimate users against theft.*

**5) There is no federal requirement for positive identification and verification**

PROBLEM: Photo ID is permitted by law but discouraged by FNS. The transition to online applications, where Photo ID is not a factor, facilitates fraudulent applications.

*SOLUTION: Federally required in-person application meetings with a requirement that a valid photo ID is produced to ensure the individual applying is the person they claim to be.*

**6) Unlimited replacement cards encourage EBT card trafficking**

PROBLEM: If an EBT card containing a SNAP benefit is trafficked, it is likely the individual will request a replacement card in order to facilitate a new illicit transaction the next month when the benefits are loaded back on the account. Excessive card replacements are a top red-flag indicator of fraud. While states can monitor excessive card replacements, there is no restriction on total number of cards issued in a given time period. In addition, federal rules do not allow states to charge an individual more than the actual cost of producing a replacement EBT card. This doesn't allow states to discourage trafficking or losing EBT cards through financial penalty.

*SOLUTION: Restrict the amount of replacement cards an individual can request in a twelve-month period. Require an individual to have a face-to-face interview with an eligibility*

*specialist for initial replacement request, and with a fraud investigator present to explain the reason for more than one card replacement request. No more than two replacement cards per 12 month period.*

**7) “Convenience stores” need more stringent requirements to participate in SNAP**

**PROBLEM:** The “convenience store” category of EBT retailers is of particular concern (e.g. gas stations, food marts, party stores). The majority of EBT trafficking occurs in these venues. These establishments typically do not stock the type of eligible food products that satisfy the original intent of the SNAP program. EBT redemptions typically far exceed eligible food inventory at these locations.

**SOLUTION A:** Amend 7 CFR 278.1(8) - Increase the minimum eligible food inventory requirements of the four major food groups to be stocked for sale at convenience store category retailers. Current federal requirements of 3 items of each of the four major food groups are too minimal. Increasing daily food inventory requirements will require convenience store retailers to make an inventory investment to become authorized for EBT redemptions. Currently, convenience stores have minimal requirements and investment to become authorized.

*An alternative option is to require EBT retailers to submit food inventory records on a frequency basis (quarterly or semi-annually) in order to reconcile with EBT redemptions. This could serve as a deterrent to trafficking redemptions. This option requires increased staffing resources to review inventory records, however.*

**SOLUTION B:** Increase financial assurance requirements to participate as an EBT Retailer.

**SOLUTION C:** Increase penalties for non-compliance with retailer requirements (monetary penalties).

**SOLUTION D:** Increase the frequency of compliance inspections at convenience store category retailers.

**8) States are unable to prosecute retailer fraud and remove retailers from SNAP**

**PROBLEM:** The USDA’s Office of Inspector General (OIG) has sole responsibility and authority over retailer fraud investigations and enforcement in all states. There are very few agents assigned to perform this extremely important task. For example, there are just two agents covering Maine and they have other responsibilities in the rest of New England. There as few as four in the state of Michigan. Additionally, the USDA OIG agents tend to focus on larger and more high profile cases, limiting states ability to shut down smaller, convenience store type locations with fraudulent activity.

*SOLUTION: Allow States the opportunity to utilize state OIG's and state fraud investigatory entities to investigate and enforce violations on retailer fraud. For instance, Michigan's DHS OIG has 133 agents throughout Michigan who work closely with Law Enforcement and the Michigan Attorney General's Office. This type of state-based unit is better positioned to investigate and enforce EBT retailer trafficking violations in the SNAP program. At a minimum, allow for state pilots of this model.*

**9) Cooperation with fraud investigators is not mandated by federal regulation**

**PROBLEM:** Recipients suspected of trafficking typically fail to appear for OIG and fraud investigation interviews. Time and resources are wasted in attempts to locate these individuals. EBT has allowed recipients mobility without notifying the department of address changes, as the EBT benefits are electronically loaded on their EBT card monthly. Their location is irrelevant.

*SOLUTION A: Federal requirement that when an individual fails to cooperate with a fraud investigation (definition of "cooperate" to be determined), the result is immediate case closure and termination of benefits, with potential penalty commensurate with actual fraud determination (e.g. suspension of any eligibility for a period of time).*

*SOLUTION B: Disallow out-of-state EBT redemptions, OR create limited time period exceptions for out-of-state redemptions. Residency requirements are questionable for extended periods for out-of-state EBT redemptions.*

**10) Federal waivers allow for reduced work requirements and decrease program integrity**

**PROBLEM:** Several federal waivers of SNAP requirements have allowed States to eliminate work requirements, allow individuals with assets to gain benefits and general weakened integrity in the program.

*SOLUTION: Recommend eliminating all waivers to move the food assistance program toward the original intent of the law. Waivers include but are not limited to the following:*

- a. Asset Test – Eliminating the asset test waiver will bring the SNAP program into alignment with the Food Stamp Act as it was originally written.*
- b. Eligibility – Eliminate all categorical eligibility and simplified reporting waivers. The elimination of these waivers will go a long way in improving program integrity with the SNAP program.*
- c. ABAWD – Eliminating the ABAWD waiver will make participation in employment and training a requirement for all able bodied adults without dependents who are receiving SNAP benefits. This population is considered to be work ready and*

*should participate in employment and training as a requirement of receiving food assistance.*

**11) The definition of “Household” is weak and allows duplicate benefit in household**

**PROBLEM:** Federal rule allows two individuals, living in the same household, to be defined as separate “households” if they “purchase and prepare” food separately. This can easily be manipulated to produce a dual benefit for a household that does not truly “purchase and prepare” their food separately (i.e. 27 year old living with parents claiming to buy and cook themselves).

**SOLUTION:** *Revise language in 7 CFR 273.1 to eliminate the option for separate “purchase and prepare” within one household.*

**12) “Simplified Reporting” allows for gaps in program integrity**

**PROBLEM:** Federal rules allow for “simplified reporting” that gives states the option to only require individuals on SNAP to report household or income changes at intervals (monthly, semi-annually, annually). The intent is to make administration easier, but it creates the ability for individuals to go months without reporting a change that could impact their benefit.

**SOLUTION:** *Change federal rules to eliminate the option for states to do “simplified reporting” and instead require individuals to report changes in household or income as they happen to ensure accurate and up-to-date information related to their case.*

**13) SNAP Education funds would be better utilized for employment and training**

**PROBLEM:** SNAP-Education (SNAP-ED) funds are used for largely ineffective efforts to train SNAP recipients on healthy eating. There are limited funds available for state employment and training programs.

**SOLUTION:** *Reallocate federal SNAP-ED funds for employment and training. In addition, recommend employment and training is mandatory for all SNAP recipients except for elderly, disabled, and children.*

**14) Increase financial incentives for States to pursue fraud, waste, and abuse**

**PROBLEM:** States are only able to retain 35% of funds collected from intentional program violations (IPVs) or fraud to reinvest in program integrity efforts.

**SOLUTION:** *Allow States to retain at least 50% of funds collected from IPVs or fraud to reinvest in program integrity efforts.*

**15) Illegal alien families receive an increased benefit because of unreported income**

**PROBLEM:** Illegal alien families with citizen children obtain a higher benefit than they should be eligible for because unreported income of the parent/adult is not counted. In a family where all members are citizens, all income is required to be reported and counted.

***SOLUTION:** Federal Food Stamp amount for these families should be set at the same level as for comparable child-only cases from among citizen families. This would eliminate disparity between the two scenarios. As a minimum alternative, the greater of the stated income or imputed income should be applied when calculating the benefit.*



## Maine Welfare/EBT\* spending out-of-state 2011-2015

June 9, 2016

AK	\$8,794	\$11,731	\$8,845	\$6,717	\$8,846	\$44,933
AL	\$48,629	\$45,598	\$41,474	\$40,255	\$28,982	\$204,938
AR	\$23,648	\$20,608	\$15,277	\$16,228	\$12,531	\$88,291
AZ	\$81,677	\$78,941	\$80,436	\$87,522	\$65,783	\$394,360
CA	\$121,788	\$140,945	\$106,736	\$101,214	\$71,445	\$542,129
CO	\$52,219	\$56,857	\$51,694	\$40,085	\$35,307	\$236,163
CT	\$292,398	\$254,619	\$206,680	\$161,265	\$126,840	\$1,041,801
DC	\$2,252	\$3,589	\$1,712	\$2,824	\$2,810	\$13,186
DE	\$11,222	\$19,868	\$16,897	\$15,711	\$5,766	\$69,464
FL	\$842,426	\$853,575	\$805,697	\$679,825	\$547,120	\$3,728,644
GA	\$126,504	\$128,750	\$133,116	\$99,325	\$81,070	\$568,765
GU	\$169	\$0	\$0	\$0	\$0	\$169
HI	\$10,621	\$20,441	\$12,525	\$9,688	\$7,232	\$60,507
IA	\$15,261	\$17,631	\$23,380	\$19,809	\$8,136	\$84,217
ID	\$7,599	\$6,963	\$6,205	\$6,231	\$3,649	\$30,647
IL	\$35,819	\$39,590	\$33,372	\$31,041	\$19,766	\$159,588
IN	\$48,510	\$36,838	\$30,642	\$36,175	\$25,623	\$177,788
KS	\$21,304	\$21,046	\$26,430	\$8,901	\$10,998	\$88,679
KY	\$48,714	\$40,129	\$41,477	\$37,208	\$28,765	\$196,293
LA	\$44,737	\$35,201	\$49,635	\$33,299	\$10,289	\$173,162
MA	\$1,337,163	\$1,221,571	\$1,094,048	\$869,295	\$711,968	\$5,234,045
MD	\$39,153	\$45,119	\$55,256	\$43,448	\$23,368	\$206,344
MI	\$41,789	\$47,561	\$40,903	\$32,815	\$22,111	\$185,178
MN	\$32,650	\$30,703	\$31,524	\$31,037	\$49,657	\$175,571
MO	\$39,849	\$43,094	\$28,823	\$24,366	\$27,345	\$163,477
MS	\$18,250	\$25,736	\$15,766	\$11,717	\$7,097	\$78,566
MT	\$13,818	\$12,306	\$12,269	\$5,367	\$5,071	\$48,832
NC	\$174,433	\$185,133	\$166,404	\$133,679	\$95,879	\$755,527
ND	\$7,539	\$19,358	\$26,164	\$12,914	\$15,047	\$81,023
NE	\$19,359	\$16,608	\$15,111	\$17,516	\$12,954	\$81,548
NH	\$10,677,609	\$10,369,588	\$9,283,475	\$7,007,840	\$5,893,567	\$43,232,079
NJ	\$110,594	\$101,179	\$92,068	\$49,463	\$37,171	\$390,476
NM	\$17,081	\$15,275	\$15,422	\$9,594	\$11,928	\$69,299
NV	\$29,746	\$28,128	\$26,696	\$22,705	\$13,978	\$121,253
NY	\$312,449	\$306,388	\$298,436	\$236,205	\$160,980	\$1,314,457
OH	\$86,963	\$94,899	\$96,165	\$60,804	\$45,954	\$384,785
OK	\$21,727	\$27,005	\$32,451	\$17,035	\$10,991	\$109,209
OR	\$33,324	\$35,109	\$26,009	\$15,355	\$16,245	\$126,042
PA	\$162,273	\$134,747	\$137,538	\$81,426	\$63,003	\$578,987
PR	\$1,450	\$1,940	\$40	\$0	\$5	\$3,435
RI	\$152,129	\$125,919	\$118,795	\$84,301	\$50,019	\$531,163
S	\$918	\$1,572	\$205	\$0	\$0	\$2,696
SC	\$100,321	\$112,775	\$109,705	\$75,754	\$73,024	\$471,580
SD	\$6,727	\$6,130	\$5,493	\$5,453	\$4,522	\$28,326
TN	\$76,255	\$86,520	\$85,954	\$74,938	\$49,709	\$373,376
TX	\$147,856	\$130,623	\$160,521	\$151,664	\$107,633	\$698,298
UR	\$0	\$2	\$0	\$0	\$0	\$2
US	\$17,666	\$19,517	\$123	\$0	\$3	\$37,309
UT	\$17,280	\$17,039	\$11,328	\$15,068	\$11,052	\$71,767
VA	\$130,185	\$119,753	\$113,132	\$112,687	\$87,101	\$562,858
VI	\$2,442	\$1,059	\$98	\$0	\$220	\$3,819
VT	\$100,609	\$117,405	\$80,330	\$65,373	\$45,123	\$408,841
WA	\$43,285	\$41,439	\$42,920	\$29,160	\$29,076	\$185,880
WI	\$18,254	\$17,244	\$14,791	\$6,074	\$11,451	\$67,815
WV	\$30,775	\$19,814	\$17,603	\$10,841	\$10,933	\$89,966
WY	\$4,204	\$11,779	\$2,117	\$2,681	\$1,972	\$22,753
Out Of State	\$15,870,416	\$15,422,960	\$13,949,913	\$10,749,898	\$8,807,115	\$64,800,302

\*Includes SNAP and TANF

Mr. MEADOWS. Thank you, Ms. Mayhew.  
Mr. Carroll, you are recognized for 5 minutes.

**STATEMENT OF MIKE CARROLL**

Mr. CARROLL. Thank you, Chairman Meadows. It's an honor to be here with you today and share some insights from Florida.

The SNAP eligibility process has changed significantly over the past 20 years. Today, Florida is a leader in the modernization of our social services system. Virtually every State in the Nation has come to Florida to study our model. Today, we receive 93 percent of our applications online. Eligibility staff was reduced from 7,000 to 4,000. Cost-per-eligibility transaction dropped from \$30 per application to \$7, all while maintaining accuracy rates at or above 99 percent. All of these are at benchmark levels on a national level. Our experience is testament to how government can run an operation that is cost-effective, efficient, and optimizes access to services in a simplified way for customers.

We do have a new fight on our hands, however, and it's identity theft and EBT trafficking. Our challenge now is to balance the need to continue being efficient with the need to maintain the integrity of this program going forward, and I am not talking about the individual who may fudge their income or their household composition. We're talking about major criminal enterprises with ties to drug sales, prostitution, and human trafficking. We have to work together and we have to work quickly to invest in the right technology, integrate fraud detection in every level of our process, and coordinate more effectively a response that's much more urgent than we currently have.

In Florida, we've implemented effective front-end detection systems and commonsense legislation to address obvious fraud and abuse at the roots. We banned EBT card transactions at all adult entertainment and gambling venues and in the purchase of alcohol, we've created a fraud reward program, we've enhanced criminal penalties for fraud, and we've revised the definition of EBT trafficking in Florida law to include swapping food benefits for weapons or controlled substances. Last year, our Office of Public Benefits Integrity conducted more than 23,000 investigations, which resulted in cost avoidance of \$27.6 million of benefits that would have been otherwise administered to folks who were not eligible.

How can we improve the system? Florida has demonstrated the success of advanced technology with our automated identity verification tool and the complete automation of the system. We think we need to continue to invest in technology like this both at the front end and the back end of the system. We also would like to work with our Federal partners to build on these capabilities and eliminate the one-size-fits-all approach. We have to give States the flexibility and the space to implement and execute these programs and policies while still being able to come up with innovative solutions that meets the needs of the citizens in their State.

We also suggest that we consider changing the current burden of proof of recipient fraud from a clear-and-convincing standard to a preponderance of the evidence, the same standard that's used for retailer fraud. Right now, it is easier to arrest a recipient than to disqualify them from the SNAP program.

When it comes to retailer fraud, and this is where we feel a real sense of urgency in Florida, we need a much more comprehensive and urgent approach. FNS must start immediately suspending a SNAP retailer upon a criminal arrest. We need to require that retailers repay trafficked amounts in administrative sanctions that rarely happens now. SNAP retailer applications must be scrutinized more closely before vendors become authorized retailers. And we have to change the way we provide incentives to States and move away from a pay-and-chase model and start focusing on an upfront prevention model.

I do want to talk briefly about the case that you mentioned, Opa-locka. It was the largest food stamp trafficking bust in Federal programs history. Twenty-two retailers were arrested. Investigators found cash and guns. They found storefronts that were actually drug sale operations, human trafficking, and prostitution operations. They found empty storage rooms, rotten produce, empty display boxes, 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. Another failed to disclose they were a convicted felon.

Since 2011 when DCF first reported the fraud, nearly \$89 million in SNAP transactions have taken place at this location. DCF now has to review 41,000 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 today, we've not been able to disqualify one SNAP recipient who was involved in that. The trafficking continues. At least eight retailers continue to operate in that location. In fact, the 2 weeks following the arrest, they did over \$163 in EBT redemptions.

Clearly, we can do better than this. In the State of Florida we're absolutely committed to making sure that folks who are eligible to receive these free services receive them in the most accurate and timely fashion possible, but we are equally as committed to making sure that we maintain the integrity of this program. And we do want to work with our Federal partners to make sure that happens.

[Prepared statement of Mr. Carroll follows:]

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

June 9, 2016

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.

Mr. MEADOWS. Thank you, Mr. Carroll, for your illuminating testimony.

Ms. Dean, you are recognized for 5 minutes.

#### STATEMENT OF STACY DEAN

Ms. DEAN. Thank you. Chairman Meadows, Ranking Member Lawrence, thank you for the invitation to testify today. I'm Stacy Dean, vice president for Food Assistance Policy at the Center on Budget and Policy Priorities, a nonpartisan policy institute.

I'm really pleased to have the opportunity to talk to you today about program integrity in SNAP. I've worked on SNAP for more than 20 years, and one of the most rewarding parts of my job is to work directly with State officials on improving the program at the local level, and that includes policy and operations related to program integrity.

SNAP is the Nation's most important anti-hunger program. It currently helps about 44 million low-income Americans, or 1 in 7 Americans, to afford a nutritionally adequate diet each day at the more than 200,000 retail store outlets that take the benefits.

Despite its modest benefits which average only \$1.41 per person per meal, it has powerful short- and long-term impacts. It helps family and communities weather tough economic times, it reduces poverty and food insecurity, it improves health, and it does support work. SNAP's successes can largely be attributed to its national entitlement structure, its relatively uniform eligibility standards, its standards for program administration and integrity, and the fact that it's a food-based benefit.

SNAP does operate with efficiency and has relatively sound program integrity. As I've outlined in my testimony and as you heard from Under Secretary Concannon, SNAP has a strong track record on issuing benefits accurately and identifying and preventing fraud. Critics who claim that caseload growth in recent years has been driven by waste, fraud, and abuse are just simply incorrect.

Program integrity has two fundamental components. One is reducing errors, which is ensuring that benefits are issued to the correct people in the correct amount, and most error in the program resulting under—around error is a result of human error meaning basic mistakes, not fraud. States actually report that the majority of error in—that occurs through payment—through payment accuracy measurement is their fault and not clients'.

By contrast, fraud is when clients or retailers collude to exchange benefits for nonfood items or some of the unfortunate activities you've heard of already today, or intentionally lie to the program for personal benefit. Each of these issues, error and fraud, merits their own solutions. Identifying and proving a retailer is trafficking is quite a different problem than ensuring State workers throughout the country understand program rules and are applying them correctly.

We support the ongoing effort to maintain and improve SNAP's program integrity. As new technology becomes available and as awareness of how problems are arising, there will just continue to be opportunities to improve SNAP accuracy and prevent fraud, and that's why the most recent farm bill included several new initiatives.



We encourage you to assess new ideas against several criteria. The first question is always does it work? USDA and States have a strong history of testing and trying new ideas to assess impacts in order to determine the potential effectiveness nationally, and I think the Florida demo is a great example of that.

This—another question is what's the scope and scale of the problem under discussion? Some of the most egregious examples of fraud are highly isolated incidences. They are completely unacceptable, but they may be so infrequent such that they shouldn't drive the programs fundamental approach to addressing more common everyday program integrity issues. Building processes based on the assumption that everyone who uses this program is a criminal just simply isn't an effective way to run the program.

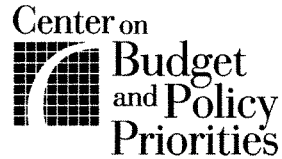
Obviously, we need to look at what are the proposed—or proposed solutions, projected costs, and benefits. I do think it's important to—even though this seems obvious, when a proposal is promoted as an anti-fraud activity, some are really reluctant to rigorously weigh its benefits and costs out of fear of being perceived as soft on fraud. And data-matching, I think, is a very good example. High-quality focused matches to test the veracity of client statements against available data is a terrific tool both for access and integrity, but expanding matches to—against data that may be completely irrelevant to a household's current circumstances is a waste of resources and could undermine integrity.

Will the proposal have any negative consequences? Any new program integrity proposal needs to consider the implications on access and whether all individuals, particularly individuals with disabilities or other special needs, could navigate them.

And finally, who's promoting the change? Often, private vendors selling program integrity solutions are some of SNAP's biggest critics. Their self-interest in promoting the perception of a program in crisis really has to be considered.

Cost, not a lack of interest or new ideas, is often our biggest obstacle to addressing fraud and error. While the Federal Government shares in the cost of administering the program, State budgets are often the limiting factor to ensuring the best systems and technology are deployed nationwide. Many States have downsized their program operations during the recent recession and have not yet rebuilt the capacity to take full advantage of new technology options or the staff resources that could improve their efforts.

So I look forward to the discussion today. Thank you very much.  
[Prepared statement of Ms. Dean follows:]



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June 9, 2016

## **SNAP: Combating Fraud and Improving Program Integrity Without Weakening Success**

**Testimony of Stacy Dean, Vice President for Food Assistance Policy,  
Center on Budget and Policy Priorities,  
Before the Subcommittees on Government Operations and the Interior  
of the Committee on Oversight and Government Reform  
U.S. House of Representatives**

Thank you for the opportunity to testify today. I am Stacy Dean, Vice President for Food Assistance Policy at the Center on Budget and Policy Priorities, an independent, non-profit, nonpartisan policy institute located here in Washington. The Center conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's food assistance work focuses on improving the effectiveness of the major federal nutrition programs, including the Supplemental Nutrition Assistance Program (SNAP). I have worked on SNAP policy and operations for more than 20 years. Much of my work is providing technical assistance to state officials who wish to explore options and policy to improve their program operations in order to more efficiently serve eligible households. My team and I also conduct research and analysis on SNAP at the national and state levels. The Center on Budget and Policy Priorities receives no government funding.

My testimony today is divided into two sections: 1) SNAP's role in our country as a federal nutrition program; and 2) an overview of how SNAP addresses and maintains program integrity.

### **I. SNAP Plays a Critical Role in Our Country**

Before turning to today's hearing topic of SNAP's program integrity, I think it is important to review some of SNAP's most critical features. The program is a highly effective anti-hunger program. Much of the program's success is due to its entitlement structure, its consistent national benefit structure, and its food-based benefits. The program also imposes rigorous requirements on states and clients to ensure a high degree of program integrity.

As of February this year, SNAP was helping more than 44 million low-income Americans to afford a nutritionally adequate diet by providing them with benefits via a debit card that can be used only to purchase food. On average, SNAP recipients receive about \$1.39 per person per meal in

food benefits. One in seven Americans is participating in SNAP — a figure that speaks both to the extensive need across our country and to SNAP's important role in addressing it.

Policymakers created SNAP to help low-income families and individuals purchase an adequate diet. It does an admirable job of providing poor households with basic nutritional support and has largely eliminated severe hunger and malnutrition in the United States. As I will discuss later, it accomplishes these critical goals while maintaining sound program integrity.

When the program was first established, hunger and malnutrition were much more serious problems in this country than they are today. A team of Field Foundation-sponsored doctors who examined hunger and malnutrition among poor children in the South, Appalachia, and other very poor areas in 1967 (before the Food Stamp Program, as SNAP was then named, was widespread in these areas) and again in the late 1970s (after the program had been instituted nationwide) found marked reductions over this ten-year period in serious nutrition-related problems among children. The doctors gave primary credit for this reduction to the Food Stamp Program. Findings such as this led then-Senator Robert Dole to describe the Food Stamp Program as the most important advance in the nation's social programs since the creation of Social Security.

Consistent with its original purpose, SNAP continues to provide a basic nutrition benefit to low-income families, the elderly, and people with disabilities who cannot afford an adequate diet. In some ways, particularly in its administration, today's program is stronger than at any previous point. By taking advantage of modern technology and business practices, SNAP has become substantially more efficient, accurate, and effective. While many low-income Americans continue to struggle, this would be a very different country without SNAP.

### **SNAP Protects Families From Hardship and Hunger**

SNAP benefits are an entitlement, which means that anyone who qualifies under the program's rules can receive benefits. This is the program's most powerful feature: it enables SNAP to respond quickly and effectively to support low-income families and communities during times of economic downturn and increased need. Aided by a temporary benefit increase from the 2009 Recovery Act, SNAP kept poverty and food insecurity (lack of consistent access to sufficient food) from rising during the Great Recession as much as they would have without the program.<sup>1</sup>

Enrollment expands when the economy weakens and contracts when the economy recovers. (See Figure 1.) As a result, SNAP responds immediately to help families and to bridge temporary periods of unemployment. It also can help individual families weather a short-term crisis, such as separation or divorce. . . A U.S. Department of Agriculture (USDA) study of SNAP participation over the late 2000s found that slightly more than half of all new entrants to SNAP participated for less than one year and then left the program when their immediate need passed.

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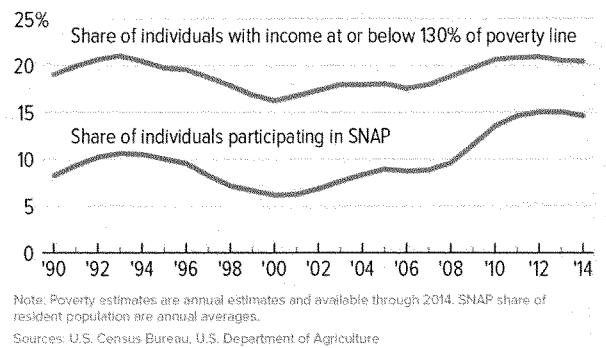
<sup>1</sup> For example, Bitler and Hoynes find that post-transfer poverty rate would have risen by at least one percentage point in 2010 without SNAP income, and that SNAP reduced the cyclical poverty during the Great Recessionary period. Nord and Prell find that food insecurity did not rise for low-income participants likely to receive SNAP as expected from late 2008 to late 2009, while it did rise for those with slightly higher incomes. Marianne Bitler and Hilary Hoynes, "The More Things Change, the More They Stay the Same? The Safety Net and Poverty in the Great Recession," *Journal of Labor Economics*, Vol. 34, Issue S1, 2016. Mark Nord and Mark Prell, "Food Security Improved Following the 2009 ARRA Increase in SNAP Benefits," ERR-116, U.S. Department of Agriculture, Economic Research Service, April 2011.

SNAP's powerful response during the recession is in sharp contrast to that of the cash assistance program Temporary Assistance for Needy Families (TANF), whose block grant structure sharply limits its ability to expand during economic downturns. TANF enrollment did not rise significantly as the number of people in poverty rose during the recession. While the number of unemployed doubled in the Great Recession, TANF caseloads rose only modestly, by 13 percent from December 2007 to December 2009.

SNAP's ability to serve as an automatic responder is also important when natural disasters strike. States can provide emergency SNAP within a matter of days to help disaster victims purchase food. In 2014 and 2015, for example, SNAP helped households in the Southeast affected by severe storms and flooding and households on the west coast affected by wildfires.

FIGURE 1

### SNAP Tracks Changes In Share of Population That Is Poor or Near-Poor



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SNAP's caseloads grew in recent years primarily because of its role as an automatic stabilizer: more households qualified for SNAP because of the recession, and the number of eligible households stayed high in the years following the recession because of the slow recovery. During the recession, as the official poverty rate rose from 12.5 percent to 15.1 percent, SNAP enrollment rose to respond to this increase. Poverty stayed high through 2014 (the most recent year for which data are available), at 14.8 percent, and as a result, though SNAP participation has begun to fall, it remains high compared to pre-recession levels.

The Congressional Budget Office (CBO) has confirmed that "the primary reason for the increase in the number of participants was the deep recession . . . and subsequent slow recovery; there were

no significant legislative expansions of eligibility.”<sup>2</sup> Emerging research on the Great Recession finds that indeed, economic factors were the main drivers of SNAP caseload increases during this period, explaining between about half and 90 percent of the increase in SNAP caseloads between 2007 and 2011. One study, which tested different measurements of the economy and SNAP caseloads at the state and local levels, found that the economy explained 70 to 90 percent of the increase in caseloads; it also found substantial lags — of up to two years — between changes in the economy and changes in SNAP participation.<sup>3</sup>

Another important factor in rising caseloads during and after the recession is that a larger share of eligible households applied for help. Participation rates among eligible people grew from 69 percent in 2007 to 83 percent in 2014 (the most recent year available). Several factors likely contributed to these rising rates. The widespread and prolonged effects of the recession, particularly the record long-term unemployment, may have made it more difficult for family members and communities to help people struggling to make ends meet. Households that already were poor became poorer during the recession and may have been in greater need of help. In addition, states continued efforts begun before the recession to reach more eligible households — particularly working families and senior citizens — by simplifying SNAP policies and procedures.

While SNAP’s growth was substantial, SNAP participation and spending have begun to decline as the economic recovery has begun to reach low-income SNAP participants. In 2014 and 2015 SNAP caseloads declined in most states; as a result, the national SNAP caseload fell by 2 percent both years. Nationally, for the last two and a half years, fewer people have participated in SNAP each month than in the same month of the prior year. SNAP caseloads have fallen by more than 3 million people over the last three years: about 3.2 million fewer people participated in SNAP in February 2016 than in February 2013, and about 3.4 million fewer people than in December 2012, when participation peaked. The declines have been widespread: 43 states had fewer SNAP participants in February 2016 than in February 2013.

As a result of this caseload decline, spending on SNAP as a share of Gross Domestic Product (GDP) fell by 4 percent in 2015. In 2014 it fell by 11 percent, largely due to the expiration of the Recovery Act’s SNAP benefit increase. CBO predicts that this trend will continue, and that SNAP spending as a share of GDP will fall to its 1995 levels by 2020.

### **SNAP Lessens the Extent and Severity of Poverty and Unemployment**

SNAP targets benefits on those most in need and least able to afford an adequate diet. Its benefit formula considers a household’s income level as well as its essential expenses, such as rent, medicine, and child care. Although a family’s total income is the most important factor affecting its

<sup>2</sup> Congressional Budget Office, “The Supplemental Nutrition Assistance Program,” April 2012, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/04-19-SNAP.pdf>.

<sup>3</sup> Bidler and Hoynes, op. cit.; Peter Ganong and Jeffrey B. Liebman, “The Decline, Rebound, and Further Rise in SNAP Enrollment: Disentangling Business Cycle Fluctuations and Policy Changes,” National Bureau of Economic Research, Working Paper 19363, August 2013, [http://www.nber.org/papers/w19363.pdf?new\\_window=1](http://www.nber.org/papers/w19363.pdf?new_window=1); James P. Ziliak, “Why Are So Many Americans on Food Stamps?” in J. Bartfeld *et al.*, editors, *SNAP Matters: How Food Stamps Affect Health and Well Being*, Stanford University Press, 2015; and Jacob Alex Klerman and Caroline Danielson, “Can the Economy Explain the Explosion in the Supplemental Nutrition Assistance Program? An Assessment of the Local-level Approach,” *American Journal of Agricultural Economics*, 2016.

ability to purchase food, it is not the only factor. For example, a family spending two-thirds of its income on rent and utilities will have less money to buy food than a family that has the same income but lives in public or subsidized housing.

While the targeting of benefits adds some complexity to the program and is an area where states sometimes seek to simplify, it helps ensure that SNAP provides the most assistance to the poorest families with the greatest needs.

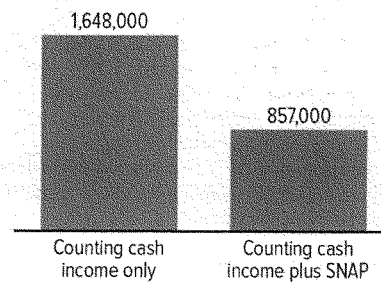
This makes SNAP a powerful tool in fighting poverty. A CBPP analysis using the government's Supplemental Poverty Measure, which counts SNAP as income, and that corrects for underreporting of public benefits in survey data, found that SNAP kept 10.3 million people out of poverty in 2012, including 4.9 million children. SNAP lifted 2.1 million children above 50 percent of the poverty line in 2012, more than any other benefit program.

SNAP is also effective in reducing *extreme* poverty. A recent study by the National Poverty Center estimated the number of U.S. households living on less than \$2 per person per day, a classification of poverty that the World Bank uses for developing nations. The study found that counting SNAP benefits as income cut the number of extremely poor households in 2011 by nearly half (from 1.6 million to 857,000 - see Figure 2).

FIGURE 2

### SNAP Cuts Extreme Poverty Almost In Half

Number of households with children, in 2011, living on \$2 or less per person per day



Source: Shaefer and Edin, "Rising Extreme Poverty in the United States and the Response of Federal Means-Tested Transfer Programs," National Poverty Center, University of Michigan, May 2013.

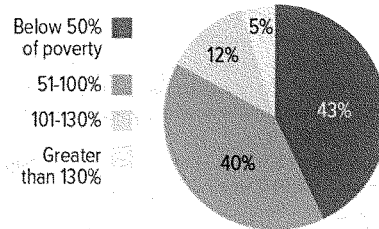
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FIGURE 3

SNAP is able to achieve these results because it is so targeted at very low-income households. Roughly 93 percent of SNAP benefits goes to households with incomes below the poverty line, and 58 percent goes to households with incomes below half the poverty line (about \$10,045 for a family of three in 2016). (See Figure 3.)

By providing low-income families with more income to purchase food than their limited budgets otherwise would allow, SNAP also reduces the burden of food insecurity for families. A study that compared SNAP participant households before and after six months of participating in SNAP found that SNAP reduced food insecurity by up to ten percentage points, or 17 percent, and also reduced “very low food security,” which occurs when one or more household members have to skip meals or otherwise eat less because they lack money, by about six percentage points.

### Two-Fifths of SNAP Households Are Below Half the Poverty Line



Source: USDA household characteristics data, FY 2014.

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During the deep recession and still-incomplete recovery, SNAP has become increasingly valuable for the long-term unemployed as it is one of the few resources available for jobless workers who have exhausted their unemployment benefits. Long-term unemployment hit record highs in the recession and remains unusually high; in May 2016, about a quarter (25.1 percent) of the nation's 7.4 million unemployed workers had been looking for work for 27 weeks or longer. That's much higher than it's ever been (in data back to 1948) when overall unemployment has been so low.

SNAP also protects the economy as a whole by helping to maintain overall demand for food during slow economic periods. In fact, SNAP benefits are one of the fastest, most effective forms of economic stimulus because they get money into the economy quickly. Moody's Analytics estimates that in a weak economy, every \$1 increase in SNAP benefits generates about \$1.70 in economic activity (i.e., increase in economic activity and employment per budgetary dollar spent), and is one of the most effective forms of stimulus among a broad range of policies for stimulating economic growth and creating jobs in a weak economy.

### SNAP Improves Long-term Health and Self-sufficiency

While reducing hunger and food insecurity and lifting millions out of poverty in the short run, SNAP also brings important long-run benefits.

A recent study published in the American Economic Review examined what happened when the government introduced food stamps in the 1960s and early 1970s and concluded that children who had access to food stamps in early childhood and whose mothers had access during their pregnancy had better health outcomes as adults years later, compared with children born at the same time in counties that had not yet implemented the program. Along with lower rates of “metabolic syndrome” (obesity, high blood pressure, heart disease, and diabetes), adults who had access to food stamps as young children reported better health, and women who had access to food stamps as

young children reported improved economic self-sufficiency (as measured by employment, income, poverty status, high school graduation, and program participation).<sup>4</sup> (See Figure 4.)

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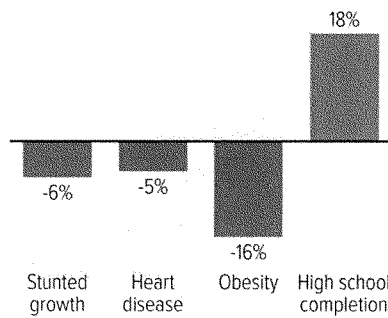
<sup>4</sup> Hilary W. Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," *American Economic Review*, 106(4): 903–93, April 2016.



FIGURE 4

### Children With Access to SNAP Fare Better Years Later

Percentage-point change in outcomes for adults who received SNAP as children, compared to adults who did not receive SNAP as children



Source: Hoynes, Schanzenbach, and Almond, "Long Run Impacts of Childhood Access to the Safety Net," *American Economic Review*, April 2016.

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### Supporting and Encouraging Work

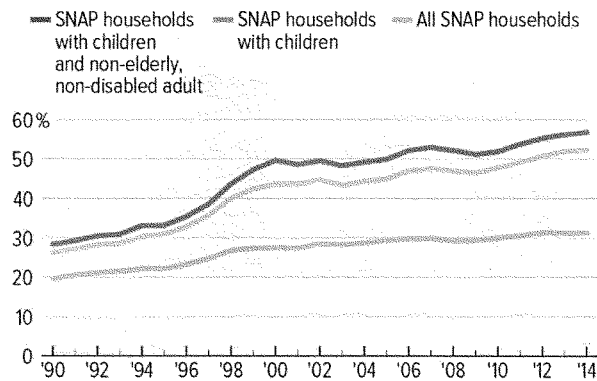
In addition to acting as a safety net for people who are elderly, disabled, or temporarily unemployed, SNAP is designed to supplement the wages of low-income workers.

The number of SNAP households that have earnings while participating in SNAP has more than tripled — from about 2 million in 2000 to about 7 million in 2014. The share of SNAP families that are working while receiving SNAP assistance has also been rising — while only about 28 percent of SNAP families with an able-bodied adult had earnings in 1990, 57 percent of those families were working in 2014. (See Figure 5.)

FIGURE 5

### SNAP Work Rates Have Risen, Especially Among Households With Children and Adults Who Could Be Expected to Work

Share of households with earnings



Source: CBPP tabulations of USDA household characteristics data

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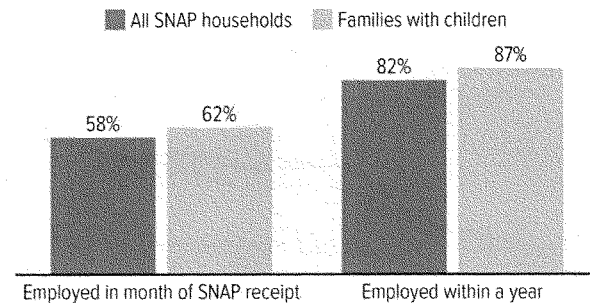
The SNAP benefit formula contains an important work incentive. For every additional dollar a SNAP recipient earns, her benefits decline by only 24 to 36 cents — much less than in most other programs. Families that receive SNAP thus have a strong incentive to work longer hours or to search for better-paying employment. States further support work through the SNAP Employment and Training program, which funds training and work activities for unemployed adults who receive SNAP.

Most SNAP recipients who can work do so. Among SNAP households with at least one working-age, non-disabled adult, more than half work while receiving SNAP — and more than 80 percent work in the year prior to or the year after receiving SNAP. The rates are even higher for families with children. (See Figure 6.) (About two-thirds of SNAP recipients are not expected to work, primarily because they are children, elderly, or disabled.)

FIGURE 6

### SNAP Households with Working-Age Non-Disabled Adults Have High Work Rates

Work participation during the previous and following year for households that received SNAP in a typical month



Source: CBPP calculations based on 2004 SIPP Panel data

## II. SNAP Prioritizes Program Integrity

While SNAP's primary purpose is to help struggling households afford a basic diet, the program cannot achieve its goal without maintaining strong program integrity. USDA and states take their roles as stewards of public funds seriously and emphasize program integrity throughout program operations. Moreover, the authorizing committees have mandated in SNAP some of the most rigorous program integrity standards and systems of any federal program. They provide oversight of the program's accuracy and fraud detection and prevention systems. These strong systems ensure a high degree of integrity and accuracy in the program.

SNAP's eligibility assessment and standards for review are robust. States determine SNAP eligibility and benefits based on an assessment of a household's current income, certain deductible expenses, and household characteristics. When a household applies for SNAP it must report its income and other relevant information; a state eligibility worker interviews a household member and verifies the accuracy of the information using third-party data matches, paper documentation from the household, and/or by contacting a knowledgeable party, such as an employer or landlord. Households must reapply for benefits periodically, usually every six or 12 months, and between reapplications must report income changes that would affect their eligibility. This is generally a more robust assessment of financial need than other programs employ.

SNAP has numerous measures to ensure the accurate assessment of household eligibility during the eligibility process, through ongoing checks and reassessment of eligibility. The same is true with respect to the proper use of benefits, an area of fraud prevention and detection where USDA also

plays a significant role. These measures are designed to detect and prevent the occurrence of honest mistakes, careless errors, systemic mistakes, and the less frequent problem of intentional fraud.

They include extensive requirements that households applying for or seeking to continue receiving SNAP prove their eligibility, sophisticated computer matches to detect unreported earnings, a Quality Control (QC) system that is the most rigorous of any public benefit program, and administrative and criminal enforcement mechanisms. My experience with SNAP program integrity issues is primarily in the area of program policy and state operations: the eligibility process, ongoing eligibility checks via third-party data matching, coordinating SNAP with other programs, and quality control. I will review several of the key program integrity measures in the program.

### **Strong Eligibility and Payment Accuracy Backed Up by Quality Control System**

SNAP has long had one of the most rigorous payment error measurement systems of any public benefit program. When, under the leadership of this Committee, Congress enacted the Improper Payments Act in the early 2000s to establish a framework for federal agencies to reduce improper payments, SNAP was among the few programs to already meet the Act's high standards. Each year states take a representative sample of SNAP cases (totaling about 50,000 cases nationally) and thoroughly review the accuracy of their eligibility and benefit decisions. Federal officials re-review a subsample of the cases to ensure accuracy in the error rates. States are subject to fiscal penalties if their error rates are persistently higher than the national average.

The percentage of SNAP benefit dollars issued to ineligible households or to eligible households in excessive amounts fell for seven consecutive years and stayed low in 2014 at 2.96 percent, USDA data show. The *underpayment* error rate also stayed low at 0.69 percent. The combined payment error rate — that is, the sum of the overpayment and underpayment error rates — was 3.66 percent, low by historical standards.<sup>5</sup> Less than 1 percent of SNAP benefits go to households that are ineligible. (See Figure 7.)

If one subtracts underpayments (which reduce federal costs) from overpayments, the net loss to the government in FY2014 from errors was 2.27 percent of benefits.

In comparison, the Internal Revenue Service (IRS) estimates an average tax noncompliance rate of 18.3 percent for tax years 2008 through 2010 (the most recently studied years). This represents a \$458 billion loss to the federal government in one year. Underreporting of business income alone cost the federal government an average of \$125 billion per year between 2008 and 2010, and nonfarm sole proprietors underreport their income by 63 percent.<sup>6</sup>

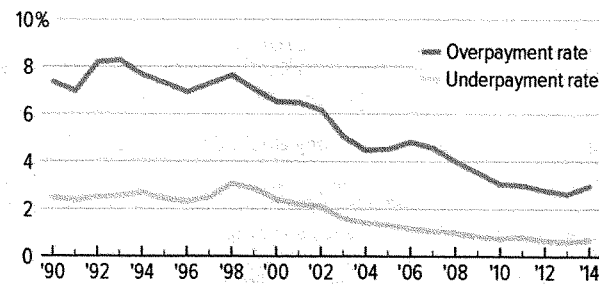
<sup>5</sup> See the fiscal year 2014 error rates: <http://www.fns.usda.gov/snap/quality-control>.

<sup>6</sup> For both SNAP and taxes the figures represent gross estimates (i.e., before SNAP households repay overpayments, taxpayers make voluntary late payments, or consideration of IRS enforcement activities.) The net costs are somewhat lower. See: Internal Revenue Service, "Tax Gap for Tax Year 2008-2010, Overview," April 28, 2016, <https://www.irs.gov/PUP/newsroom/tax%20gap%20estimates%20for%202008%20through%202010.pdf>.

FIGURE 7

**SNAP Error Rates Near All-Time Lows**

Fiscal years 1990-2014



Source: Quality Control Branch, U.S. Food and Nutrition Service

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The overwhelming majority of SNAP errors that do occur result from mistakes by recipients, eligibility workers, data entry clerks, or computer programmers, not dishonesty or fraud by recipients. In addition, states have reported that almost 60 percent of the dollar value of overpayments and almost 90 percent of the dollar value of underpayments were their fault, rather than recipients.<sup>7</sup> Much of the rest of overpayments resulted from innocent errors by households facing a program with complex rules.

It should be noted that an overpayment is counted in a state's error rate whether or not the overpaid benefits are collected back from households. In fiscal year 2014, states collected about \$340 million in overissued benefits.<sup>7</sup>

Finally, it cannot be overstated how much emphasis on achieving and maintaining low payment error rates pervades SNAP's operational culture. USDA and the states, which administer SNAP under federal guidelines, monitor SNAP error rates throughout the year and share best practices. A significant number of federal and state personnel are assigned to program integrity.<sup>8</sup> The error rate is the major performance measure for accountability at state and local SNAP offices and even for individual SNAP state eligibility workers and policy officials.

The impact of operational or policy decisions on state error rates is almost always a consideration as to whether a state adopts a change. In the past, fear of high error rates has sometimes driven

<sup>7</sup> SNAP State Activity Report, Fiscal Year 2014, p. 36. <http://www.fns.usda.gov/sites/default/files/snap/2014-SNAP-Retailer-Management-Annual-Report.pdf>

<sup>8</sup> SNAP benefits are federally funded. States and the federal government share SNAP's administrative costs, including certifying eligibility, issuing benefits, and ensuring program integrity.

states to adopt policies that deterred access. This was most pronounced in the late 1990s when the share of households with earnings on SNAP began to rise (as a result of the strong economy and policies enacted in welfare reform). Low-income earners often experience sharp fluctuations in their monthly income, making household income difficult to predict accurately for SNAP benefit calculations. Some states instituted administrative practices designed to reduce errors that had the unintended effect of making it harder for many working-poor parents to participate, largely by requiring them to take too much time off from work for repeated visits to SNAP offices at frequent intervals, such as every 90 days, to reapply for benefits.

This prompted many analysts and state policy officials from across the political spectrum to call for reforms to policy and quality control that would improve access to SNAP for low-income working families, and led both the Clinton and the Bush administrations to act to address this problem. There was bipartisan consensus that having a policy under which a family needed to be on welfare to receive food stamps, and faced significant difficulty receiving food stamp assistance if it left welfare for work at low wages, would reduce incentives to work and was contrary to welfare reform goals. Congress enacted significant, although relatively modest, changes in 2002 and 2008 to modify program rules that would lessen barriers to SNAP participation among the working poor without compromising program integrity.

### High Improper Benefit Denials Raise Concerns

Through the SNAP QC system, USDA and states also monitor “case and procedural error rates” (CAPERs), which measure whether the state properly denied, suspended, or terminated SNAP benefits to certain households and properly notified those households of its decision.<sup>9</sup> USDA and states implemented new procedures for these error rates in 2012, which now hold states more accountable for the timeliness, accuracy, and clarity of the notices states send to households regarding their decisions. This improvement is important so that eligible households who are denied have the specific information necessary to clarify their circumstances or provide missing documentation.

For example, prior to these changes, one state’s notice informed denied households that the household was denied eligibility because “*You did not do what you needed to do to meet all of the program rules, according to the code of regulations.*”<sup>10</sup> Reading such a notice, a household would have no way of knowing why it was determined ineligible for the program. This undermines the purpose of the notice, which is to provide sufficient information regarding the reasons why a household was denied so that an eligible household can appeal an incorrect decision or provide new information to reverse the decision (i.e., due process). Today, such a notice would be an improperly denied case because it does not adequately inform the household of the reason its application was denied (such as that it did not provide a particular pay stub or missed a scheduled interview).

<sup>9</sup> The CAPER, which replaced what was known as the “negative error rate,” is separate from the underpayment error rate, which covers cases where states provided some benefits but not as much as the household should have received under SNAP rules.

<sup>10</sup> FNS Guide to Improving Notices of Adverse Action, <http://www.fns.usda.gov/sites/default/files/snap/FNS-Notice-Improvement-Guidance.pdf>.

Nationally, in 2014 over one-quarter of states' actions to deny or terminate SNAP benefits were found to be improper. Eight states' CAPERs approached or exceeded 50 percent.<sup>11</sup> The CAPER is not directly comparable to the overpayment and underpayment error rates. It is based on a separate state sample of denials, suspensions, and terminations, and the review of the state's decision is not as rigorous as for the payment errors. USDA does not assess or report whether the household was ineligible for a reason other than the reason given by the state or the amount of benefits that improperly denied households should have received. Also, states are not penalized for persistently high CAPERs (though they can receive a performance bonus for low or improving CAPERs, as discussed below). We anticipate that, as states reconsider and redesign their denial procedures, adjust to the new measurement regime, and improve their notices, the CAPER rate will improve.

### **SNAP Provides for a Strong Anti-Fraud System**

Fraud, while relatively rare, is taken seriously in the program. Within the SNAP context, fraud is defined to mean occurrences where:

- SNAP benefits are exchanged for cash. This is called trafficking and it is against the law. Trafficking involves two parties — typically a household and a SNAP retailer.
- A household intentionally lies to the state to qualify for benefits or to get more benefits than they are supposed to receive.
- A retailer has been disqualified from the program for past abuse and lies on the application to get into the program again.

States and USDA each play a role in pursuing these different kinds of fraud, dedicating significant resources and staff to pursuing allegations of fraud and rooting it out when found. My testimony will briefly cover two of these issues: household fraud and trafficking.

#### **Household Fraud**

As with payment accuracy, SNAP's rigorous application process and eligibility review serves as the first line of fraud prevention. The program's design is based on a robust review of current household income and circumstances, setting a serious tone and make it difficult for an individual to casually lie in order to get benefits. The application process requires an interview with a caseworker and demands that, in addition to mandated verification (and often third-party data checks), any questionable information provided by the applicant be verified. For example, if an individual claims that its rent is \$1,000 a month but it has no income, there is a question about how the household is affording its rent. If a caseworker were to accept such a statement without probing, the case could be in error — because the client was either confused about what counts as income (i.e., not counting support from a friend or family member) or did not tell the whole truth about its situation. The caseworker should follow up on this information at the interview and require additional verification from the individual before he or she is approved. States can set their own filters on what provokes further follow-up based on individual circumstances.

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<sup>11</sup> The eight states are Arizona, Colorado, Georgia, Guam, New Jersey, New Mexico, Nevada, and North Carolina.

Caseworkers feel appropriate pressure to ensure benefits are issued accurately. There is the formal QC review process, and many states do quality and accuracy reviews of staff work at the line manager level. Managers will review a certain number of cases from each worker each month — generally focusing on less experienced workers. This provides another spot check for quality and fraud detection as well as keeping managers informed of which areas of the program rules and processes might need additional training.

In addition to requiring applicants to provide verification, state agencies run database checks to match the information provided by applicants. For example if an application lists Social Security as a source of income, the eligibility worker reviewing the case would check with the Social Security Administration to verify the amount of the monthly payment. In many instances the database checks provide real-time data, meaning that a caseworker can reconcile information discrepancies on the application while talking with the applicant. An area for program improvement would be for Congress to consider providing all states with this capacity.

Once a household is determined eligible for the program, it has to remain eligible to continue to participate. It must report changes that would make it income-ineligible. And many states run third-party matches throughout a household's eligibility cycle to continue to check that external information confirms the household's circumstances. For example, Congress has mandated that states check with prison records and state vital statistics to ensure that no member of a SNAP household continues to receive benefits during incarceration or after death.

When a caseworker suspects that a client is not telling the truth and is seeking to deceive the program, the case is referred to the state's fraud unit. Member of the public and other state agencies may similarly report any suspected fraud. Most states prominently display fraud hotlines on their main webpages or take other steps to make it easy for the public to report fraud.<sup>12</sup>

States must have fraud investigative units or staff so that allegations of fraud by the public or other agencies or referrals from eligibility caseworkers can be assessed. When referrals are made to the fraud unit, fraud investigators review whether the case is worthy of pursuit. If so, they investigate to determine whether the individual committed fraud. Many investigations do not result in a fraud finding. Out of the over 640,000 fraud investigations in fiscal year 2014, 54 percent of the cases were determined to not be fraud.<sup>13</sup> When the fraud investigators gather enough evidence to make a case that fraud has occurred, there is typically a hearing where the facts are reviewed and clients have an opportunity to dispute the allegations. This process is in place so that those who have committed fraud are disqualified from the program, while innocent participants who made unknowing mistakes are not.

If found guilty of fraud, a person loses SNAP eligibility. In addition, states pursue the improperly issued benefits for repayment via SNAP's claims process. States are eligible to retain a share of mis-issued benefits that they collect as an incentive for them to pursue the claims.

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<sup>12</sup> USDA also has a fraud hotline that the public can use to report suspected fraud to the agency.

<sup>13</sup> SNAP State Activity Report Fiscal Year 2014.



<b>Fraud Violation</b>	<b>Penalty</b>
First fraud/intentional program violation	12-month disqualification period
Second fraud/intentional program violation	24-month disqualification period
Third fraud/intentional program violation	Permanent disqualification from SNAP
False statement with respect to identity or place or residence in order to receive multiple SNAP benefit simultaneously	10-year disqualification period

In fiscal year 2014, 45,000 individuals were disqualified from SNAP for fraud, up slightly from 43,000 in fiscal year 2013.<sup>14</sup>

### **Trafficking**

- Another area of program integrity in which SNAP has a strong systems and has made considerable improvements is trafficking, or the sale of SNAP benefits for cash, which violates federal law. USDA has cut trafficking by three-quarters over the past 15 years. About 1 percent of SNAP benefits now are trafficked.<sup>15</sup>
- A key tool in reducing trafficking has been the replacement of food stamp coupons with electronic debit cards like the ATM cards that most Americans carry in their wallets, which recipients can use in the supermarket checkout line only to purchase food.
- Sophisticated computer programs monitor SNAP transactions for patterns that may suggest abuse; federal and state law enforcement agencies are then alerted and investigate. Retailers or SNAP recipients who defraud SNAP by trading their benefit cards for money or misrepresenting their circumstances could face criminal penalties.
- Over the years, USDA has sanctioned thousands of retail stores for not following federal requirements. In fiscal year 2015, USDA permanently disqualified over 1,900 SNAP retailers for program violations and imposed sanctions, through fines or temporary disqualifications, on another 800 stores.<sup>16</sup>

USDA also partners with state SNAP agencies to combat trafficking. In 2014, USDA provided over \$5 million to states to use technology to identify possible fraudulent activity and to increase the number of trafficking investigations. The 2014 Farm Bill provided \$7.5 million for states to create or improve technology systems designed to prevent, detect, and prosecute trafficking. USDA recently awarded such grants to five states.<sup>17</sup>

<sup>14</sup> SNAP State Activity Report Fiscal Year 2014, p. 2.

<sup>15</sup> U.S. Department of Agriculture, "The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2009–2011," August 2013, <http://www.fns.usda.gov/extent-trafficking-supplemental-nutrition-assistance-program-2009-2011-august-2013>.

<sup>16</sup> USDA, "SNAP Retailer Management Annual Report, 2014," <http://www.fns.usda.gov/sites/default/files/snap/2014-SNAP-Retailer-Management-Annual-Report.pdf>

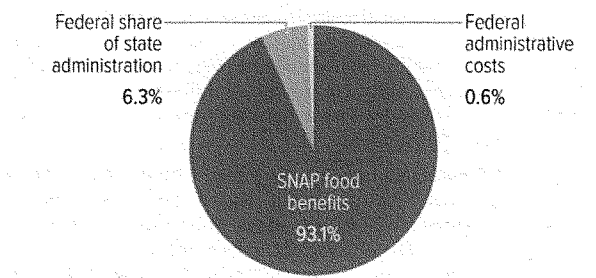
<sup>17</sup> <http://www.fns.usda.gov/snap/fy2015-snap-recipient-integrity-information-technology-grant-summaries>

### SNAP Administration Is Efficient

Finally, it is worth noting that SNAP is able to accomplish these results with low administrative overhead. About 93 percent of federal SNAP spending goes to providing benefits to households for purchasing food. (See Figure 8.) Of the remaining 7 percent, about 6 percent was used for state administrative costs, including eligibility determinations, employment and training and nutrition education for SNAP households, and anti-fraud activities. Less than 1 percent went to federal administrative costs. In addition to SNAP, the SNAP budget funds \$2.4 billion in other food assistance programs, including a block grant for food assistance in Puerto Rico and American Samoa, commodity purchases for the Emergency Food Assistance Program (which helps food pantries and soup kitchens across the country), and commodities for the Food Distribution Program on Indian Reservations.

FIGURE 8

#### 93 Percent of Federal SNAP Spending Is for Food



Notes: Chart excludes spending on activities not directly related to SNAP but in the SNAP budget account, such as nutrition assistance in the U.S. territories, support for food banks, and the Food Distribution Program on Indian Reservations. The federal share of state administration includes state costs associated with SNAP operations – including eligibility determinations, benefit issuance, and quality control – as well as certain services for SNAP recipients such as employment and training and nutrition education. Federal administrative costs include the mandatory and discretionary federal costs of administering SNAP.

Source: Department of Agriculture, Fiscal Year 2015, obligations as reported in fiscal year 2017 “Explanatory Notes for Committee on Appropriations.”

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### What Else Can Be Done to Enhance Program Integrity?

We support the ongoing effort to work to maintain and improve SNAP's program integrity. As new technology becomes available and as awareness of how problems arise improves, there will continue to be opportunities to improve SNAP accuracy and prevent fraud. And, with respect to fraud, while a relatively small problem, it's an ever-changing concern. Criminals are adaptable, and the government's response to them must also remain nimble and responsive to current patterns of fraud.

Often, our biggest obstacle to helping states implement new measures that would increase the accuracy of benefit issuance is cost. Modernized eligibility systems, access to useful third-party data and the appropriate level of staff to process cases with a high degree of accuracy can be costly for states. While the federal government shares in the costs of administering the program, state budgets are the limiting factor to ensuring the best systems and technology are deployed throughout the program. Many states downsized their program operations during the recent recession and have not yet rebuilt the capacity necessary to take full advantage of new options and technology.

As the Committee considers new ideas to improve program integrity in SNAP or any other major benefits program, we encourage you to assess whether new ideas are worthy of consideration against several criteria.

- **What is the scope and scale of the problem under discussion?** Some of the most egregious examples of fraud are highly isolated incidences of criminal activity. To be sure, they are completely unacceptable, but they may be so infrequent that they should not drive the program's fundamental approach to addressing more common, everyday program integrity issues. In the case of error, scope and scale also matter. States may fail to act on data showing that some individuals are no longer eligible for the program. It's useful to assess the problem and the possible solutions, based on whether the problem involves, for example, 40 or 4,000 individuals. Neither is acceptable, but each situation would likely warrant a different level of response. Often auditors or reviewers give the same headline to each type of problem, which can distort the response.
- **What are the projected costs and benefits associated with the proposed solution?** It's always sensible to review project costs and savings related to proposed activities. We find, however, that when a proposal is promoted as an anti-fraud activity, some are reluctant to weigh the pros and cons out of fear of being perceived as soft on fraud. A good example in recent years would be the debate around the value of data matching. A few states have dramatically increased their matching with third-party data sets to check the information households provide on their applications. As a general rule, this is a solid practice so long as the data sets offer relevant current information and the state has the resources to sift and sort through data matching results. But, if a state matches a household's income and circumstances from today (when it is in need of SNAP) with income data from six months ago (when the household didn't need SNAP), the two will not align. That does not mean that the client provided incorrect or fraudulent information on its application. More low-cost matching that just asks clients to resolve or workers to sort through bad matches appears to be a waste of time and resources that can cost much more than it saves and can divert state agency staff from more cost-effective program integrity interventions. Smart, well-timed matching, i.e., matching with higher-quality data provided via real-time access to those data while workers are talking to clients, can be extremely effective even though it might cost more in the short run.
- **Will the proposal have any negative consequences, for example, would it reduce access to the program by eligible people?** Earlier in my testimony, I outlined an example from the late 1990s where the program's rules and focus on payment accuracy resulted in making it harder for eligible working-poor families to participate. Balance always has to be sought between reasonable controls and access to vital help for very vulnerable households.

- **Who is promoting the change?** Often private vendors selling program integrity solutions are some of the biggest critics of the program. Their self-interest in promoting problems in the program (or a perception of a program in crisis) must be considered.

We offer the following suggestions as areas that Congress might want to consider to enhance SNAP's program integrity.

- A federal investment to allow states to upgrade their state information technology systems to ensure that caseworkers can access other government databases, i.e., Social Security, Department of Motor Vehicles, or other programs, in real time at their desks while working on adjudicating eligibility or talking to clients. All states have access to the required information, but for some it can be often on a delayed basis. This means that an eligibility caseworker might make a query and get the match back days later. That undermines their ability to work efficiently and to engage clients directly when there is a discrepancy. Federal matching funds are available to states to build this capacity, but not all have taken advantage of it. Perhaps USDA could consider procuring this tool for states.
- USDA could provide more assistance to states in assessing when errors arise because SNAP rules are out of synch with those for other major federal benefits programs, particularly Medicaid. In over 40 states, SNAP and Medicaid are co-administered. Their statutory rules, while similar, differ in some respects. Clients, caseworkers, and even state systems can confuse the requirements of one program for another. Historically, the Department of Health and Human Services and USDA have not done enough to identify these issues on their own or to engage with states on the problems and potential solutions. Many of the small vexing errors that arise as a result of these disconnects have solutions within the federal rules or within the flexibility afforded states. The federal agencies have recently started to understand their role in creating confusion across the various health and human services programs and have started to engage states on options to harmonize federal rules. They can do more.
- A joint federal-state effort to share effective methods of identifying cases that contain fraud or that are guilty of trafficking after a more in-depth investigation. This is true for both individuals and retailers. Similarly, Congress may wish to review whether USDA needs more resources or authority to remove such stores from the program more quickly.
- USDA is undertaking a review of the quality control review process based on recommendations by the Office of Inspector General. That effort may result in recommendations that require new authority or resources to enhance the quality of the system.

#### **Not All Proposals Promoted in the Name of Program Integrity Are Effective**

SNAP benefits are issued to eligible household on debit cards, commonly referred to as electronic benefit transfer (EBT) cards. Federal law provides states with the option to require a photo of one or more adult household members on the EBT. Proponents of the option claim it reduces the selling or stealing of cards because retail clerks would catch individuals using a stolen card at the checkout line. However, a recent report from the Urban Institute found that "photo EBT cards are

not a cost-effective approach to combat trafficking.”<sup>18</sup> The Urban Institute report found that the option is costly and unnecessary. There is no evidence that requiring photos would be responsive to the issue of stolen cards; EBT cards use a Personal Identification Number (PIN), just like an ATM card, making it difficult for someone to steal the card and use it without permission. Moreover:

- Trafficking is at a record low in the program and often involves an unscrupulous retailer who is unlikely to be deterred by a photo on the EBT card.
- States have other options to improve program integrity, including procedures for replacing cards that are reported lost or stolen and EBT transaction monitoring.
- A photo EBT requirement can be costly to administer. Photo equipment must be readily accessible for all participants and EBT vendor contracts must be revised. Several states considering this policy abandoned it after comparing the costs and benefits.

The two states that have most recently implemented the option, Maine and Massachusetts, have experienced significant implementation problems that provoked intensive scrutiny from USDA. The problems in these states led USDA to propose regulations governing the option. Comments submitted by SNAP participants in Massachusetts and Maine, as well as community organizations and retailers, detail numerous examples of people confused about the policy and deterred from participating. Their concerns can be summarized as:

- **Photo EBT can prevent some SNAP participants from using their benefits.** While the “head of the household” is the state agency’s key contact, all household members are entitled to purchase food with SNAP benefits. In both states that have photo EBT, household members such as children, spouses, or seniors have been wrongly denied use of their cards at the grocery store checkout line because they were not the individual pictured on the card. One SNAP participant reported “a traumatic experience trying to use my family’s EBT card when shopping for food.”<sup>19</sup>
- **Individuals with disabilities can face serious challenges with photo EBT requirements.** Many SNAP participants who are unable to get to the store due to a physical condition or who require help in managing their finances due to a mental impairment often rely upon others, known as “authorized representatives,” to buy food for them. Photo EBT requirements make it harder for friends, family members, and volunteers to assist individuals with severe needs. Moreover, individuals with disabilities may not be able to go to the office, themselves, to provide a photo.
- **Photo EBT proposals do not require photos of all members, leaving retailers with no way of knowing who is authorized to use the card.** Retailers are not required to know all eligible users of a card and they do not have means, aside from the PIN, to ensure an individual is an authorized user of the card. This renders the photo irrelevant (albeit costly). But, some retailers or retailer staff may believe that because the photo is there that they must

<sup>18</sup> Gregory Mills, “Assessing the Merits of Photo EBT Cards in SNAP,” Urban Institute, March 2015, <http://www.urban.org/publications/200159.html>.

<sup>19</sup> Comment submitted by Vicky K. on Photo Electronic Benefit Transfer (EBT) Card Implementation Requirements, RIN 0584-AE45.

demand additional identification from SNAP shoppers. Such an experience can create a negative experience for customers, souring their view of a particular retailer.

- **Retailers may not understand state photo EBT rules as the retailers are authorized by USDA, not the state.** Retailers have not been subject to state-imposed SNAP requirements and may not know what their responsibilities are regarding photo EBT. SNAP households shop across state lines, and retailers were confused about whether one state's limits must be imposed by retailers operating in another state.

The evidence suggests that this option does not meet any of the assessment outlined earlier in my testimony. States considering a photo EBT requirement can learn from Missouri's earlier experience with trying a photo EBT requirement. After reviewing the state's requirement to place a photo on EBT cards, the state auditor found the photographs useless for fraud or identification and the state wisely discontinued the policy.

### Conclusion

SNAP is a highly effective anti-hunger program. Much of the program's success is due to its entitlement structure, a consistent national benefit structure, and its food-based benefits. The program also imposes rigorous requirements on states and clients to ensure a high degree of program integrity. We look forward on working with Congress to ensure the program's ongoing success.

Mr. MEADOWS. Thank you, Ms. Dean.

The chair recognizes the vice chair of the Subcommittee on Government Operations, the gentleman from Michigan, Mr. Walberg.

Mr. WALBERG. Thank you, Mr. Chairman, and thanks to the panel for being here.

This week, my colleagues on the Republican side of the aisle began unveiling a policy, as was mentioned earlier, an agenda that is intended to tackle some of our country's biggest challenges. The first plank of our initiative looks at ways to address poverty, and SNAP is a key part of our safety net to serve and support the most vulnerable and make sure that that is the population we really and intentionally meet the needs of.

Our initiative is aimed at lifting people out of poverty and onto the ladder of opportunity, and so, Commissioner Mayhew, I was especially struck in your testimony, your personal testimony, about the lessons your family passed on to you about the value of hard work, depression-era, not you —

Ms. MAYHEW. Thank you.

Mr. WALBERG.—though my parents had the same story, but they were the ones in the depression era, so I came from that. And they had similar lessons, again, from that experience that I think have benefited me well and apparently you also.

If you would be so good, Commissioner Mayhew, as to talk in more detail about the Federal SNAP regulations that create barriers, as you mentioned, barriers to your efforts to pursue those who traffic in benefits. Give us some more insight on that.

Ms. MAYHEW. Thank you. I appreciate the opportunity to elaborate. Certainly, we care deeply. The Governor cares deeply about the success of these safety net programs. And it is critical that we are constantly evaluating whether or not our limited resources are being used effectively to support vulnerable individuals and families.

I also have the privilege of overseeing our child welfare agency, and I want to make a point and a connection about what we are seeing in terms of the challenges and truly destruction of our families when 60 percent of the children today who are coming into protective custody are doing so as a result of parental substance abuse. We know we have a serious challenge in our State with drugs, with substance abuse, and certainly, as I mentioned in my testimony, we know there's a connection with trafficking and EBT cards for drugs and for cash.

So as we look at ways in which to deter, we do feel strongly that the opportunity to use photos on EBT cards, we've been very clear that the photo on the EBT card is to discourage fraud, that when we speak and work with local drug enforcement agents and they tell us about the number of EBT cards that they are confiscating from drug raids, and since we have implemented photos, they have not confiscated an EBT card with a photo on it.

The challenge has been, as we have implemented, we've received numerous concerns and communications from the USDA regarding our implementation of this federally permitted option. And again, we've done it on a voluntary basis.

Mr. WALBERG. I was going to bring that up again. I think you mentioned it was voluntary.

Ms. MAYHEW. It is voluntary. Okay. We certainly offer to individuals the ability to put their photo on the EBT card —

Mr. WALBERG. So what is the problem the Federal Government is giving on that then if —

Ms. MAYHEW. They have raised a number of barriers. When we first decided that we were going to implement, we had provided a number of documents to the USDA to provide all of the background to how we intended to implement responding to all of their questions. We were told to stop, to not go forward. We felt very strongly, the Governor felt very strongly that, again, this is federally permitted, that we had addressed the questions that had been asked of us, provided detailed plans of how we were operationalizing this and again felt strongly that this was a significant tool.

More recently, we have developed a partnership with our Bureau of Motor Vehicles to more conveniently access the driver's license photos. We are getting authorized consent from each of the individuals to use their driver's license photo, and we recently received another letter telling us to basically cease-and-desist between two State agencies that have agreed to do this, and we now have the USDA asking us to stop.

Mr. WALBERG. To not do it even though you were permitted to do it by law?

Ms. MAYHEW. We are. And again —

Mr. CONCANNON. They must do it, though, within the framework of Federal law and regulations, and that was the issue in Maine.

Mr. WALBERG. Well, I guess that is —

Mr. CONCANNON. Poorly implemented, and I want

Mr. WALBERG. Excuse me. Excuse me.

Mr. CONCANNON.—the record to show that.

Mr. WALBERG. Excuse me. Excuse me. I was asking Ms. Mayhew. I would like a full or description then if I could, Mr. Chairman, of what the pushback was. It indicated in the constraints of the law itself, but what were you violating according to them?

Ms. MAYHEW. We have not—in all of the letters and the back-and-forth we have not seen any verified, documented issues where we have poorly implemented or—you know, we can make a lot of these issues complicated. I oversee a large State agency. I know how quickly government can make things complicated. We are trying to protect this safety net program. We see the trafficking in these cards that is taking away a vital resource for a vulnerable child, from a family, and we have identified this as a meaningful tool to discourage trafficking.

It has felt as though—you know, and I struggle a little bit with hearing that it's an option and then hearing all of the reasons why they don't believe that it's an effective tool. So it does feel as though we're constantly receiving all of the reasons why we can't move forward. And this is an option that we have elected to pursue. We have done it in consultation with the USDA. We have responded to their questions. We have met with their staff. This dates back to the spring of 2014 that we have been working with the USDA, responding to their questions, but we want to do it in partnership with the shared goals.

Mr. WALBERG. I appreciate that. My time is expired, but, Mr. Chairman, I appreciate you giving me that extra time because it



is frustrating to hear of a State that is attempting to do something that seems to be having some positive impact, trying to do an option that they have available from Federal Government, continually push back. And again the perspective seems to have come already even in testimony that while it is an option, yet the feds don't want it to be an option. So I hope we get further information as we move along, but thank you.

Mr. CONCANNON. Mr. Chairman, I'd like the opportunity to respond —

Mr. MEADOWS. Hold on just a second.

Mr. CONCANNON.—to some of that.

Mr. MEADOWS. We are going to go to the ranking member real quickly, and he probably will give you a chance to respond. If not, when I get my time, I will, okay?

Mr. CONNOLLY. Mr. Concannon, we just heard the State of Maine, my goodness, all they are trying to do is make sure there is not fraud and trafficking, and they are trying to do the right thing while preserving the program and the benefits and the safety net. And Ms. Mayhew runs a big program in a small State and a big bad Federal Government is just apparently, for no reason whatsoever, preventing them from doing this commonsense thing. You weren't given an opportunity to respond. I want to give you that opportunity.

Mr. CONCANNON. I very much appreciate that. And just incidentally for the record, I'm a legal resident of the State of Maine, very familiar with what goes on —

Mr. CONNOLLY. You sound it.

Mr. CONCANNON.—in that State and ran this very same department for a number of years. So it's not news to me. First of all, it is an option to the State. We want the State, if States so elect, to adopt it, perfectly fine, but it has to be done in ways in which, for example, Maine, the business community was advised and trained on what to expect. There was a lot of confusion right at the outset by various—some other people in the retail business in Maine. They felt they were not really adequately trained, addressed about it. Consumers were confused about it. Was it—we sent people up to a regional office. They were unclear whether it was an option or mandatory. So we simply want it done properly. We're not opposed to it. So some of what I've heard today, you know, really greatly overstating some of these things.

Mr. CONNOLLY. So there is another side to the story?

Mr. CONCANNON. There's a considerable other side to the story.

Mr. CONNOLLY. And did at any point your office of the Federal Government preclude Maine from pursuing this option?

Mr. CONCANNON. No, we did not.

Mr. CONNOLLY. Did you advise them they should not use the option even though —

Mr. CONCANNON. We did not.

Mr. CONNOLLY.—it is an option?

Mr. CONCANNON. We asked them, though, before they proceeded to make sure that they had done their training and so on, and they insisted on going ahead.

Mr. CONNOLLY. Okay.

Mr. CONCANNON. And so we had a problem.

Mr. CONNOLLY. Let the record show, Mr. Chairman, that we had contradictory testimony in that matter. Apparently, there is another side to the story.

Mr. CONNOLLY. Ms. Dean, what would happen if we took this program and just made it a block grant? What is wrong with that?

Ms. DEAN. Well —

Mr. CONNOLLY. Please, please microphone.

Ms. DEAN. Thank you. I think the single most powerful element of the program is its entitlement structure. It responds to increased need whether that's at the national level when we have the kind of significant and deep recession that we had several years ago, the State level due to a downturn, or a community or even an individual family household level. When folks, when their income goes down, they can apply for benefits, and the program is available

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Mr. CONNOLLY. Why couldn't they do that if it were a block grant program so that Ms. Mayhew or Mr. Carroll could manage it and decide —

Ms. DEAN. Across the board —

Mr. CONNOLLY.—who qualifies?

Ms. DEAN.—block grants come with capped funding and that funding —

Mr. CONNOLLY. With what?

Ms. DEAN. Capped funding, fixed capped funding that does not increase every year.

Mr. CONNOLLY. Oh, so the fine print in block granting is we also cut the program?

Ms. DEAN. Absolutely, both in terms of —

Mr. CONNOLLY. Ah.

Ms. DEAN.—erosion due to inflation, not responding to need, and

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Mr. CONNOLLY. Well, let me ask a different question because, you know, I come from northern Virginia, and while we love all Virginians and we love our General Assembly, we do tremble when our fate is in the hands of Richmond. And we sometimes describe Richmond as 300 years away. And when someone wants to block grant something or give the authority to regulate to Richmond rather than directly to the recipients, say, in my corner of the world, northern Virginia, we get nervous because formulas change and urban and suburban populations often end up paying a price.

Now, if we block grant this program, could it also affect who receives benefits, not only the finite amount but could we find that States start finagling with who qualifies and who might receive what benefits?

Ms. DEAN. Absolutely. I don't actually think you even need to describe it as finagling.

Mr. CONNOLLY. I can't hear you.

Ms. DEAN. Yes, you don't need to describe it as finagling. States would—typically, under a block grant they're given the authority and power to set eligibility rules and standards.

Mr. CONNOLLY. Which is different than the current—the status quo today?

Ms. DEAN. Yes, it's a national program.

Mr. CONNOLLY. So the feds under the national program decide who is entitled and who qualifies?

Ms. DEAN. Yes, the Congress sets the rules.

Mr. CONNOLLY. Right. And so if we block grant it, that transfers that right and that authority to the States?

Ms. DEAN. Yes, it does.

Mr. CONNOLLY. And that is a mixed bag from a recipient's point of view?

Ms. DEAN. Yes, it is, and we've seen it be a mixed bag under cash assistance. Flexibility allows States to try and test new things, some of which can be terrific positive innovations, but the other—the incredible downside with flexibility is the fact that States have balanced budget requirements, and frequently, when they face a test against their budget, they need resources, say, because they've had a downturn. We've seen them turn to block grants as a way to divert funds from those—that core purpose, which in the case of SNAP is food, to other purposes to meet their shortfalls.

Mr. CONNOLLY. Thank you. Votes have been called, and I thank your indulgence, Mr. Chairman.

Mr. MEADOWS. I thank the gentleman. They have called votes, which is an unfortunate aspect for each one of you. Unfortunately, it looks like we have got three votes. I don't anticipate that we will be back before 3:30, so that will give you—you know, you can go get coffee, do whatever you need to do, but we will stand in recess until 3:30.

[Recess.]

Mr. MEADOWS. The joint committee will reconvene. Thank you all for your patience. We apologize. They were actually swearing in a new Member, so it took a little longer than normal. We are now up to an official 435 and so—the chair recognizes the gentleman from Alabama, Mr. Palmer, for 5 minutes.

Mr. PALMER. Thank you, Mr. Chairman. I want to go back to a couple of things that were brought up earlier.

Mr. CONCANNON, in your written testimony you say that 42 percent of SNAP benefits lived in a household with working adults. Can you positively affirm that the working adult in the household is the SNAP participant? That is a yes or no.

Mr. CONCANNON. The earnings —

Mr. PALMER. No, sir. Let me rephrase it.

Mr. CONCANNON. Okay.

Mr. PALMER. Can you positively affirm that the working adult in those households is the SNAP participant? It is a yes or no.

Mr. CONCANNON. Yes.

Mr. PALMER. You can positively affirm that? I find that answer

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Mr. CONCANNON. Yes, because anybody living in the household, their income is included in the SNAP benefit.

Mr. PALMER. Well, it doesn't indicate that the income is from that participant because it could be another adult in the household. And I bring this up because —

Mr. CONCANNON. Anybody in the household is included in the benefit.

Mr. PALMER. Excuse me. Your own information says that in 2013 three-quarters had no earned income meaning they were not working at all. That is from USDA. That is your number.

Mr. CONCANNON. I'm not sure what number you're referring to.

Mr. PALMER. I am referring to the food and nutrition service characteristics of supplemental nutrition assistance program households, fiscal year 2013, U.S. Department of Agriculture.

Mr. CONCANNON. Yes. So your—if you're talking about children, for example, almost half of the folks on food stamps are children, then seniors and people with disabilities —

Mr. PALMER. No, I am talking about —

Mr. CONCANNON.—and parents working for —

Mr. PALMER.—you said —

Mr. CONCANNON.—very young children.

Mr. PALMER.—42 percent of SNAP participants lived in a household with a working adult, and then your 2013 report says that 75 percent had no earned income, and I just want to point out that inconsistency for the record.

Ms. Mayhew —

Mr. CONCANNON. I would be happy to provide you with clarification.

Mr. PALMER.—you may be aware that in some—I beg your pardon?

Mr. CONCANNON. We'd be happy to provide you with clarification on that in writing.

Mr. PALMER. I would appreciate that, and I believe the committee would, too.

Mr. PALMER. Ms. Mayhew, earlier when Mr. Concannon indicated that he had run the Maine program, it appeared that you wanted to make a clarification. Would you like to do that now?

Ms. MAYHEW. No, I appreciate —

Mr. PALMER. Would you turn on your —

Ms. MAYHEW.—Mr. Concannon's response. Clearly he was a commissioner of the—of a Department of Human Services. Since that time, the agency has certainly changed somewhat. It merged. It created a much larger agency. But certainly I appreciate the history that Mr. Concannon has particularly with this program in Maine. Thank you.

Mr. PALMER. I appreciate that. I am staying with you, and we touched on this a little bit before we had to break away. Do you believe there is a growing epidemic of SNAP benefits exchanging their cards for drugs?

Ms. MAYHEW. I do. And it is—certainly as we look across all of our programs within the Department and our desire to evaluate holistically our efforts to improve the lives of the individuals that we're serving, and certainly as I said, both looking at these welfare programs and their support of vulnerable families in my oversight of child welfare, I am incredibly concerned about the impact of drug abuse in Maine and the role that EBT cards are playing, being trafficked in for drugs and certainly for cash.

Mr. PALMER. This past February, my own State of Alabama started to allow individuals with previous drug convictions to be eligible for benefits such as food stamps, and it is coming at a time when Alabama's monthly average SNAP enrollment has almost 20

percent more Alabama enrollees than we have in K through 12 public education system. So we are giving out food stamps, SNAP benefits faster than we are educating children to prepare them to join our workforce. Why shouldn't we be able to require drug testing in the program to ensure that taxpayer money is going toward the recipients it was intended, and why should the State be obligated to fund those programs if the individual engaging in activity that is harmful to them is not conducive to their reintegration into society?

Ms. MAYHEW. Congressman, we support drug testing. We have worked to increase drug testing in Maine. We have been met with resistance. We share your observations that these safety net programs are in fact intended to certainly help individuals out of poverty onto that pathway of prosperity and employment and that any amount of substance abuse is detracting from their ability to succeed and to be self-sufficient and again on that pathway to employment. It is clearly counterproductive to those goals.

Mr. PALMER. Mr. Chairman, with the indulgence of the committee and the chair if I may, I would like to make one other point and that is in regard to Ms. Dean's comment that we went through a recession and apparently believes that our economy has recovered. I would wonder if our economy has recovered why there are almost 5 times as many people on food stamps as there were in 2008 and three times as many as in 2009. I yield back.

Mr. MEADOWS. I thank the gentleman.

The chair recognizes the gentlewoman from the District of Columbia, Ms. Eleanor Holmes Norton, for 5 minutes.

Ms. NORTON. I just want to mention that the issues you are running into with drug testing is we can't just drug-test people. There has to be some predicate laid in a constitutional system to doing that, and that is why I think courts have cast some doubt on doing drug testing as drug testing.

I do want to note, especially the GAO report where no new recommendations were made, I put them in that the program is making some progress. And I note that the GAO report does note some continuing challenges, and the first one it notes is inadequate staffing levels. You know, if we want more of something, then we have to do more of something else.

So I want to congratulate all of you involved in the program for what you have been able to do at a time of sequestration with what resources you have. Congress is quick to chastise programs for what they haven't done but offers very little self-criticism of what its obligation is, so I do want that for the record to be known.

I also want to say for the record some of us have a tradition of trying to live for a week on SNAP benefits. All I can tell you, it took me close to starvation when I tried to adhere to it for a full week, so I am pretty convinced that they are not extravagant rewards here for needing what we used to call food stamps.

I was interested in this very low fraud rate because it is among the lowest if not the lowest in the Federal Government. You might expect it to be the highest given what we have just gone through in the Great Recession and the like. And so I am trying to get to the bottom of what is left. I am not sure anybody can get it to zero, and I compliment you for trying to do that.

But I want to know if the main part of SNAP's improper payments are administrative or are they fraud?

Mr. CONCANNON. If I may, Congresswoman, on the improper payment rate for the SNAP program, this refers to when consumers come into the program, 60 percent of that problem are mistakes made by State or county —

Ms. NORTON. So give me examples of the kind of mistakes in the course —

Mr. CONCANNON. Well, they may not correctly record the income of the consumer. Forty percent is on a—the mistake is made by the consumer, occasionally deliberately but often it may be, hey, I didn't properly report my income or my spouse or somebody else considered in the household had some part-time income. So—but 60 percent of it is a State mistake.

When we look at improper payments, the chair referenced the \$2 billion or so estimate. That's the combined underpayment as well as overpayment because about two-thirds of it is an overpayment on the part of the State, but about one-third of it is we underpay consumers based on the—and the convention has been the requirement—this used to drive me crazy when I was a State director—we have to count both of them as though they were aggregated together.

Ms. NORTON. I don't know why you have to count both numbers. They are not the same numbers. I tell you one thing, if you are undercounting, you never get that money back, so I don't even understand how it helps us to understand what is happening to say lob it all together, who cares? But that —

Mr. MEADOWS. Will the gentlewoman yield for just a second? I will be glad to work with her on that particular issue.

Ms. NORTON. I thank the chairman very much for his intervention, and he is in a position to do it. I know he means it when he says it, my good friend.

I understand when you see this low level, wow, that the program has very strict eligibility requirements and a rigorous application process. You know, people don't like what you have to go through to apply for anything in government, but is that the case? And how do you facilitate people getting their benefits when the eligibility requirements are so strict and apparently adhered to?

Mr. CONCANNON. Well, I might point out something that was referenced earlier to the deep recession we have just come through. Prior to that deep recession, again, I spent 25 years as a State director in different States. Across the country, typically, about half of the people who are eligible for the program were receiving it. They met the income eligibility, they were citizens of the United States who are here legally. Only about half were receiving it.

During the deep recession, more people came forward but also States on a bipartisan basis, Democrats and Republican Governors, simplified the process still within the law. And now, about estimated 85 percent of people who meet the eligibility requirements receive the benefit.

Ms. NORTON. Well, it took a recession to do it but I congratulate you for bringing forward people who are hungry and apparently needed the program all along.

Look, I don't see a lot to complain about in this program with your low eligibility rate, with the GAO who loves to tell people what they are doing wrong, saying they don't have any current recommendations at this time, so you deserve the commendation of the committee as well.

Thank you very much, Mr. Chairman.

Mr. MEADOWS. I thank you.

The chair recognizes the gentleman from Wisconsin, Mr. Grothman, for 5 minutes.

Mr. GROTHMAN. Thanks much. I think we are eventually going to call on Ms. Mayhew to ask questions, but I will just make a little comment first. I think there is probably no program in my district that people come up and talk to me about more. People are aware almost anywhere that they sell food stamps or whatever, SNAP, for 50 cents on the dollar, and of course if you needed every dollar on food, you wouldn't be selling your food for 50 cents on the dollar, so that by itself indicates that there is—you know, people are getting these things who don't need them at all.

You know, I know somebody whose sister runs a grocery store, and she says you can tell just by what is in the cart who has got the SNAP and who is paying their money, and I think that is routine, which also shows there is something fundamentally wrong program. It is one of many welfare-related programs that our employers attribute to having a hard time getting employees to work because of course the more you work, the more you lose the benefits.

And finally, it is something more and or we are hearing over time that discourages people from raising children in wedlock because, of course, if you raise children in wedlock, like many other welfare benefits, you lose your SNAP. I think that is probably, of all the bad things about the program, the worst. It is one more inducement to raise children out of wedlock, which is unfortunate.

But we are going to start with Ms. Mayhew. Could you comment on after you went through the wonderful things you did are SNAP benefits still being sold for 50 cents on the dollar in Maine? What is the going rate as far as you know?

Ms. MAYHEW. Well, certainly, we have, as I indicated, partnered with local law enforcement to both train them on the misuse of EBT cards to provide assistance with them. We certainly continue to have cases where EBT cards are trafficked in. It's unfortunate for the Congressman from Alabama. There was a very high-profile case about a year ago where—very similar to what you are describing, rampant trafficking and EBT cards selling at 50 cents on the dollar, significant engagement with retailers.

I think, you know, certainly, we all have shared the same goals of improving the integrity of this program. There are need—there was a need for additional fraud investigators. For the New England region there's one fraud investigator for the USDA. I mean, I think that alone would indicate that we're under-resourced.

Mr. GROTHMAN. Right. I will just give you the question. In Maine what is the going rate for SNAP right now? Are they selling it for 50 cents on the dollar, 60 cents on the dollar? What is the going rate?

Ms. MAYHEW. I honestly can't comment on—I think that just varies on the individual who's trying to get cash.

Mr. GROTHMAN. Okay. Well, I will ask Ms. Dean. Do you live here in the Washington, D.C., area?

Ms. DEAN. I do.

Mr. GROTHMAN. When you ask your local —

Mr. MEADOWS. Put your mic on, please.

Mr. GROTHMAN. What is the going rate for SNAP benefits in the Washington, D.C., area?

Ms. DEAN. I'm not sure that that—like Commissioner Mayhew, I don't think that there is a common understanding or a shared understanding of it. It is a very rare occurrence.

Mr. GROTHMAN. Wait a minute. Whenever I talk to people in the food stores or people of the class that good food share, they don't think it is uncommon. They tell me about these 50-cents-on-the-dollar sales all the time. In Florida, Mr. Carroll, what is the going rate for SNAP in Florida?

Mr. CARROLL. I can't answer that definitively. I will tell you what made the Opa-locka flea market so popular to draw folks not only from Florida but around the Nation was they were purchasing food stamps at 80 cents on the dollar. And we know that because on several of the stores that were rated, they actually—it was like a sale sign that you go in and you would see all the things and then you would see the 20 percent off sale. It was right on the registers, how much \$30 would be converted into, how much \$600 would be converted into, so it was right there. Folks saw it. It was posted.

Mr. GROTHMAN. Okay. Mr. Concannon, when you get out and talk to people in the underclass, what are they selling their SNAP benefits for?

Mr. CONCANNON. I travel across the country, including Florida, Maine, I was in Michigan earlier this week. As has already been noted, it is a rarity. I want to be very clear on that, that there are 44 million people in the country. The vast majority of them abide by the rules. Just as there are 260,000 authorized retailers, most of them abide by the rules, but we have a proposal out these days to strengthen the requirements for convenience stores. That's where much of this happens.

I do want to make a comment on something you mentioned because I think it's a misunderstanding. One, there is no penalty in the SNAP program if you're married or not married. If you live in the same household with somebody, you share the meal, we count that whether you're married or not, so there is not a marriage penalty. And I just want to be clear about that because when that's expressed, people don't understand that. They think, hey, that's a problem.

Mr. GROTHMAN. No. No, no, no.

Mr. CONCANNON. It's not part of the SNAP program.

Mr. GROTHMAN. No, can I finish up because he is just saying something I don't think is true or he is —

Mr. MEADOWS. Well, we will save that for a second round —

Mr. GROTHMAN. Okay.

Mr. MEADOWS.—if we can at this —

Mr. GROTHMAN. You want to give me a second round.



Mr. MEADOWS. Okay. So the chair recognizes the gentlewoman from Michigan, Mrs. Lawrence, for 5 minutes.

Mrs. LAWRENCE. Thank you, sir. SNAP provides critical support to people seeking to enter into the workforce by providing services to people who are looking for employment or training to become self-sufficient in contrast to the stereotype that if you are on SNAP, you are at home not working.

Mr. Dean, some critics of SNAP believe that participation in SNAP discourages work, yet your testimony states that the SNAP participants want to work and do work. Can you explain in more detail how SNAP helps people when they are unemployed and how it helps to support and encourage work? I am sorry, I am sorry. Mrs. Dean, I am sorry.

Ms. DEAN. That's all right. Well, first of all, one of the core elements of the program that allows participants who aren't working to obtain and maintain a job is that the eligibility limits, while restrictive, are set significantly higher than, say, a cash—the cash-assistance programs most States offer. So participants who are not working can get a job, their benefits are reduced, but they can maintain eligibility.

There's also an earnings disregard built in the program so that income coming from work is treated more favorably than income, say, from Social Security or other unearned sources.

We see a significant share of participants working. If you look at working-age adults who aren't disabled, over half of them are working, and if you look at the year before or the year after a typical month of receipt, that goes to above 80 percent.

The bottom line is that you cannot—it is nearly impossible to be poor in this country and not be working. There's very limited forms of assistance available to struggling unemployed families. The unemployment insurance program is an open door for low-income workers who are in and out of the workforce. TANF cash assistance is incredibly restrictive. SNAP is the benefit that is available to all low-income individuals, nonworking and working like.

Mrs. LAWRENCE. I just can't pass up an opportunity to make a statement here. There are many who debate Planned Parenthood and contraceptives and say that the life of a child is precious. How can we debate that once a child is born that we would not ensure that the child would not be hungry? In America, SNAP program feeds poverty, those who cannot provide, those who are working poor so that they can have food.

And I continue to say food is not a luxury, it is a human basic need. And so it troubles me when you have this conflict of philosophies. Once a child is born in this world and they are in America, we don't have a choice of whether we are born or not, we are born, and that in America this program, SNAP, says that if you are in America, you will be able to get food to eat so that you can live.

Just one last point, Ms. Dean. Many States have suspended the limited due to high unemployment rates during this recent recession, but that is now changing. I understand that some States are kicking hundreds of thousands of people off SNAP this year. Can you discuss why this is happening in some States and not in others?

Ms. DEAN. Sure. The 1996 welfare law included a provision that limited SNAP to 3 months out of every 36 months, so 3 months out of every 3 years, for childless adults unless they are working 20 hours a week. It's a little bit more complicated, but that's the gist. States have the ability—and this—there's no obligation on the State to offer a job slot or test the individual's willingness to work. It is truly a time limit in most States that apply the rule.

States have the ability to waive that rule in periods or in areas of high unemployment, and during the recession, virtually every State availed themselves of that opportunity to suspend the time limit so that food assistance could go to unemployed needy people.

As the unemployment rate has fallen, areas no longer qualify, and this year happens to be a year where over 20 States had to re-implement the rule either because of their unemployment rates or they chose to, and as a result, we estimate a minimum of half-a-million people were removed from the program in April and May of this year. And we'll see data to confirm that in a month or so.

Mrs. LAWRENCE. Thank you. In closing, I just want to say that the SNAP program, 1 percent fraud, I wish I could sit and look every Federal agency in the eye and say that your fraud or your mismanagement is at 1 percent of everything that you do. I don't want any fraud, but I want to applaud this team and individuals who are in this program knowing that you are there to feed people in America. In today's world there are Americans who are going hungry every day.

Mr. MEADOWS. I thank the gentlewoman.

The chair recognizes the gentleman from Ohio, Mr. Jordan, for 5 minutes.

Mr. JORDAN. Thank you, Mr. Chairman, for having this hearing and for our witnesses and the chairman for his work in this area, extensive work in this area.

Mr. CONCANNON, how much money is spent annually on the food stamp program both—well, how much is spent annually?

Mr. CONCANNON. Total expenditure including administration, \$75 billion.

Mr. JORDAN. Seventy-five billion dollars. You know what it was 8 years ago?

Mr. CONCANNON. No, I do not.

Mr. JORDAN. The chart I am looking at says it was less than half of that.

Mr. CONCANNON. Well, that was before the —

Mr. JORDAN. Thirty-seven —

Mr. CONCANNON. That was before the deep recession the country went through, so I'm not surprised by that.

Mr. JORDAN. A lot of people would say we were in a recession in '07 and '08. I am looking at that, so 2008—well, even if you go 2009, it is 50 percent greater, more than 50 percent greater. It was \$53 billion just a few years ago.

How many people are getting this benefit today?

Mr. CONCANNON. Forty-four point three million people receive the benefit each month.

Mr. JORDAN. And do you know how many of that 44.3 million are able-bodied adults?

Mr. CONCANNON. Yes, we can give you that. I know that just under half are children, another 10 percent are people with disabilities, another close to 10 percent are seniors, some adults, but we can give you the actual percentage, a very small percentage —

Mr. JORDAN. So half —

Mr. CONCANNON.—of them.

Mr. JORDAN.—are kids, 10 percent are individuals with disabilities, 10 percent are seniors, so is that 30 percent are —

Mr. CONCANNON. No, it isn't 30 percent. It's another—it's about 10 percent are adults without dependents, able-bodied adults without dependents.

Mr. JORDAN. So over 4 million?

Mr. CONCANNON. Correct, in that range.

Mr. JORDAN. Okay. And, Ms. Mayhew, my understanding is you have taken that population you just talked about, at least the ones who live in the State of Maine, and you have put back in place a work requirement for able-bodied adults, able-bodied adults, I assume, with no dependents, is that accurate?

Ms. MAYHEW. Yes. We're talking —

Mr. JORDAN. Okay. And what has been your experience with that program?

Ms. MAYHEW. So these are individuals between the ages of 18 and 49 not disabled, no dependents. And we reinstated the work requirements from the 1996 reforms. We did —

Mr. JORDAN. Exactly the same requirements that were working fine back then —

Ms. MAYHEW. Correct.

Mr. JORDAN.—20 hours a week, got some work requirements, 20 hours a month or —

Ms. MAYHEW. Twenty hours a —

Mr. JORDAN. Twenty hours a week, excuse me. That is right.

Ms. MAYHEW. But there are other options. It's 20 hours a week or—working or being in a vocational training program —

Mr. JORDAN. Got you.

Ms. MAYHEW.—or volunteering one hour a day.

Mr. JORDAN. So some options. All right. And what happened when you did that?

Ms. MAYHEW. When we did that, we also reached out to all of these individuals through our Department of Labor career centers to offer them slots in programs to help them with work skills development, resume writing, opportunities to identify employment. We made over 12,000 phone calls to that population.

Mr. JORDAN. Hold on one second. Back up a second. What was the number in Maine when you—able-bodied adults 18 to 49 in the program? What was that number?

Ms. MAYHEW. Fifteen thousand.

Mr. JORDAN. Fifteen thousand. What is the number—and you have implemented this program now several months?

Ms. MAYHEW. We implemented that in the—October 1, 2014.

Mr. JORDAN. Okay. So a year-and-a-half. And what have you seen happen? Is it 12,000 you said?

Ms. MAYHEW. Yes. The vast majority did not come forward to demonstrate and comply —

Mr. JORDAN. So they are no longer in the program?

Ms. MAYHEW. They're no longer in the program, but what is more important —

Mr. JORDAN. No, I am asking, is that—I would view that as a good thing. My guess is what happened is they said, you know what, if I got to do all this job training, job requirement, da, da, da, why don't I just get a job?

Ms. MAYHEW. Exactly.

Mr. JORDAN. Imagine that.

Ms. MAYHEW. And then we looked at their wages —

Mr. JORDAN. Right. And that is a good thing, wouldn't you say?

Ms. MAYHEW. Yes.

Mr. JORDAN. Yes.

Ms. MAYHEW. And their wages have increased by over 114 percent from prior —

Mr. JORDAN. So you followed them up?

Ms. MAYHEW.—to implementing—yes, we did.

Mr. JORDAN. And, Ms. Dean, is that not a good thing?

Ms. DEAN. Is it a good—I think the question is what's the counterfactual? How many of them would have gone and gotten jobs anyway because we know that there's a high —

Mr. JORDAN. But they did get a job so that is a good thing and they are no longer living off the taxpayer —

Ms. DEAN. But there's —

Mr. JORDAN.—so it is good for the taxpayer and it is good for the individual, and you are somehow implying in questions I have heard from the other side somehow that is not a good thing?

Ms. DEAN. There's also a group of people who lost food assistance without a job. That's —

Mr. JORDAN. Ms. Mayhew, what is that number?

Ms. MAYHEW. I'm sorry, what was the comment? Which —

Mr. JORDAN. She is saying that there is some of that 12,000 who are no longer getting food stamps who didn't get a job. Do you know what that number is?

Ms. MAYHEW. We can get you that —

Mr. JORDAN. But the point is they can still get food stamps if they are willing to do the three options you gave them, correct?

Ms. MAYHEW. Correct.

Mr. JORDAN. Okay. Ms. Dean, how is that negative?

Ms. DEAN. I think there are many parts of the country where there are not —

Mr. JORDAN. In—okay.

Ms. DEAN.—part- to full-time jobs available.

Mr. JORDAN. I am asking you about Maine. I am asking you about Maine because Maine has done it. That is the one experiment we have that I think is working win-win-win. Either they can do the job training, which is going to help them long-term to stay on food stamps or they can do what most people did in Maine and say, you know what, I don't want to do that. I am just going to get a real job, right? And if they decide to opt out and can't get a job, they can always come back and go to one of those three options. So tell me what is negative about that. That seems to be helping that individual who was in the system get to a better position in life, and just as importantly, help treat taxpayers with the respect

they deserve so someone is not living off their tax dollars who is able-bodied. Why is that wrong?

Ms. DEAN. Representative Jordan, you're not characterizing the rule correctly across the country. States are not —

Mr. JORDAN. I am talking about the State of Maine.

Ms. DEAN. I cannot speak to whether Maine genuinely offered every single individual—whether a slot was available for them to participate in and whether those individuals were appropriately screened. Commissioner Mayhew can best do that. But the problem is that across the country that's not happening. It's operating as a time limit, so individuals living in high unemployment areas or individuals who face barriers to work. For example, in Florida there were disabled veterans who didn't have 100 percent disability rating who were terminated from the program. They were not exempted.

Work requirement is —

Mr. JORDAN. Well, wait, wait, wait —

Ms. DEAN. Work requirement is very different than —

Mr. JORDAN. We just heard that this was not about people with—there is a big difference between able-bodied individuals between 18 and 49 with no dependents and someone with a disability and someone with children and some who is a senior. There is a big difference. If I could, Mr. Chairman, one last question.

What is the number today, Ms. Mayhew, that is in that category in Maine? What is the number? It was 12,000. What is the number today?

Ms. MAYHEW. It is less than —

Mr. MEADOWS. Your mic, please.

Ms. MAYHEW. We can get you the final number, but obviously

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Mr. JORDAN. Less than what?

Ms. MAYHEW. Less than 1,000 individuals.

Mr. MEADOWS. Okay.

Mr. JORDAN. That is unbelievable. Thank you, Mr. Chairman.

Mr. MEADOWS. I thank the gentleman.

The chair recognizes the gentleman from Pennsylvania, Mr. Cartwright, for a generous 5 minutes.

Mr. CARTWRIGHT. I thank the generous chairman. Mr. Chairman, our colleague from Wisconsin just lately made a comment to the effect that the current SNAP program, the food stamps program has the effect of encouraging women to bear children out of wedlock. And to respond to that, I would like to recognize and yield to the gentlelady from the District of Columbia for 30 seconds.

Ms. NORTON. Well, first of all, I think that the error rate speaks for itself and answers much that was raised in that regard.

And I must say, at a time when we have reduced among poor people as well as middle-class people the birth rate, it is inconceivable to me that somebody says, you know what, why don't I go out and get pregnant so I can get some food stamps.

I yield back to the gentleman.

Mr. CARTWRIGHT. Mr. Chairman, I would like to thank you for holding this hearing today. It is shameful when women and families go hungry in the United States of America, and I will not be part of a system that forwards the chance that we will have that

in this country. I strongly support the food stamp program, SNAP, among other food assistance programs for this reason, and I would like to thank the witnesses for their work to relieve hunger in this country.

I would like to also point out two numbers related to fraud and waste in the SNAP program that have been touched upon here. In 2014 less than 3 percent of SNAP benefits had error associated with them, and the trafficking rate is down to 1 percent. And it occurs to me that the SNAP program is improving at its good job of ensuring the limited resources it is given are being used properly. We can and should do more to relieve hunger.

That is why I am reintroducing the SNAP Healthy Incentives Act, and this expands a pilot program nationwide in which SNAP participants receive a 30-cent rebate for every SNAP dollar they spend on fruits and vegetables. Now, this pilot program proved to be successful, and it proved a 25 percent increase in the consumption of healthy foods.

Now, Under Secretary Concannon, can you tell us a little bit more about the types of people who are aided by the SNAP program?

Mr. CONCANNON. Thank you very much for the question. Thank you for introducing that act, the health incentive pilot was highly success. And early this week I was in Michigan. I've seen firsthand discussions with community leaders around the country on the impact of SNAP now.

As has been mentioned earlier, nearly half of the recipients on SNAP—it's 48 percent plus—are children, another 10 percent are people with disabilities, another seniors and other parents looking after young children. But I also want to emphasize again something that's been mentioned already. Forty-two percent, two out of every five persons living in a SNAP household, at least one of the adults is in—currently in the workforce. And that income is counted in the benefit.

And to me, the—that's the highest rate of people working in the history of the program and it, to me, reflects the fact that across the country more and more people are getting part-time jobs or they're struggling with low wages that still qualify them for the benefit. So I think that's something that ought to be really more fully discussed by Congress now. There's—say what can we do about that?

In places across the country, economists tell us the recession is over for many but it's not over for tens of millions of people in places like Maine to be perfectly frank or just about any State in the country. And so the program has very much become a supplement. That is by intent to—for wages and health for families.

And I think it gets very stereotyped in some quarters I think very unfairly. There's a very low fraud rate, there's a very low rate of misuse of the funds. We don't tolerate it. But poor income people, whether they're from Florida, Maine, or any other State shouldn't be painted as though they are among that small minority who are misusing the program. That's not the history of the program across the country.

Mr. CARTWRIGHT. Thank you, Mr. Concannon.

And, Ms. Dean, I wanted to also thank you for your testimony today and all of your work in your adult life in support of nutrition assistance.

You know, Republicans in the House are proposing turning SNAP into a block grant and eliminating the social services block grant, and I wanted to get your input on the wisdom of that approach and whether you think it would do anything to eliminate the low percentages of errors and fraud that we're hearing about today.

Ms. DEAN. Just very briefly, we think it would be very ill-advised, and the experience and history of block grants would suggest that converting SNAP into a block grant would increase hunger and hardship amongst low-income Americans because less food assistance would be available to them over time.

It's also highly likely, as you're pointing out, that error and fraud would become a more serious issue because you would start to have 50—well, in SNAP there are 53 States, Ms. Plaskett representing one of them, 53 States with different rules, different criteria, and lots of complexity and duplication on which stores to bring into the program and how to administer and ensure that everyone is adhering to the rules.

Mr. CARTWRIGHT. Thank you. And, Mr. Chairman, I yield back to you in your generosity.

Mr. MEADOWS. I thank the gentleman from Pennsylvania.

The chair recognizes himself for a series of questions.

We talked a lot about fraud rates and what it is and what it is not, and yet I hear a lot of testimony that shows a lot of ambiguity in that area. So, Ms. Brown, let me come to you. Do we really know what the fraud rate is? Do we have good data?

Ms. BROWN. Well, the rates that we're hearing about with fraud I believe are the trafficking rates for retailers. That's the —

Mr. MEADOWS. Right, and —

Ms. BROWN.—1 percent —

Mr. MEADOWS.—those are 3 years old, aren't they?

Ms. BROWN. Yes, there's—they—there've been—a number of questions have been raised about the estimate, but I don't want to underplay the fact that it's very difficult estimate to make.

Mr. MEADOWS. So to suggest that that 1 percent or 2 percent is accurate would be very difficult with any degree of certainty to ascertain that based on the reporting and the way that we track fraud and abuse at this point —

Ms. BROWN. In —

Mr. MEADOWS.—is that correct?

Ms. BROWN. In—yes, and it doesn't include what—we don't really know what the rate of trafficking or fraud is for the—on the recipient side. So —

Mr. MEADOWS. Right.

Ms. BROWN.—you know, the question—put percentages that we talked about with the 60 percent that's the fault of the States when they're making mistakes and the third—one-third that's the problems with the recipients, some of that can be intentional error that would be fraud, and then in addition to that, once they receive the benefits, if they traffic, that would be fraud.

Mr. MEADOWS. Right. And so that number and being able to do that—Mr. Concannon, I will come to you. Hold on just a second. You are always ready to jump in. I can see your rebuttal. I tell you, it is—but as we look at that, I will come—because here's my concern. When we talk about fraud—and for me I want make sure that every single person that deserves the benefit and is starving gets the benefit. But the bad actors, I want to make sure they go home and they go home for good.

And so if anything is said here is when we—it is not just about fraud and abuse for an individual. It is taking away finances from those that are deserving. And that can be a bipartisan issue. I mean, if we put forth that any saving from fraud actually went to increase the benefits for some of the others that are receiving it, we would find some real uniform bipartisan support for that. So I guess, Ms. Brown, we need to do a better job, so how can we do that?

And let me come to you, Mr. Carroll, because one of the things that you said really concerned me. We have got a flea market where there was trafficking going on, and there have been no arrests for fraud at that particular point? We have not been able to prove it? Did I hear you correctly?

Mr. CARROLL. No, there —

Mr. MEADOWS. You need your mic.

Mr. CARROLL. There have been arrests. What we have not—the process involves—it's a pretty complex process, but our investigation into that flea market began in 2011 when we saw —

Mr. MEADOWS. And you were doing it from the recipient side, not from the —

Mr. CARROLL. We were doing it from —

Mr. MEADOWS.—retailer side, is that correct?

Mr. CARROLL.—recipient side where we got information that food stamp cards kept coming back to us in the mail, the EBT cards. We checked up on it. That address didn't exist. We did some further exploration and we found out that that was probably identity theft. We then tracked where that card was used, and it led to the flea market, so we started surveilling that flea market, and at that time in 2011 there were five authorized vendors. It took 2 years, but after 2 years, two of those five authorized vendors were arrested. But within a matter of days, the three vendors that were left absorbed that business because business continued to grow at that flea market.

Now, at that flea market we have 48 authorized vendors with four more pending, and that flea market has done \$79 million worth of business. Now, to put that in perspective, they have done more business than the six super box stores that are within a 5-mile radius of them combined. They have done more business in that flea market during that time period than the 16 major supermarkets that are in a 5-mile radius combined. So to say that our fraud rate is 1 percent I think is underestimated.

But here's what concerns me about this, and this is what I think confuses folks because I think your point is well made. I'm not here to demean recipients of public assistance. I strongly support public assistance programs, and we do that in Florida. We have done everything in Florida to make it easier for folks who are eligible to



apply. We've gone to an electronic system. Folks don't have to take off from work. They apply online.

Even the automated identification system, it wasn't made to keep people out of the system. It was made to—so that we didn't have to bring people into the office because if we could authorize—if we could authenticate your identification without you coming into the office and taking time out of work, why not do that? That's why we did it.

And so we have done everything we could to make it easier to apply. Since 2008, the number of recipients in Florida has gone from 1.3 million to—we have currently 3.3 million recipients on food stamps in Florida, and our food stamp redemption numbers have gone from 2.8 to 5.6. So to say that our concern around fraud is about some—somehow pointed at trying to demean folks who are on public assistance or to limit access I think is misguided.

I do think the numbers that you talked about are difficult to come by. I think with the automated system in Florida, we do a better job of preventing what I would call recipient fraud in terms of—because what we used to battle years ago was folks coming in and quite frankly not being truthful about their situation. We see less of this.

This is not—in Florida, this is not about the folks who walk through our door and apply for assistance. It is not about how they use their food stamp card. I wish my family ate healthier. I wish I didn't put so many Mountain Dews in the carriage, okay? And I think the more we put together legislation like that, we just go down rabbit holes and we spend administrative cost chasing after things we shouldn't chase after.

But I will tell you there is an element that is organized that is—where their intent is to defraud, and it starts with folks who come into the system and get benefits and they're not who they purport to be. Part of this—the authentication process identified 2,800 people, for instance, last year that applied that were dead, another 2,800 people that applied that were incarcerated. Without doing the things that we did from an electronic standpoint, we would have never been able to prevent that. We can now.

But our big challenge now is with authorized vendors. The number of folks who were authorized—and I understand—I don't—I am not here to impede small business. We want to grow small business, but we have got to make sure that when we are—it's got to be more than taking a snapshot of the front of a store, putting a driver's license together, sending it in, and asking that I be an authorized vendor. And we have to do some work around is that a real legitimate business because some of these businesses that we're authorizing as retailers are not legitimate businesses.

And I do agree with Secretary Concannon that the overwhelming amount of people on food stamps are there rightly so and are using their benefits appropriately, overwhelmingly, but I will tell you that small percentage, when you look at a program like ours that does \$5.6 billion worth of business, even a small percentage is in the hundreds of millions of dollars, and it grows a stigma for the rest of the folks who are out there who need these benefits, who need the hand up, and who we're trying to provide these assistance—this assistance for.

Mr. MEADOWS. And that is precisely why we are having this hearing because it shouldn't be a stigma that everybody is cheating the system. And sometimes that gets a default. That is where we run. I appreciate your heart.

Mr. CONCANNON, I gave you your rebuttal time. I am way over. You go ahead, and then I am going to recognize the gentlewoman from the Virgin Islands. Go ahead.

Mr. CONCANNON. Thank you, Mr. Chair. I'll try to be brief. I just wanted to mention the way we derive that figure of 1.3 percent. When we take a small store out of the program, and last year, it was like 2,300 stores—most of the trafficking, by the way, happens in small stores. Supermarket chains won't tolerate it, Walmart, Hannaford Brothers up in Maine, they're not going to tolerate that.

So when we take a small store out, we ascribe 90 percent of the annual use of food stamp benefits or SNAP benefits in that store as though it were trafficking. And if it's a larger store, we ascribe 40 percent. That's how we get to the 1.3 percent. If anything, it's a conservative estimate, so I want to be clear on that. We're not just counting —

Mr. MEADOWS. Well —

Mr. CONCANNON.—you know, individuals. So with that, point one. Point two, we currently have proposed strengthening the requirement especially for these small stores because I fully agree with Mr. Carroll that some stores are in the program that absolutely shouldn't be. That's where we have our problems.

Mr. MEADOWS. Well, we will get —

Mr. CONCANNON. We're getting pushback on that issue.

Mr. MEADOWS. We will get to that.

Mr. CONCANNON. Okay.

Mr. MEADOWS. We will get to that because that is one of the areas that honestly I want to drill down on on exactly what we are doing there. Let me tell you my concern with what just said. You only know what you know, and so fraud is only to the point of where you actually have inspectors going out. I would assume you have a limitation on the number of people who can actually follow that or are you fully staffed—you have got as many people as you ever would want?

Mr. CONCANNON. Interestingly enough —

Mr. MEADOWS. Yes or no, as many people as —

Mr. CONCANNON. Most of our fraud is coming from data analytics. It's not coming from —

Mr. MEADOWS. That is not the question. Do you have as many people inspecting as you really need?

Mr. CONCANNON. We can never say we have enough.

Mr. MEADOWS. All right. Thank you. I thought that would be the answer.

The gentlewoman from the Virgin Islands is recognized.

Ms. PLASKETT. Thank you. Good afternoon.

And I guess if you don't have as many as you need and this committee is concerned with you stopping fraud, they will be very helpful to increasing the budget for the SNAP program so that you can have the funding to be able to enforce it, because although I think the chairman is sincere and, you know, is one of the people who is concerned about the right individuals having this, my concern is

that I don't think everybody on his side really thinks that way as well.

I sit on the House Committee on Agriculture and I sit on the Subcommittee on Nutrition, and in the last 17 months we have had 14 hearings on SNAP, 14 hearings on SNAP. And the purposes of those hearings is in my mind being to say why SNAP should be cut back, why it is not effective, why we need to stop this, why we need to stop feeding the people that we are feeding. Why do we need to stop feeding people? I mean, my mother would lose her mind if you denied someone a plate of food because it was painful for you to give it up.

This program, we say, is about lifting people out of poverty, and I think the indictment is on us as a body, this Congress, who has not lifted enough people fast enough as we should. And in turn what is happening I think more often than not is that we have these hearings to indict the people who are recipients of SNAP program, the recipients of those individuals who are still living in poverty.

So we have said that SNAP is a program that we would like to focus quite a bit of our time on for the abuse and the fraud that it has. From the statistics it seems that there is only 1 percent of the 45 million recipients and 1 percent of the money that is going is going for trafficking. Would we like to see that those numbers are corrected? Of course. But we need the funding to be able to do that because are we going to take the funding out of the people that are receiving the money or are we going to add additional funding for the administrative portion? That is the question that I would like to pose on the other side.

You know, and one of the other issues that I am very certain about is it seems that the legislative proposals are really to eliminate the ability of States and territories to request waivers from the strict work requirements already contained in the SNAP laws. And the reason that is a concern is that because there is a chronic rate of high unemployment rate in many of these areas.

We talked about people going to convenience stores rather than going to the big box or the grocery stores. More often not it is because they can't afford to drive to those other places because they live in food deserts. And, you know, it is not that people don't want to work but there are no jobs for them to work. And are we going to keep these time restrictions and cut out the waivers for this so that people now don't have a meal?

The majority of people who are on SNAP are not able-bodied individuals. They are women and children and elderly people who cannot work.

Ms. Dean, do you think elimination of work waivers, especially in high areas of unemployment, would impact—how would that impact on those places that have unemployment?

Ms. DEAN. Well, I think the Virgin Islands would be a good example. Currently, the Islands waive the time limit so the time limit is not in effect. If it were to elect to drop it, given your relatively high unemployment, the shutdown of certain businesses in recent years, that would mean that there are individuals willing to work who cannot find work.

There are also individuals working less than 20 hours, say, 18 hours, who would lose the food assistance as a wage supplement to them. So it just means increased hunger and hardship, more demand on local charities. It's ill-advised given that there is this terrific program available to help feed people that supports and encourages work.

Ms. PLASKETT. Now, when you are a recipient of SNAP and you have the EBT card, can you buy every piece of grocery or every need in your household from that?

Ms. DEAN. The benefits are based on a food plan called the thrifty food plan, and it is meant theoretically for someone with perfect information in an extreme environment to be able to purchase enough. But we believe and actually have a paper coming out next week that suggests that it really is insufficient to purchase a healthy diet.

Ms. PLASKETT. So what are the things that you would not be able to purchase?

Ms. DEAN. Well, the—I think there are tradeoffs. Fresh fruits and vegetables, whether you can buy foods with sufficient—low levels of sodium versus highly processed foods. A lot of participants substitute in starches versus protein and, as I said, fruits and vegetables.

That having been said, SNAP participants do purchase very consistent with how the average American purchases. They do an incredible job with the benefits that they have, but we think they'd do much better if they had sufficient resources.

Ms. PLASKETT. A woman who is a single parent and has a child, have you ever seen instances—because I know I have—of that individual, as my colleague talked about, using the SNAP money to purchase other things, to use it to buy diapers or to use it to buy things that are necessities that we have not as a country been able to supply them the resources to be able to take care of? Have you seen some of the fraud based on that?

Ms. DEAN. To be clear, that is also not legal and it is unacceptable, but yes, some mothers with young children face extraordinary choices, just extraordinary choices, and taking care of their children, as you're, I think, trying to illustrate with the question, is always going to come first.

Ms. PLASKETT. Okay. Thank you. Thank you for the additional time.

Mr. MEADOWS. The chair recognizes the gentlewoman from New Mexico, Ms. Lujan Grisham.

Ms. LUJAN GRISHAM. Thank you, Mr. Chairman, and thank you very much for this hearing.

And frankly, I agree with my Democratic colleagues in recognizing that the SNAP program as a policy is a very important policy to protect seniors and children and families in poverty and folks in the military with a focus on making sure that they don't go hungry. And like many of my colleagues on this committee, I want to make sure that we address the fraud issues and we also, as Ms. Plaskett, my colleague from the Virgin Islands just identified, that there are issues that we need to address that don't meet the requirements of the program but still shine a light on the extraordinary circumstances that so many of these families face.

And I want to point out that even when we have fraud where someone is selling their food stamp benefit, they are in collusion with the grocery store in the private sector, and so we really need to be thinking about that. And I want everyone to know, and I think they do, that SNAP I think is one of the most important policies and programs in this country and that I believe, based on the evidence that I have seen, that generally speaking it has a very low fraud rate, and I think that that is a remarkable standard. What I wish for every program is that there was a zero fraud rate.

But I do want to talk about the integrity of the program as a whole, and I am very, very concerned about that on two levels. I have very deep concerns about the integrity of the SNAP program in my State in New Mexico. I believe that these problems are clearly being caused by the way the State is administering the program and the fact that I don't believe that the Federal Government has been providing sufficient oversight, and the results are that many eligible New Mexicans who need emergency benefits are not getting them, and the overall result of course is that they are going hungry, which is why New Mexico has some of the hungriest children and families in the country still.

Now, Mr. Concannon, in your testimony you are very clear that FNS needs to take a look—and I think I am quoting you—look carefully at States that are pushing recipients off SNAP programs or are not processing SNAP applications or application re-certifications in a timely manner. And I know that you are aware that the State of New Mexico has been doing just that because we are in court, we have sent you letters, we have asked you to do an investigation. We have been very involved.

And that these New Mexico advocates that you and I have personally spoken about have been raising this issue in fact with your office for years. In fact, our office received a formal letter in April from the American Federation of State, County, and Municipal Employees, which represents many of the State employees involved in this issue who administer the SNAP program. And, Mr. Chairman, I ask for unanimous consent to enter the letter into the record.

Mr. MEADOWS. Without objection, so ordered.

Ms. LUJAN GRISHAM. I was pretty sure that was going to occur. Thank you, sir.

Now, these employees, as you know, allege that the State has failed to provide training and staff support and all true, so that what is occurring in New Mexico is that in order to meet the time request to deal with emergency applications, they are adding assets to falsify those applications so that people don't get the benefit that they deserve and need, and that is a very serious integrity program.

But just as terrible and heinous as that is that current court records indicate that that has been going on since 2003. So in addition to the years that I have been asking the Department to look at this and in addition to the April letter where I asked for an investigation, it looks as if the Department has had information about this very issue since 2003. And we can see that one of those results is the hungriest State in the country.

Now, the most disturbing thing to me—I just want to repeat this—isn't these lapse of audits and integrity and issues between

the Federal Government and State government. The most egregious issue here is that I have vulnerable families that aren't getting the support that they deserve it.

And according to AFSCME, there is a pattern and practice of adding these assets that should have been counted as income or adding assets in order absolutely to prevent people in our State who are eligible for being eligible.

So basically the State is lying to you, Mr. Concannon, and it is also clear to me that we have not been holding them accountable since at least July of 2014. Now, I need to understand why your office didn't know about these violations since 2003 and hasn't responded to us and others when you had clear knowledge of what is going on. So before the AFSCME letter, given all these issues, why didn't your office take—and then after, why didn't your office take immediate action?

Mr. MEADOWS. The gentlewoman's time is expired, but please answer the question.

Mr. CONCANNON. Well, thank you very much for the question. Let me just, in support of the Congresswoman's concerns, confirm that I believe New Mexico is probably the most fouled up SNAP system in the United States right now and has been, unfortunately, I think for years. There is a major Federal lawsuit that's been underway there for many, many years, and I think even the courts have been less than successful in getting the State to really fully respond.

We have been engaged with the State offering them additional support, offering them additional technical assistance just as—we also are in receipt of that letter from AFSCME —

Ms. LUJAN GRISHAM. And I am out of time —

Mr. CONCANNON.—on the 26th —

Ms. LUJAN GRISHAM.—Mr. Chairman. I know that you are really patient with me, but you know what, giving them technical assistance when they are lying to you, they are cheating the beneficiaries, they are not protecting the beneficiaries, they are in Federal court, this requires investigatory action and audits, which is exactly what this entire committee wants for all of these —

Mr. CONCANNON. It is being investigated —

Ms. LUJAN GRISHAM.—programs.

Mr. CONCANNON.—right now by the inspector general of —

Ms. LUJAN GRISHAM. Because in a letter from your office, we don't have that. They are being investigated for this issue?

Mr. CONCANNON. The—since that letter from AFSCME, the State—the State IG in New Mexico is investigating that—those claims. We also had a visit to several of their offices in May. We did not identify that in our management review of those two offices, but I—the State inspector general is currently investigating the State for those very claims.

Ms. LUJAN GRISHAM. As I yield back my time, and the chairman is being very generous, what I have in writing from your office, sir, is that you are going to hold beneficiaries accountable for overpayments and that there is not an ongoing investigation about this issue. So I am very happy to hear that what we have in writing is incorrect, and I am expecting you to put in writing your statements today so we get this rectified.

I yield back, Mr. Chairman.

Mr. MEADOWS. All right. So let me follow up on the gentlewoman's—while she is closest to this particular issue and I think that this is really why we have Maine and Florida here today is that we have a Representative from New Mexico that is up close and personal with a particular problem. So, Mr. Concannon, do I have your assurance that you will report back to this committee with a plan of action of how to address her concern within the next 14 days?

Mr. CONCANNON. Yes, you do, but I —

Mr. MEADOWS. Just —

Mr. CONCANNON.—do want to be clear. The problem is on the part of the State agency —

Mr. MEADOWS. I didn't ask you —

Mr. CONCANNON.—not consumers.

Mr. MEADOWS. Well, so you don't have any involvement whatsoever?

Mr. CONCANNON. No, we have involvement.

Mr. MEADOWS. Okay. Well, then —

Mr. CONCANNON. I'm just saying that it's the State agency that is at fault here, not the consumers —

Mr. MEADOWS. Okay.

Mr. CONCANNON.—of the SNAP program —

Mr. MEADOWS. I understand. You made your point.

Mr. CONCANNON.—in New Mexico.

Mr. MEADOWS. She has made the point, but what she also said is that you haven't been forthcoming in following up with her, and what I am saying is from the other side of the aisle, that is inexcusable —

Mr. CONCANNON. Well —

Mr. MEADOWS.—wouldn't you agree?

Mr. CONCANNON.—I don't accept that claim.

Mr. MEADOWS. Okay.

Mr. CONCANNON. I don't accept that, that we are not —

Mr. MEADOWS. Well, I —

Mr. CONCANNON.—forthcoming.

Mr. MEADOWS. The gentlewoman has yielded back, so let me go ahead and recognize myself for a series of questions because, Mr. Concannon, you come and you are very quick to point at Maine and suggest that what they are doing is not adequate from a standpoint of the way that they are conducting it. And that was really early on. You were very quick to do that. But yet when my good friend and the gentlewoman from New Mexico points out a problem where you have not even respond properly, you are not willing to take and accept responsibility. I think that that is a double standard, wouldn't you?

Mr. CONCANNON. No, it's not a double standard. I haven't said we haven't responded. I've said we've been doing evaluations of New Mexico. We're not happy with their performance.

Mr. MEADOWS. But there is no investigation —

Mr. CONCANNON.—We have offered them —

Mr. MEADOWS.—going on at this point?

Mr. CONCANNON. Yes, there is, the inspector general —

Mr. MEADOWS. By the State —

Mr. CONCANNON.—of the State.

Mr. MEADOWS. By the State. By the OIG of the Federal Government for USAID —

Mr. CONCANNON. I can't —

Mr. MEADOWS.—or USDA, is there any —

Mr. CONCANNON. I can't speak for the OIG because I don't —

Mr. MEADOWS. Would you —

Mr. CONCANNON. I know they're aware of it —

Mr. MEADOWS. Would you recommend —

Mr. CONCANNON.—but I can't tell you what they are —

Mr. MEADOWS. Would you recommend that there would be a Federal investigation?

Mr. CONCANNON. I'd be happy to.

Mr. MEADOWS. All right.

Ms. LUJAN GRISHAM. Thank you.

Mr. MEADOWS. All right. So let me go on a little bit further. Ms. Mayhew, one of the things that I was perplexed by is a started looking at statistics of SNAP use by Maine recipients in other States other than Maine. And by the list that I got, it looks like they are using all over the country, indeed all over the world, and yet it comes from your State. Would you say your State is atypical? Is it unique that you have a lot of SNAP travelers?

Ms. MAYHEW. Maine is not unique.

Mr. MEADOWS. Okay. So if it is not unique, I guess one of the questions I have is in just looking at one of the numbers that popped out happened to be in Mr. Carroll's State. And so I have got Maine recipients who are getting SNAP benefits that traveled apparently to Florida, and over the last 5 years, there has been over \$3,700,000 and change benefits from Maine that get used in Florida. Is that correct, Ms. Mayhew?

Ms. MAYHEW. That is correct.

Mr. MEADOWS. So how do you stop that? I mean, are they just traveling? So is this somebody that just happens to travel with SNAP benefits and go down there or are they going to the flea market where Mr. Carroll is doing—and cashing it in? I guess I am very concerned in that he is doing a great job and even I guess, Mr. Concannon, you would recommend that Florida is doing a job? In fact, there is a bonus—didn't you all get a bonus for good—have you all paid that bonus?

Mr. CONCANNON. No, we have not paid the bonus —

Mr. MEADOWS. And why not?

Mr. CONCANNON.—since 2015. No.

Mr. MEADOWS. Why have you not paid the bonus?

Mr. CONCANNON. Because we have some concerns about the —

Mr. MEADOWS. Well, you just said he did a good job.

Mr. CONCANNON. Well, no —

Mr. MEADOWS. You can't have it both ways.

Mr. CONCANNON.—Florida is doing a good job, but I'm not —

Mr. MEADOWS. Well, that's Florida.

Mr. CONCANNON. That's—I'm not translating that —

Mr. MEADOWS. I am talking about the \$7 million —

Mr. CONCANNON.—to whether we should pay the bonuses.



Mr. MEADOWS. So why are you holding up the \$7 million payment on someone who is recognized as doing a great job? Why would you be holding that up?

Mr. CONCANNON. Because I want to make sure that what we are getting are valid reports from States across the country.

Mr. MEADOWS. So you are holding up his to make sure that you get valid reports from everybody else?

Mr. CONCANNON. I'm holding all of them up.

Mr. MEADOWS. Okay. When can we expect a response on his bonus money? And he didn't ask me to ask this, by the way. So when can we expect you to get it resolved?

Mr. CONCANNON. As soon as I'm satisfied and others —

Mr. MEADOWS. How many days?

Mr. CONCANNON.—are satisfied—no, it's not a matter of days because —

Mr. MEADOWS. Well, you are going to give me —

Mr. CONCANNON.—I want to be —

Mr. MEADOWS.—some days. When will you report back this committee? Thirty days, is that enough to evaluate it?

Mr. CONCANNON. No, it may take longer than that because we're in the middle of investigating that right across the country right now, not just in Florida, in States right across —

Mr. MEADOWS. So you are saying you don't owe it to Florida? Is that what you are saying?

Mr. CONCANNON. I'm not sure if we do.

Mr. MEADOWS. All right. You have 30 days to address that issue and make a compelling case on why you're not paying it to them to this committee. Are you willing to accept that, to make a compelling case?

Mr. CONCANNON. I'm willing to report back to the committee within 30 days, but I'm not sure whether the matter will be resolved —

Mr. MEADOWS. Mr. Concannon, let me just tell you what concerns me is that you supposedly have the answers for all food stamp ailments, and yet what I am seeing are experts here that are on the ground that in my opinion know a lot more about what is going on in their States than you do, and now you are going to hold it up because Mr. Carroll has supposedly done a great job. You just admitted it under sworn testimony, and yet you are saying you are not going to give him a bonus for good performance?

Mr. CONCANNON. I said he's doing a good job. I didn't say he deserves a bonus —

Mr. MEADOWS. Well, let me just tell you —

Mr. CONCANNON.—so —

Mr. MEADOWS.—this will not be the last hearing then, and we will have you back. If you are going to report back in 30 days, I would appreciate that.

Mr. MEADOWS. Ms. Mayhew, let me come to you. Why do you think there is so much use of Maine's SNAP benefits across the country?

Ms. MAYHEW. Well, certainly, as I indicated in our testimony there are no Federal SNAP regulations that would restrict the mobility of that benefit. We have concerns about—around that. Now, certainly States have access to EBT card transactional data. We

have invested in effort software applications to analyze that EBT card transactional data to look at that out-of-state use.

We've established triggers when a card is used for a prolonged period of time, 2 months or more out of State, that is a red flag that certainly the individual may no longer be a resident of the State, but it may also be an indicator of other activity that's not consistent with the requirements of the program. That is an effort that we certainly believe all States need to be using, data analytics and tools, to analyze out-of-state transactions.

Mr. MEADOWS. So I show that there has been \$64 million worth of Maine benefits used in other States. Is that correct?

Ms. MAYHEW. That is correct. And certainly this is across the country and including St. John and Las Vegas and California there have been Maine EBT cards used. Now, that is both food stamps but would also include other benefits on the card, including TANF.

Mr. MEADOWS. All right. So as we look at that, Ms. Brown, from a GAO perspective, that type of tool that allows us to track those benefits and where they are being used and perhaps allow for better fraud prevention, is that a tool that you have or is that a tool that we could use, as Maine has used it, to give us a better picture of potential—and I say potential—fraud?

Ms. BROWN. Well, the issue of people using their benefits in other States has been something that's come up many times both whether there were questions of fraud but also whether there are questions that recipients are applying for and receiving benefits from multiple States. And we do have and are looking right now at some data-sharing applications that would shed some light on whether they were actually receiving benefits from multiple States. And USDA has activity in that area, too.

I don't know of anything —

Mr. MEADOWS. So could we get a report like this for every single State where we see the benefits that are being used in other States? Is that something that is easy for you to do, GAO to do?

Ms. BROWN. I'm not sure if it's easy for GAO to do it. We —

Mr. MEADOWS. How about you at USDA, Mr. Concannon? Can you get us that?

Mr. CONCANNON. We could certainly on SNAP, on food stamp benefits. As the commissioner mentioned, those benefits you're talking about in those several States include other functions that are on that same EBT card, so I'd caution against that. The majority —

Mr. MEADOWS. What do you mean —

Mr. CONCANNON.—of out-of-state benefits for Maine are actually

Mr. MEADOWS. You can't get the information?

Mr. CONCANNON. We can give you the information for SNAP, not for —

Mr. MEADOWS. For TANF?

Mr. CONCANNON.—the TANF or for child support, as the case in many States, too.

Mr. MEADOWS. All right. Mr. Carroll is wanting to weigh in. I saw the pencil go up.

Mr. CARROLL. I do. And I'm glad that Ms. Brown brought this up. We're in a collaboration right now with five southern States that

border us so that we electronically up front when somebody applies for assistance can ping our data off of their data to make sure that they're not concurrently receiving assistance in two States. That's a pilot program we've been working with our Federal partners on doing that, and it's—quite frankly, it's worked quite well.

I hear there's another 15 States going to come in on that, and we hope at some point that all 50 States are up on it so at least we can stop folks from receiving in multiple States.

The issue that we have with folks using food stamps in other States, it's like everything we deal with, it's complex. You've got to peel the onion back because in Florida when you look at the pan-handle, it's usual for somebody to cross the border and use it at—the nearest grocery store may be in Alabama if you live in Pensacola. It may be in Georgia. It may be in Louisiana. So we see some of that. But I can tell you, to have folks from 6 or 10 or 12 States visiting the Opa-locka flea market, if you've walked through the Opa-locka flea market, that is not a tourist destination. So there's something going on there.

And what we don't know is I don't think that folks physically came here from Maine to use their card or to sell their card here. I suspect it was more related to—we have ID thieves in southern Florida that we know are now applying for assistance in Missouri, that now are applying for assistance in New York. They'll probably apply for assistance in Maine because there's no way these folks are physically coming to Florida to go to the Opa-locka flea market.

Mr. MEADOWS. Yes, I have been there. I can assure you, you have got to be going there to get there so —

Mr. CARROLL. Right.

Mr. MEADOWS.—I mean, as we look at that—Mr. Carroll, let me point out one thing, and, Mr. Concannon, I want to come back to you because I mentioned bonus things and it was really just a footnote. I want to make sure, Mr. Carroll, you have not asked me to address that, and I want you to hear that, Mr. Concannon. The relationship between the two of you I think is a very good one. It is one that I want to continue to support and applaud. And so my interaction here is more of frustration out of trying to make sure that we don't create a disincentive for good performance. And when you have someone who is performing well, I want to make sure that the compensation is there.

And the other aspect, Mr. Concannon, and I will close with part of this, if you are asking the States to really look and police the recipients, would it not be prudent to allow them to police the retailers as well? And I am not asking for—you can comment on that if you would like.

Mr. CONCANNON. Yes, I can comment on it because we have given—for example, Maine, we entered into a—what we call a SLEB agreement. We have one in Florida as well where we allow them to—the police agencies to—if you suspect something is going on, I'm aware that we have an agreement currently out on the West Coast with a State that States can come forward, one, report to us that they're—here's my complaint in all of this. I am confident we're going after stores across the country. I'm a lot less confident that States, with due respect, are going after the individuals

who are using places like that Opa-locka market or whatever it's called. And we have urged States —

Mr. MEADOWS. You butchered that —

Mr. CONCANNON.—to take a store out —

Mr. MEADOWS.—but that is okay.

Mr. CONCANNON. We—okay. Well, when we take a store out, I have urged States—these people have been at meetings when I've said to them look at the redemption history in the previous 3, 6 months and you will see by—based on the amounts of redemption, the time of day, where people are from, you will identify, and yet it's a handful.

Mr. MEADOWS. Okay.

Mr. CONCANNON. I think in Maine last year, the year before, two people were taken out of the program for trafficking —

Mr. MEADOWS. Okay. Mr. Concannon —

Mr. CONCANNON.—so there's not much —

Mr. MEADOWS.—let me —

Mr. CONCANNON.—going on in this department.

Mr. MEADOWS. Let me tell you, it is harder to go after the recipient and it is very easy for you to make statements about recipients when that is not under that purview when actually the retailers are under your purview right now. And here is what I am saying—and I will come to you, Mr. Carroll, because I think you wanted to—what I am saying is maybe let's look at a pilot and give all authority for policing the retailer to the States and maybe let's do it in two or three States.

You know, part of the farm bill actually asked for you to come up with some pilots on fraud, and have you done any of those pilots?

Mr. CONCANNON. Yes, we've actually —

Mr. MEADOWS. Your mic, please. Your mic, your mic.

Mr. CONCANNON. We've made grants to these States, Maine including —

Mr. MEADOWS. No, no, no, no, no.

Mr. CONCANNON. Yes, we have.

Mr. MEADOWS. So in what form did you do a pilot because I haven't seen any results or even start of a pilot —

Mr. CONCANNON. No, they have started.

Mr. MEADOWS.—in your other sworn testimony —

Mr. CONCANNON. They have started.

Mr. MEADOWS.—so you may want to check with your staff behind it. What kind of pilots —

Mr. CONCANNON. No, we have —

Mr. MEADOWS.—have you done?

Mr. CONCANNON. We have made grants to these States —

Mr. MEADOWS. That is not what I asked. The farm bill —

Mr. CONCANNON. Okay. Some of the —

Mr. MEADOWS.—was very specific. It said for you to set up pilots to do that. I voted for the farm bill, and so I know that it's there.

Mr. CONCANNON. Terrific.

Mr. MEADOWS.—there. So have you —

Mr. CONCANNON. Great.

Mr. MEADOWS.—done any pilots?

Mr. CONCANNON. Yes, we have.

Mr. MEADOWS. In what States?

Mr. CONCANNON. There are a list of them here. We'll give you a number—Maine is one of them on case management, for example, where we've given Maine money, and there are some other examples —

Mr. MEADOWS. Mr. Carroll —

Mr. CONCANNON.—on that line.

Mr. MEADOWS. Mr. Carroll, you—let me —

Mr. CONCANNON. SLEB agreements with a number of States as well —

Mr. MEADOWS. What is that?

Mr. CONCANNON.—so yes. We'll give you the list of States and what they're doing.

Mr. MEADOWS. Mr. Carroll, is what we are talking about, does that go far enough to solve your flea market problem?

Mr. CARROLL. No. And, first of all, I want to say to Under Secretary Concannon that when we have partnered and they have gone after vendors, we'd have a very strong partnership. What I'm worried about is even using their definition of a high-risk vendor, we have over 16,000 authorized retailers in the State of Florida. Based on the definition that classifies some of those vendors as high-risk, 13,000 of our vendors are high-risk.

And if you use the statistic out of FNS in terms of what percentage of those might potentially be actively engaging in this activity, it would be about 2,300. FNS and the State of Florida gets to about 100 of these establishments, investigations per year. So based on that, it would take us 23 years to get through that population. We —

Mr. MEADOWS. All right. So your—hold on. Your sworn testimony here today is that based on the potential for fraud in Florida of 2,300 retailers with the way that we are going after those, it would take 23 years —

Mr. CARROLL. Correct.

Mr. MEADOWS.—to evaluate all of those?

Mr. CARROLL. With the current—the way we do investigations, the current staff available to those folks —

Mr. MEADOWS. That is unacceptable. I am just telling you that is unacceptable. And so I am going to go ahead and come to the gentleman from Wisconsin, Mr. Grothman, for his second round, and we'll close up.

Mr. GROTHMAN. Well, thank you. A couple things. First of all, I want to respond to something one of the other Congressmen said where he I think intentionally mischaracterized what I said or lied about what I said. With regard to my exchange with Mr. Concannon, the question is when you have so many programs, the benefits of which disappear when you marry somebody with an average income, the question is whether it affects people's decision as to whether or not to get married. And when you add up the Medicaid and the SNAP and the low-income housing and the Pell grants and the disability for kids, you can wind up with huge amounts of money.

So I think what I said was completely mischaracterized, but I will ask Mr. Concannon again because I think you gave me a wrong answer as well. There is a marriage penalty, I believe, asso-

ciated with SNAP. And you sit there and shake your head on that. But if you marry someone who moves in with you and they are making, let's say, \$40,000 a year, isn't it true that if the person who initially has some benefits that you will lose your SNAP benefits, as well as many other benefits which you are entitled to by your classification of being low income because no longer you and the father of the child are considered low income? Isn't that true, Mr. Concannon?

Mr. CONCANNON. No. What's true is this. If somebody moves in with you, whether they are married or not, their income is counted in the SNAP program —

Mr. GROTHMAN. That's exactly right —

Mr. CONCANNON.—period.

Mr. GROTHMAN.—Mr. Concannon. That's exactly right. So first of all, assuming you catch somebody has moved in, which a lot of times is not—I'd argue most times is not—but if you decide to move in with the father of your children and the father of your children is making \$40,000 a year, will you not lose the SNAP benefit?

Mr. CONCANNON. Yes.

Mr. GROTHMAN. That is what we call a marriage penalty. Very good.

Now, a question for Mr. Carroll, and Congressman Meadows dealt with this a little bit, but we are going to talk a little bit more about the National Accuracy Clearinghouse, right? And that was a very successful program, correct?

Mr. CARROLL. Well, it's a pilot —

Mr. GROTHMAN. It is a pilot but —

Mr. CARROLL. Yes.

Mr. GROTHMAN.—would you say you discovered people who were getting SNAP benefits in more than one State or trying to get SNAP benefits in more than one State?

Mr. CARROLL. Yes.

Mr. GROTHMAN. A substantial number, right?

Mr. CARROLL. I'd have to get back to you the number. I don't have that number, but there is an active number, sure.

Mr. GROTHMAN. Somebody here put down on this thing they gave me currently Florida averages 162 matches a day. Is that possible?

Mr. CARROLL. That's correct.

Mr. GROTHMAN. Okay. I guess I would call that a successful pilot program.

I will ask Mr. Concannon what you have learned from that pilot program and whether you think it would be a good idea to follow up with that pilot program all over the country.

Mr. CONCANNON. Yes, I do. I support the program and I—again, when I meet with commissioners, I tell them do data matches with other States. You can do it in batch. You don't have to do it exactly the way that was structured. The beauty of that particular pilot was it was real-time so they could identify people. But there are ways to identify people trying to enroll in other States by even doing simple match processing matches, and I highly supported that.

Mr. GROTHMAN. And will the program—you think the program will be expanded nationwide?

Mr. CONCANNON. That I don't know at this time. If States come forward and say we want to do it, we're certainly interested in it.

Mr. GROTHMAN. Okay. I will just give you one more question because you really didn't answer before or I will give it to any of you, and I always wonder about this. Like I said, I get around my district, I even talk to people here in Washington, but certainly, you know, in Wisconsin we have big cities, we have little cities. Wherever I go, people are selling their SNAP benefits at 50 cents on the dollar.

Now, that indicates to me that they must be getting food from somewhere else or that maybe they don't need the benefits. I would strongly encourage you who are not familiar with that to get out a little bit more and talk to people in the real world and, you know, deal with people in that income class and see how much SNAP benefits are being sold for in your area.

But could anybody give me a reason as to why, if we have this huge food crisis in our country, people are selling their benefits for 50 cents on the dollar? Mr. Carroll?

Mr. CARROLL. I'd like to take that question. What we find the highest profile of somebody who's likely to engage in that type activity is—we go back to that able-bodied—it's usually a single adult that doesn't have kids because we very seldom—unless it's identity fraud where it's not the person it's purported to be, we very seldom come across a mom unless there's a serious other issue like a drug addiction or something—but we very seldom come across a mom who is going to sell the lifeblood of that family for—no matter how much.

So—and this is why I want to focus on the vendor rather than the recipient because if you're a recipient and those able-bodied folks make—or get about \$111 a month or \$114 a month. If you get 50 cents on the dollar, you're talking about they get maybe \$60, but if you're a vendor in Opa-locka and you multiply that over and over, all of a sudden you get \$7 million worth of redemptions off an EBT card that you're keeping 20 percent of with no overhead.

And so I agree it's an issue. I don't think that families that are on assistance are selling their food stamps like that. I do think that some of this becomes urban legend because we don't do a good job at curtailing it so it's difficult to put a number on it. But if we don't go after the vendor side of this, we're never going to stop it.

Our focus is on the recipient side, and Under Secretary Concannon talked about how States don't go after the recipients. The difference of going after a recipient, you can go after a retail vendor and you can have preponderance of the evidence and you can use the EBT transactions to shut them down. Because we have a clear-and-convincing standard, I can bring that standard in. And most of the time when we get it, by the way, it has been under investigation for a number of years. It took 7 months to go through a disqualification. So when we get a lot of the transactions that are given to us, a lot of them are a year, 2 years old, we have to re-run more current transactions.

But with a clear-and-convincing standard, we then have to prove they had the intent to commit fraud, and short of having a witness that saw them do it or having some type of admission from the person that they in fact, misused their food stamps, it's very difficult

to overcome that hurdle, which is why we asked to have that standard reduced to the same as retail merchants where it's preponderance of the evidence because then we can do exactly what Under Secretary Concannon said and use the EBT usage data to begin taking some of these people off the rolls.

Right now, they refer to us—because of the vendors—they shut down on average about 21,000. We have 41,000 folks that we're looking at just in the Opa-locka area. That's 62,000 folks. I don't have enough folks to investigate at the level of investigation you need to disqualify 62,000 folks. I just don't. We've got to stop this at the vendor level, and we've got to reduce the standard on the recipient level.

Mr. GROTHMAN. May I have another question?

Mr. MEADOWS. Last question and then you are out of time.

Mr. GROTHMAN. You gave yourself —

Mr. MEADOWS. Yes —

Mr. GROTHMAN.—15 minutes.

Mr. MEADOWS.—it is part of being a chairman.

Mr. GROTHMAN. Wisconsin we have PIN numbers. They have PIN numbers nationwide. Is that a nationwide thing now?

Mr. CONCANNON. Yes.

Mr. GROTHMAN. Okay. And how about photo ID, photo on the card? Do you think we should be doing that, everybody have a photo on the card?

Mr. CARROLL. This is where Maine and Florida differ a little bit. We looked into putting photos on the card, and the initial up-front cost would be about \$450,000 and then \$1 per card, and with 3.3 million recipients, the cost of instituting that would be costly.

But what we don't think would—this is why I think we need to target our prevention efforts. Most of the folks that are trafficking in EBT cards, there's a willing vendor who is openly breaking the law and buying these food stamp cards illegally. They're going to continue to do that whether there's a picture on it or not. For the vendors in big-box stores like you work at a Walmart and all of a sudden somebody hands you a card. If you checked the ID and it happens to be dad but mom is on the card, then what happens in that grocery line? We don't know. So we don't think it's a bad idea but it has to be fleshed out a lot further than that before we go down that road.

We think you get a bigger bang for the buck in strengthening the data analytics portion of this looking at transaction history with vendors, and we think you get a bigger bang for the buck looking at folks coming through the front door, how they're using their EBT card and drilling down into that stuff to begin to prevent it.

I do think—and I think Secretary Mayhew alluded to this—that the fact anecdotally there's been less cards collected because I do think it would be a deterrent to folks who don't want it traded because their picture is on it. But the people that we see in Florida are intent. They could—I'm talking about a small segment that's accounting for a big chunk of this fraud. These folks are criminals. They don't care whose picture is on it. They're going to sell and they're going to traffic in that EBT card.

Mr. MEADOWS. I thank the gentleman. I thank each of you for your testimony. Let me clear up two or three little leftover items.



So, Mr. Carroll, is it my understanding that you believe that you need more authority as it relates to retailers to be able to go after those bad actors in terms of retailers and transfer some of that authority from USDA to the State to allow you to prosecute the fraud and abuse? Is that correct?

Mr. CARROLL. That is correct.

Mr. MEADOWS. All right. And so if we gave you that, you believe that we would be able to not only make a more focused approach on those that are fraudulently trying to game the system without affecting those that Ms. Dean so eloquently put, the real people who need the benefits, that you can go after those bad guys if you had that authority, is that correct?

Mr. CARROLL. Absolutely.

Mr. MEADOWS. All right. Mr. Concannon, let me come back to you. I mentioned pilots and I mentioned the 2014 farm bill. The kind of pilot that I want to see is to give the kind of authority that we just talked about with Mr. Carroll. It would be great if we took Ms. Mayhew, Mr. Carroll, and maybe somebody out West, you get North, South, and you get the West where you have three States that you give that authority, essentially give all of that authority to those States to be able to do that so that we can monitor, to have Ms. Brown, to have USDA monitor that to see if it is making a big difference. It may not.

But here is what I am saying. As someone who will advocate on behalf of a new farm bill that is, as you know, already in the works, that the Ag Committee and that committee is doing a yeoman's job to do a great job to make sure that we have a good farm bill going forward.

I want to give them the tools coming out of Oversight and from GAO and the others to say here is how we define the argument, because if not, the argument is always going to be is that there is somebody gaming the system. And what I want to do is narrow that to the ones who are gaming it and let's get them, and the ones who really need the help, that we actually look at increasing the ability to help those that are truly starving in our communities. Does that make sense to you?

Mr. CONCANNON. I'm with you totally on that.

Mr. MEADOWS. So are you willing to get back to this committee and maybe look at amore defined pilot program? And obviously, we would not be the only committee, but from an oversight standpoint, it would be ours. But the other is obviously work with the chairman of the Ag Committee to look at three pilots. I would suggest two that are here today and another one out West. I can tell that you are not buying into that, but as long as we get three States, as long as we get three States to give them that authority where we allow Ms. Brown to look at those numbers, are you willing to commit to do that today?

Mr. CONCANNON. I'm certainly willing to work with you and with the committee on it. I want to make sure that what we can do is going to be legally okay by the Office of General Counsel —

Mr. MEADOWS. Well, going after fraud is legal.

Mr. CONCANNON. No, no—but they may say to us, look, you have that responsibility. You can't turn it over completely to the State.

Mr. MEADOWS. Okay. If it needs a —

Mr. CONCANNON. Now, we may be able to give them more authority.

Mr. MEADOWS. So if it needs a legislative fix, I think you have that in the 2014 farm bill the way that it was worded, maybe not, but if you need a legislative fix, if you will get your folks to get with us, we will work in a bipartisan way to step up that kind of thing so that Mr. Carroll doesn't have to try to track down 42,000 people individually and come up with probable cause later. Does that make sense?

Mr. CONCANNON. Yes, but I think the point, though, he's making that the evidence standard is still a higher one. That hasn't solved that issue.

Mr. MEADOWS. But that is a different thing.

Mr. CONCANNON. That hasn't solved that.

Mr. MEADOWS. If you give him the ability to go after retailers, some of the evidence standards are not as problematic because the timing of that and the ability to tie the two together where it is not you coming in on one—it allows him to do that. The time gap is certainly very different. Does that make sense?

Mr. CONCANNON. It could. It could. We're doing variations on that with a Western State right now, so we'll have to see whether that works.

Mr. MEADOWS. Okay. All right. So can you in the next 120 days get me an updated report on the trafficking because it is 3 years old, the 2015 report. Can you —

Mr. CONCANNON. We —

Mr. MEADOWS. You said you were working on it already.

Mr. CONCANNON. They are working on an update of that —

Mr. MEADOWS. So what is a reasonable —

Mr. CONCANNON.—right now. I don't know what —

Mr. MEADOWS.—time? If 120 days is not reasonable, what is reasonable?

Mr. CONCANNON. End of calendar year this year because that's—it's very complicated, but end of calendar year, December.

Mr. MEADOWS. It is so complicated to figure out trafficking that it is going to take 6 months?

Mr. CONCANNON. They are currently working on it right now, but they have just advised me, the people who are working on it, that we won't have it until the end of the calendar year.

Mr. MEADOWS. So we will have the 2015 report in 2017?

Mr. CONCANNON. Two thousand twelve to fourteen is the current time period they're working on.

Mr. MEADOWS. All right. But can you include 2015 in that?

Mr. CONCANNON. I think they're already working on it so I don't think I can.

Mr. MEADOWS. So you can't include that? She is shaking her head no, you are saying yes.

Mr. CONCANNON. Well, they are the researchers so —

Mr. MEADOWS. So we will have—let me make sure I understand. We are going to have 2012 through 2014 but no information on 2015 trafficking by the end of the year, is that correct?

Mr. CONCANNON. Correct.

Mr. MEADOWS. Okay. We will follow up with you on that.

And my final issue is more of a comment, and it gets to something that you talked about earlier. You talked about a rule about addressing the retailers. There is a very big difference between going after fraud with retailers than telling them what they have to stock on a shelf. And you conflate the two, and I am here to tell you that I am going to be looking at that very closely. I want your first priority to be fraud. That is what the farm bill talked about. And what you are suggesting in your rules is something that perhaps is other than that, and I want to make sure that we are clear that I want you to focus and have your priority on fraud versus on what goes on a shelf.

Mr. CONCANNON. Well, actually, the farm bill authorized depth of stock is the term —

Mr. MEADOWS. It did —

Mr. CONCANNON. So it isn't just —

Mr. MEADOWS. But I think —

Mr. CONCANNON.—on fraud. It's to improve —

Mr. MEADOWS. But I am telling you that —

Mr. CONCANNON.—the —

Mr. MEADOWS.—priority is fraud first.

Mr. CONCANNON. Okay.

Mr. MEADOWS. The depth of stock and where you are going with it I think you will find a very—your interpretation of what I voted on is very different than what I voted on. And I will yield back.

And with that, I want to thank all of you for your time, and if there is no further business, this joint committee stands adjourned.

[Whereupon, at 5:20 p.m., the subcommittees were adjourned.]



## **APPENDIX**

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MATERIAL SUBMITTED FOR THE HEARING RECORD



Bill Ludwig  
Southwest Regional Director  
United States Department of Agriculture  
1100 Commerce St. Room 555  
Dallas, TX 75242-980

Mr. Ludwig:

The purpose of this letter is to request, on behalf of our members, that the U.S. Department of Agriculture immediately investigate reports from employees of the New Mexico Human Services Department's Income Support Division (ISD) about systemic errors in administering the Supplemental Nutrition Assistance Program (SNAP).

The American Federation of State, County and Municipal Employees (AFSCME) is the exclusive representative for 15,000 public employees throughout New Mexico. AFSCME represents the employees who work for ISD, which administers the SNAP program in the state.

ISD caseworkers in New Mexico have an increasingly difficult job keeping up with the demand for SNAP assistance in our state. Our members report that the job of a caseworker has become insurmountably difficult in the last few years because of ISD's systemic failure to provide clear and comprehensive policy directives and training to staff, problems with New Mexico's Information Technology (IT) system, and a severe lack of program accountability. Workers report that there is a statewide policy and practice of adding false asset information to casefiles not processed timely for SNAP, thereby preventing them from appearing untimely in data reported to the USDA. AFSCME members employed at ISD request that the Food and Nutrition Service investigate these problems to the greatest extent possible.

#### **Unclear Policy Directives and Inadequate Staff Training**

Instead of having one central worker manual like other states, ISD provides policies and procedures to employees through a variety of sources: the New Mexico Administrative Code (NMAC), General Information Memorandums (GIs), Manual Revision Forms (MRs), and Interim Policy and Procedures (IPPs). Caseworkers access GIs, MRs and IPPs through a central shared drive that is not indexed. ISD is constantly issuing new GIs, MRs and IPPs, making it impossible for workers to keep up with current ISD policy, and sometimes new GIs, MRs and IPPs conflict with the NMAC or old policies that were never rescinded. When major policies do change, workers are not receiving adequate or timely training. For example, when the state implemented the three-month time limit for ABAWDs on January 1, 2016, many staff were not trained until after the rule went into effect. A lack of clear directives, policies, and trainings results in caseworkers being unable to effectively provide benefits to eligible New Mexicans.

#### **IT Errors**

In the fall of 2013, ISD obtained a new computer eligibility system – ASPEN. Our members report that the implementation of this IT system has been disastrous and has resulted in thousands of eligible New Mexicans being denied food assistance. For the last two years, workers have encountered a variety of ASPEN IT problems that have prevented them from certifying benefits and which have caused improper



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American Federation of State, County and Municipal Employees, AFL-CIO

SNAP overpayments. When caseworkers encounter an ASPEN IT problem that prevents them from processing a case, they have to submit a help-desk ticket to have the issue resolved. There is no deadline for when the help desk has to respond to a help-desk ticket, and workers report waiting weeks for a response. When ISD discovers that an ASPEN problem is system-wide, workers have to do time-consuming workarounds in each individual case until ISD can get ASPEN reprogrammed. For example, households eligible for SNAP that previously had an Intentional Program Violation (IPV) have their benefits inexplicably terminated by ASPEN every month. Once a worker is aware of the problem, usually after the household's benefits have been terminated, the worker must set a timer to be reminded to manually issue benefits each month. This will continue until the ASPEN system is fixed.

#### **Improper Processing of Expedited SNAP**

Our members are primarily concerned about SNAP program accountability and ensuring that low-income New Mexicans receive the benefits they are entitled to. Several of our members who work in different ISD offices across New Mexico report that New Mexico ISD has a statewide practice of adding false information about household asset information to cases so that they do not appear eligible for expedited SNAP. Statewide, supervisors have a policy that any case that is late for processing and eligible for expedited SNAP cannot be processed by a caseworker and must be sent to a manager. Managers and supervisors have a pattern and practice of either adding asset information that should be counted as income or simply adding assets with no basis in the casefile whatsoever. Workers report that the addition of assets makes the case appear that it is not eligible for expedited processing, even though the family did not report assets on the original application or at any time thereafter. Workers report that the case notes were altered by management to avoid violating the time frames of the court order for expedited SNAP processing. An example is attached to this letter. The cases are returned to frontline workers after managers have added the new asset information to finish processing.

We have confirmed that this practice is occurring in offices in Roosevelt County, Taos County, and Doña Ana County. Unfortunately, our members who work for ISD are very fearful of retaliation for reporting this information. There are several ISD employees who have agreed to come forward and talk to the USDA about ISD's expedite SNAP processing practices and their name and contact information can be obtained through AFSCME Legal Counsel, Shane Youtz, (505) 244-1200. We look forward to USDA's response regarding these important issues.

In response to the administrative failings and reports of directives to falsify case information, we request that the USDA's Food and Nutrition Service launch an immediate and thorough investigation into ISD's SNAP application processing.



Connie Derr  
AFSCME Council 18 Executive Director

via Email to

cc: Bill Ludwig – [William.Ludwig@fns.usda.gov](mailto:William.Ludwig@fns.usda.gov)  
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United States Department of Agriculture

Office of the Secretary  
Washington, D.C. 20250

OCT 13 2016

The Honorable Mark Meadows  
Chairman  
Subcommittee on Government Operations  
Committee on Oversight and Government Reform  
U.S. House of Representatives  
2157 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Meadows:

During the Joint Subcommittee hearing of Government Operations and The Interior titled, "SNAP: Examining Efforts to Combat Fraud and Improve Program Integrity", conducted on June 9, 2016, you requested that the U.S. Department of Agriculture (USDA) explain why payment accuracy bonuses are not being distributed to Florida and to other States. This letter responds to your request. USDA shares your commitment to ensuring that States are rewarded for good performance in the program, and takes the responsibility for oversight of the Supplemental Nutrition Assistance Program (SNAP) very seriously.

Payment accuracy bonuses calculated through the quality control (QC) system are based on payment error rates by State agencies administering SNAP occurring during a year. As you may know, on June 24, 2016, USDA sent a letter to all State agencies outlining QC procedures for fiscal years (FY) 2015 and 2016. In that letter, USDA outlined the reasons for questioning the payment error rates reported by States agencies for FY 2015 and 2016, and the consequent changes to normal QC procedures that USDA must temporarily adopt. The concerns related to State agency reported error rates include findings of State non-compliance with QC procedures among almost all of the States that have been reviewed to date. The findings include cases of both intentional and unintentional non-compliance, and possibly fraud in some cases. However, regardless of the intentionality of the noncompliance with agency regulations, USDA believes that strong measures are necessary to correct the non-compliance issues.

Performance bonuses for payment error rates have been on hold since USDA identified the potential scope of the non-compliance through audits of each State's QC review process (which reveals the annual error rate). To date, all State reviews have been completed. USDA's Food and Nutrition Service (FNS) is in the process of finalizing the reports and transmitting them to the States. This was done to ensure that bonuses are paid only to States that have legitimately earned them.



The Honorable Mark Meadows  
Page 2

In addition, the Department of Justice (DOJ) requested that USDA continue to withhold payment accuracy bonuses as they conduct an investigation into possible false claims by State agencies. The request by DOJ says in relevant part:


“...we understand that FNS is auditing the QC review process of each State agency, and is deciding how to administer error rate liabilities and bonuses. We understand that due to this ongoing review by FNS, certain bonus funds for FY 2013-2015 are being held and have not been paid by FNS.

While we understand that decisions as to how to operate the program, including whether to pay performance bonuses, are the province of FNS, and that FNS takes into account many considerations in making these decisions, we write to confirm that if FNS were to pay any performance bonuses to States that FNS has determined introduced bias [noncompliance] into their quality control processes during these years, it could materially and negatively impact our ongoing investigation and our ability to return any wrongfully obtained funds to FNS for these and other years.”

USDA will continue to withhold performance bonuses until USDA has completed its thorough analysis of each State Agency’s QC system and until such time as DOJ has either completed their investigation or agreed that release of the bonuses would not harm their investigation. .

USDA remains committed to appropriate oversight of SNAP. If you have any further questions, please contact Todd Batta, Assistant Secretary for Congressional Relations, at (202) 720-7095.

Sincerely,

  
Kevin W. Concannon  
Under Secretary  
Food, Nutrition, and Consumer Services

**STATE AGENCY NOTIFICATION OF MAJOR CHANGES IN PROGRAM**

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**I. Summary of Change**

The major change described in this notification meets the criteria defined in CFR 272.15(2)(ii) and (iv) involving increased reliance on an automated system and a change in the functions currently assigned to SNAP personnel.

Anticipated Implementation Date of Change: 7/2/2018

State: FL

Region: SERO

**II. Description of Major Change in SNAP and its Expected Impact**

Please provide the required information below describing the change and/or its expected impact.

**A. Description:**

Florida would like to revise the way it assigns and routes applications for SNAP in order to identify potentially fraudulent applications involving identity theft. The Department of Children & Families (DCF) is requesting funding from the State Legislature to implement a "rules engine" on the front end of its online application system, which would score incoming applications using a set of proven fraud prone profiles so that high risk applications can be assigned to specialized investigative skilled staff. The rules engine would use data from the application, the automated customer authentication/identity verification process, as well as other available public and private sector data sources that have been verifiably determined to be highly indicative of fraud and/or identity theft to derive the risk score. Low risk applications would continue to be assigned to regular Economic Self-Sufficiency (ESS) eligibility workers. The high risk applications would be "triaged" by an investigative group of eligibility workers who will review the risk indicators, follow up with the client, and then either process the application for benefits or forward it for investigation for potential fraud. The concept is to change from a pay-and-chase model of benefit recovery to a preventive model of stopping fraud before SNAP benefits are approved.

**B. Consultation or Public Comment about Planned Change:**

Consultation has been limited to executive leadership within DCF but will expand to the Governor's Office, Legislature, and public stakeholders as the request for funding moves through the Legislative Budget Request (LBR) process.

**C. Scope of Change:**

The scope will be limited to a pilot (e.g., Central Region) but ultimately is anticipated to be implemented statewide.

**D. Implementation Schedule:**

August 2016	Prepare and submit Notification of Major Change to FNS
October 14, 2016	Submit required documentation to support the LBR process
January 2017	Obtain FNS approval for Major Change
February 2017	Governor submits recommended budget to Legislature
March 7, 2017	Legislative session begins
May 2017	Legislature passes FY 2017-18 budget
May-June 2017	Prepare procurement documents
July 3, 2017	Begin procurement process
November 2017	Complete procurement
December 2017	Execute contract and begin project
January 2018	Requirements definition
February – June 2018	Design, build, configure, and test
	Prepare organizational change management plan
July 2018	Implement pilot (?)
July – September 2018	Measure results and impacts
October 1, 2018	Statewide implementation

**E. Effect on Applicants and/or Participants:**

The change would result in faster eligibility determination for legitimate applicants for benefits and assurance that benefits will be provided to only those who are truly in need.

**F. Effect on Caseworkers:**

The role of ESS eligibility workers will be bifurcated. One group will continue to perform existing duties, and another group will be trained to review fraud indicators and determine whether benefits should be approved or if a fraud investigation is warranted. This is a

significant change for ESS workers; therefore, five months have been included in the schedule for organizational change management, including communication and training.

#### **G. Administrative Cost:**

The costs associated with the project are not yet known. The technology may be built in-house or may be provided by a vendor using a web service, on premise equipment, or the cloud. Each of these options involves a different cost model. The DCF is in the process of developing cost estimates for each of the options, but it is not available at this time. No additional staff are expected to be needed for ongoing maintenance of the solution. Ongoing technology costs are expected to be funded 50-50% with state and federal dollars.

#### **H. Monitoring:**

Baseline metrics including but not limited to the following will be documented and then closely monitored throughout the lifecycle of the project:

1. Total number of public assistance applications received
  - a. Number and % scored as low risk
  - b. Number and % scored as medium risk
  - c. Number and % scored as high risk
2. Percentage of applications for food assistance processed within time standard
3. Average number of days to process by program type
4. Percentage of applications for food assistance benefits determined accurately
5. Number and % of medium and high risk applications forwarded for investigation
6. Number and % of applications referred for investigation result in fraud prevention savings/ cost avoidance
7. Number of fraud prevention investigations completed

#### **I. Impact(s) of the Change on State Automated SNAP System(s):**

The ACCESS Management System will be modified to receive input from the fraud risk rules engine and assign incoming applications to one of two appropriate work streams.

#### **J. Backup Plans:**

If the project is found to have had significant negative impact the major ESS performance metrics or the program measures in CFR 272.15(a)(3)(ii), the processes and risk rules will be adjusted during the pilot process to achieve an acceptable “new normal” for the application triage and enhanced front-end fraud detection system. The system must be designed to not only change as business processes change and warrant it, but also to remain current with

fraud indicators which change often and rapidly. The tool would need an 'on/off' switch if determined it negatively impacts service delivery.

**K. Impact(s) of the Change on Error Rates:**

The change is expected to have a positive impact on the State's payment error or and CAPER rates because this additional tool will assist in catching sophisticated identity thieves that could be gaining benefits in error.

No change is expected in the methodology for determining the State's payment error or CAPER rates.

**L. Impact(s) of the Change on Program Access:**

The change will not be "visible" to applicants and will have no impact on applicants filing initial or recertification of benefits. There should be no change in the criteria or level of documentation that applicants will have to provide as part of the eligibility determination process.

See above response to H. Monitoring for methodology for determining impact.

**M. Impact(s) of the Change on Application Processing Timeliness and on Timeliness of Recertification Actions:**

The goal is to improve the department's capability for identifying fraud prior to disposition while maintaining national benchmark status for accurate and timely eligibility determination. In fact, the project should reduce the time to approve benefits for legitimate applicants.

See above response to H. Monitoring for methodology for determining impact.

**N. Impact(s) of the Change on Vulnerable Populations:**

Of the processes listed (obtaining SNAP information, filing an initial application, providing verification, being interviewed, reporting changes, or reapplying), only the department's internal processes for verification and interviews are expected to be affected. None of the noted vulnerable populations (households with elderly, disabled, homeless, or non-English speaking individuals and/or households living in rural areas or on an Indian reservation) are expected to be impacted by the change. In fact, the only anticipated impact is that they are served quicker as fraudulent applications are triaged to a specific set of investigative workers and not triaged to regular front line staff, freeing them up to work legitimate customer applications faster and with greater care.

Describe the methodology used to determine the projected impact(s).

Describe the procedures the State will put in place to minimize the burdens on any of the above-defined vulnerable populations.

**O. Impact(s) of the Change on Customer Service:**

The anticipated impact on customer service is expected to be improved. The time to process low risk applications is expected to decrease. The medium and high risk applications captured immediately and will be either processed quicker when risk assessment is determined by specialized staff, and/or theft will be thwarted. The availability of the risk flags will help workers hone-in on the areas in question and allow for quick resolution. Applications subject to investigation will either be cleared for approval or denied benefits as allowed per SNAP policy within the current 10 day time period.

Timeliness of application processing will be carefully monitored. See above response to H. Monitoring for methodology for determining impact.

**P. Additional Information:**

Provide any additional information of which the State wishes to make FNS aware.

---

**Signature of requesting official:**

**Print Name:** *Click here to enter text.*

**Title:** *Click here to enter text.*

**State Agency Contact**

**Name:** *Click here to enter name.*

**E-mail Address:** *Click here to enter e-mail address.*

**Telephone Number:** *Click here to enter telephone number.*