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SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Observations on Employment and Training Programs and Efforts to Address Program Integrity Issues

Statement of Kathryn Larin, Director Education,
Workforce, and Income Security Issues

GAO Highlights

Highlights of [GAO-18-504T](#), a testimony before the Subcommittees on Healthcare, Benefits, and Administrative Rules and Intergovernmental Affairs, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

SNAP is the largest federally funded nutrition assistance program. In fiscal year 2017, it provided about \$63 billion in benefits. USDA and the states jointly administer SNAP and partner to address issues that affect program integrity, including improper payments and fraud. GAO has previously reported on various aspects of SNAP, including state SNAP E&T programs, improper payment rates, recipient fraud, and retailer trafficking.

This testimony discusses GAO's prior and ongoing work on (1) SNAP E&T programs, including program participants, design, and USDA oversight, and (2) USDA's efforts to address SNAP program integrity, including improper payments, as well as recipient and retailer fraud. As part of its ongoing work on SNAP E&T programs, GAO analyzed E&T expenditures and participation data from fiscal years 2007 through 2016, the most recent data available; reviewed relevant research from USDA; and interviewed USDA and selected state and local officials. The prior work discussed in this testimony is based on four GAO products on E&T programs (GAO-03-388), improper payments (GAO-16-708T), recipient fraud (GAO-14-641), and retailer trafficking (GAO-07-53). Information on the scope and methodology of our prior work is available in each product.

What GAO Recommends

GAO is not making new recommendations. USDA generally concurred with GAO's prior recommendations.

View [GAO-18-504T](#) or key components. For more information, contact Kathryn Larin at (202) 512-7215 or larink@gao.gov.

May 2018

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

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What GAO Found

Overseen by the U.S. Department of Agriculture (USDA) and administered by states, Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) programs served about 0.5 percent of the approximately 43.5 million SNAP recipients in an average month of fiscal year 2016, according to the most recent USDA data available. These programs are generally designed to help SNAP recipients increase their ability to obtain regular employment through services such as job search and training. Some recipients may be required to participate. According to USDA, about 14 percent of SNAP recipients were subject to work requirements in an average month of fiscal year 2016, while others, such as children and the elderly, were generally exempt from these requirements. States have flexibility in how they design their E&T programs. Over the last several years, states have 1) increasingly moved away from programs that mandate participation, 2) focused on serving able-bodied adults without dependents whose benefits are generally time-limited unless they comply with work requirements, and 3) partnered with state and local organizations to deliver services. USDA has taken steps to increase support and oversight of SNAP E&T since 2014, including collecting new data on participant outcomes from states. GAO has ongoing work reviewing SNAP E&T programs, including USDA oversight.

USDA and the states partner to address issues that affect program integrity, including improper payments and fraud, and USDA has taken some steps to address challenges in these areas, but issues remain.

- **Improper Payments.** In 2016, GAO reviewed SNAP improper payment rates and found that states' adoption of program flexibilities and changes in federal SNAP policy in the previous decade, as well as improper payment rate calculation methods, likely affected these rates. Although USDA reported improper payment estimates for SNAP in previous years, USDA did not report an estimate for benefits paid in fiscal years 2015 or 2016 due to data quality issues in some states. USDA has since been working with the states to improve improper payment estimates for the fiscal year 2017 review.
- **Recipient Fraud.** In 2014, GAO made recommendations to USDA to address challenges states faced in combatting recipient fraud. For example, GAO found that USDA's guidance on the use of transaction data to uncover potential trafficking lacked specificity and recommended USDA develop additional guidance. Since then, USDA has provided technical assistance to some states, including on the use of data analytics. GAO has ongoing work reviewing states' use of data analytics to identify SNAP recipient fraud.
- **Retailer Trafficking.** In 2006, GAO identified several ways in which SNAP was vulnerable to retailer trafficking—a practice involving the exchange of benefits for cash or non-food items. For example, USDA had not conducted analyses to identify high-risk retailers and target its resources. Since then, USDA has established risk levels for retailers based on various factors. GAO has ongoing work assessing how USDA prevents, detects, and responds to retailer trafficking and reviewing the usefulness of USDA's estimates of the extent of SNAP retailer trafficking.

Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and Members of the Subcommittees:

Thank you for inviting me here today to discuss our work on the U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP)—the largest federally-funded nutrition assistance program. Jointly administered by USDA's Food and Nutrition Service (FNS) and the states, SNAP helps low-income households obtain a better diet by providing them with benefits to purchase food from authorized retailers. In fiscal year 2017, SNAP provided approximately \$63 billion in benefits to about 42 million individuals in over 20 million households.

To receive SNAP benefits, individuals must apply in their state of residence and meet the program's eligibility requirements, such as income limits. To be eligible for benefits, SNAP recipients must also generally comply with the program's work requirements, such as registering for work and participating in certain work programs if required by the state agency.¹ For example, SNAP recipients may be required by the state to participate in state-operated SNAP Employment and Training (E&T) programs. First federally required in the 1980s, SNAP E&T programs are intended to help individuals in SNAP households acquire skills, training, employment, or experience that will increase their ability to obtain regular employment.

The federal government pays the full cost of SNAP benefits and shares the costs and responsibility of administering the program and ensuring program integrity with the states. Most SNAP benefits are used for the intended purpose, according to FNS. However, improper payments—payments to individuals that were made in an incorrect amount or should not have been made at all—may result from unintentional errors by SNAP recipients or staff administering the program or may result from intentional errors or misuse of benefits, practices which are considered fraud. For example, individuals may misrepresent their household's circumstances to state agencies in order to obtain benefits. Further, some recipients sell their benefits for cash, often at a loss, to a retailer—a practice known as

¹The general SNAP work requirements apply to people ages 16 through 59, except for those who are physically or mentally unfit, have responsibility for the care of a dependent child under age 6 or an incapacitated person, are already employed 30 hours or more per week or receive weekly earnings which equal the minimum hourly rate set under federal law multiplied by 30, or are a bona fide student enrolled half-time or more in any recognized school training program, or institution of higher education, amongst other exceptions.

trafficking. FNS is responsible for authorizing and monitoring retailers from which recipients may purchase food, and states are responsible for determining applicant eligibility and investigating possible program violations by recipients. As we have reported in our prior work, both FNS and states face challenges in addressing recipient and retailer fraud.

In response to requests from the Chairman and other members of this Committee, we currently have work underway on SNAP E&T programs, as well as on SNAP recipient and retailer fraud. Today I will provide information from our ongoing and prior work, focusing on (1) SNAP E&T programs, including program participants, design, and FNS oversight, and (2) FNS's efforts to address program integrity, including improper payments and SNAP recipient and retailer fraud.

To address the areas discussed in this testimony statement, we drew on our ongoing work on SNAP E&T programs, recipient fraud, retailer trafficking, as well as our prior work on improper payments. Specifically, for our discussion of SNAP E&T programs, we analyzed data on SNAP E&T expenditures and participation collected by FNS from the states for fiscal year 2007 through fiscal year 2016, the most recent data available. In addition, we analyzed published FNS Quality Control data on SNAP recipients and work registrants for fiscal year 2008 through fiscal year 2016. To assess the reliability of the data included in this statement, we interviewed FNS and state officials knowledgeable about the data, and determined the data are sufficiently reliable for the purposes of this statement. We also reviewed relevant federal laws and regulations; reviewed guidance and research from FNS; interviewed FNS officials, as well as select state and local SNAP E&T staff from five states; and reviewed our prior work on SNAP E&T programs.² For our discussion of FNS's efforts to address improper payments and SNAP recipient and retailer fraud, we drew on our 2016 review of SNAP improper payment rates and reviewed relevant USDA reports.³ We also drew on our 2014

²In our ongoing work, we selected states based on several criteria, including varied SNAP E&T service delivery approaches and other program characteristics, as well as geographic dispersion. Our prior work on SNAP E&T is included in our 2003 report: GAO, *Food Stamp Employment and Training Program: Better Data Needed to Understand Who Is Served and What the Program Achieves*. [GAO-03-388](#). (Washington, D.C.: March 12, 2003).

³GAO, *Supplemental Nutrition Assistance Program: Policy Changes and Calculation Methods Likely Affect Improper Payment Rates, and USDA Is Taking Steps to Help Address Recipient Fraud*, [GAO-16-708T](#) (Washington, D.C.: July 6, 2016).

analysis of SNAP replacement card and transaction data, in which we conducted tests of FNS-recommended automated tools and interviewed program stakeholders, including federal and select state officials.⁴ We also obtained relevant documentation from FNS in April 2018 on steps the agency has taken to address our 2014 recommendations. We also drew on our 2006 work on retailer trafficking, in which we reviewed FNS reports on trafficking estimates; visited FNS field offices; analyzed FNS retailer data; and interviewed federal officials, among others.⁵ We also assessed FNS reports on trafficking estimates covering calendar years 2006 through 2014 (the most recent data available), reviewed FNS policies and reports, and interviewed FNS officials.⁶ More complete information on the scope and methodology of our prior work is available in each published report. Our current work on SNAP E&T programs, recipient fraud, and retailer trafficking is still ongoing.

The work upon which this statement is based was conducted 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 obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USDA's Food and Nutrition Service (FNS) is responsible for promulgating SNAP program regulations, ensuring that state officials administer the program in compliance with program rules, and authorizing and monitoring retailers from which recipients may purchase food. States are responsible for determining applicant eligibility, calculating the amount of their benefits, issuing benefits on Electronic Benefit Transfer (EBT) cards—which can be used like debit cards to purchase food from

⁴GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud*, [GAO-14-641](#). (Washington, D.C.: August 21, 2014).

⁵GAO, *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).

⁶FNS's *The Extent of Trafficking in the Supplemental Nutrition Assistance Program* reports are published approximately two to three years after the time period covered in the report. For example, the most recent report—published in 2017—analyzes data from 2012 to 2014.

authorized retailers—and investigating possible program violations by recipients.

SNAP Work Requirements

SNAP recipients are subject to various work requirements. Generally, all SNAP recipients ages 16 through 59, unless exempted by law or regulation, must comply with work requirements, including registering for work, reporting to an employer if referred by a state agency, accepting a bona fide offer of a suitable job, not voluntarily quitting a job or reducing work hours below 30 hours a week, and participating in a SNAP E&T program or a workfare program—in which recipients perform work on behalf of the state—if assigned by the state agency.⁷ SNAP recipients are generally exempt from complying with these work requirements if they are physically or mentally unfit, responsible for caring for a dependent child under age 6 or an incapacitated person, employed for 30 or more hours per week or receive weekly earnings which equal the minimum hourly rate set under federal law multiplied by 30, or are a bona fide student enrolled half-time or more in any recognized school training program, or institution of higher education, amongst other exemptions. SNAP recipients subject to the work requirements—known as work registrants—may lose their eligibility for benefits if they fail to comply with these requirements without good cause.⁸

One segment of the work registrant population, SNAP recipients ages 18 through 49 who are “able-bodied,” not responsible for a dependent child, and do not meet other exemptions—able-bodied adults without dependents (ABAWDs)—are generally subject to additional work requirements. In addition to meeting the general work requirements, ABAWDs must work or participate in a work program 20 hours or more per week, or participate in workfare, in which ABAWDs perform work to earn the value of their SNAP benefits. Participation in SNAP E&T, which is a type of work program, is one way for ABAWDs to meet the 20 hour per week ABAWD work requirement, but other work programs are acceptable as well. Unless ABAWDs meet these work requirements or

⁷Regarding work registration, SNAP recipients subject to work requirements are required to register for work or be registered by the state agency at the time of application and every 12 months after initial registration.

⁸Examples of good cause can include illness, household emergency, lack of transportation, and other circumstances. States must determine if a recipient has good cause for not complying with work requirements before disqualifying the recipient from benefits.

are determined to be exempt, they are limited to 3 months of SNAP benefits in a 36-month period.⁹

At the request of states, FNS may waive the ABAWD time limit for ABAWDs located in certain areas of a state or an entire state under certain circumstances. A waiver may be granted if the area has an unemployment rate of over 10 percent or there are an insufficient number of jobs to provide employment for these individuals. If the time limit is waived, ABAWDs are not required to meet the ABAWD work requirement in order to receive SNAP for more than 3 months in a 36-month period yet they must still comply with the general work requirements.

SNAP Employment and Training Programs

Federal requirements for state SNAP E&T programs were first enacted in 1985 and provide state SNAP agencies with flexibility in how they design their SNAP E&T programs, including who to serve and what services to offer. The state has the option to offer SNAP E&T services on a voluntary basis to some or all SNAP recipients, an approach commonly referred to as a voluntary program. Alternatively, the state can require some or all SNAP work registrants to participate in the SNAP E&T program as a condition of eligibility, an approach commonly referred to as a mandatory program. Further, states determine which service components to provide participants through their SNAP E&T programs, although they must provide at least one from a federally determined list. This list includes job search programs, job search training programs, workfare, programs designed to improve employability through work experience or training, education programs to improve basic skills and employability, job retention services, and programs to improve self-sufficiency through self-employment. Total federal expenditures on SNAP E&T programs were more than \$337 million in fiscal year 2016. States are eligible to receive three types of federal funding available for state SNAP E&T programs: 100 percent funds—formula grants for program administration,¹⁰ 50

⁹According to FNS, reasons for ABAWD exemptions may include medically certified as physically or mentally unfit for employment, responsible for a child under 18, employed for 30 or more hours per week, or pregnant. Further, state agencies have discretion to exempt, on a month-to-month basis, 15 percent of the ABAWDs who would otherwise be subject to the time limit.

¹⁰Federal 100 percent funds are set at \$90 million by statute. Federal 100 percent funds are allocated to states based on a formula, in which 90 percent of the state's allocation is based on the number of work registrants in a state and 10 percent of the allocation is based on the number of ABAWDs in a state.

percent federal reimbursement funds, and ABAWD pledge funds—grants to states that pledge to serve all of their at-risk ABAWDs.¹¹

SNAP Program Integrity

The Office of Management and Budget has designated SNAP as a high-priority program due to the estimated dollar amount in improper payments—any payments that should not have been made or were made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. According to USDA’s fiscal year 2015 agency financial report, \$2.6 billion, or 3.66 percent, of all SNAP benefits paid in fiscal year 2014 were improper, the most recent year for which data are available. SNAP improper payments are caused by variances in any of the key factors involved in determining SNAP eligibility and benefit amounts, and, according to USDA, household income was the most common primary cause of dollar errors.¹² States review the accuracy of SNAP payments to recipients on an ongoing basis, and FNS assesses the accuracy of state reviews and determines a national improper payment rate annually.

FNS and states share responsibility for addressing SNAP fraud, which can occur through the eligibility process and when benefits are being used. Specifically, recipients may commit eligibility fraud when they misrepresent their household size, income, or expenses in order to fraudulently obtain SNAP benefits. Another type of fraud—trafficking—occurs when recipients exchange benefits with authorized retailers or other individuals for cash or non-food items (e.g. rent or transportation). In

¹¹ABAWD pledge funds are set at not more than \$20 million by statute. States receiving ABAWD pledge funds from the federal government must make and comply with a commitment, or pledge, to use these funds to offer at-risk ABAWDs a position in an education, training or workforce component that fulfills the ABAWD work requirement. At-risk ABAWDs are those in the last month of the three month time limit of SNAP eligibility and who meet other criteria. The ABAWD grants are allocated based on the number of ABAWDs in the states participating in the pledge. States may also use the other SNAP E&T funding streams to serve ABAWDs.

¹²FNS developed its quality control process for SNAP in 1977 to track and measure errors in both eligibility and benefit determinations for the program. According to FNS officials, each month, a state’s SNAP quality control staff selects for review a representative sample of households that received SNAP benefits. The statewide sample is designed to produce a valid statewide improper payment rate, which is the sum of the overpayments and underpayments divided by the value of all payments. A variance occurs when a quality control reviewer finds the incorrect application of policy, the basis of issuance is incorrect, or there is a difference between the information that was used and the information that should have been used to determine a household’s monthly SNAP benefit amount.

a typical retailer trafficking situation, for example, a retailer may charge \$100 to a recipient's EBT card and give the recipient \$50 in cash instead of \$100 in food. The federal government reimburses the retailer \$100, which results in a fraudulent \$50 profit to the retailer.

State agencies are directly responsible for preventing, detecting, investigating, and prosecuting recipient fraud, including eligibility fraud and trafficking by SNAP recipients, under the oversight and guidance of FNS. States play a key role in preventing fraud when determining eligibility for SNAP. State agencies collect applicant information, such as household income and employment, and verify it through data matches with other information sources. After benefits are issued, the agencies may monitor EBT transaction data to identify spending patterns that may indicate trafficking. If an individual or household intentionally violates SNAP rules, such as by trafficking or making false or misleading statements in order to obtain benefits, states conduct administrative disqualification hearings or, in some cases, refer the case for criminal prosecution.

FNS is responsible for authorizing and overseeing retailers who participate in the program—totaling more than 263,000 in fiscal year 2017—including investigating potential retailer trafficking. In order to participate in SNAP, a retailer applies to FNS and demonstrates that they meet program requirements, such as those on the amount and types of food that authorized stores must carry. FNS verifies a retailer's compliance with these requirements and generally authorizes retailers for 5 years. FNS then monitors retailers' continued compliance with program requirements and administratively disqualifies, or assesses money penalties on, those who are found to have trafficked benefits. To this end, FNS officials collect and monitor EBT transaction data to detect irregular patterns of transactions that may indicate trafficking and also conduct undercover investigations. If found to be trafficking, retailers are generally permanently disqualified from SNAP or incur a monetary penalty in lieu of permanent disqualification.¹³

¹³The retailer may appeal FNS's decision, first within FNS and later to the appropriate federal district court. The USDA Office of Inspector General, U.S. Secret Service, and the Federal Bureau of Investigation also conduct investigations of SNAP retailers, which may lead to criminal prosecutions.

A Small Percentage of SNAP Recipients Participate in SNAP E&T Programs, Which Have Experienced Changes in Characteristics and FNS Oversight

A Small Percentage of SNAP Recipients Participate in SNAP E&T

According to FNS data, about 14 percent of SNAP recipients, or about 6.1 million, were work registrants who were subject to work requirements,¹⁴ and about 0.5 percent of SNAP recipients, or about 200,000, participated in state SNAP E&T programs, in an average month of fiscal year 2016.¹⁵ (See fig. 1.) According to FNS, most SNAP recipients are exempt from work requirements. For example, according to FNS, almost two-thirds of SNAP recipients were children, elderly, or adults with a disability in an average month of fiscal year 2016—groups that are generally exempt. Further, adults who are already working at least 30 hours a week are also exempt from SNAP work requirements, and according to FNS data, more than 31 percent of non-elderly adult SNAP recipients were employed in an average month of fiscal year 2016.¹⁶ SNAP work registrants who are not participating in SNAP E&T programs may be participating in other

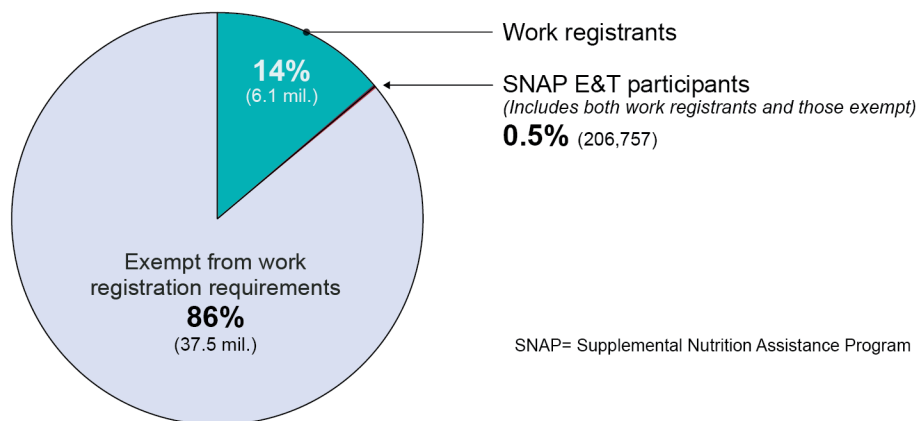
¹⁴Estimates for SNAP recipients overall and work registrants are FNS estimates derived from a monthly sample of SNAP households. We have not yet assessed the statistical precision of these estimates or whether changes over time and among subgroups of recipients are statistically significant. We plan to further assess these estimates as part of our ongoing work.

¹⁵The average monthly SNAP recipients and work registrants in the fiscal year 2016 SNAP Quality Control data are derived from an independent monthly sample of participating SNAP households selected from October 2015 through September 2016. To calculate the average monthly number of SNAP recipients participating in SNAP E&T programs, we calculated the total number of recipients participating in SNAP E&T components across all months in fiscal year 2016 and divided by 12.

¹⁶This includes employed adults with a disability.

activities to meet work requirements or eligible for other exemptions.¹⁷ FNS officials told us that the state data reported to FNS on SNAP E&T participants are the best and most recent data available on this group, yet they also have limitations, which we will continue to explore in our ongoing work.¹⁸

Figure 1: Average Monthly State SNAP Employment and Training (E&T) Program Participants as a Percentage of Average Monthly SNAP Recipients, Fiscal Year 2016



Source: GAO analysis of Food and Nutrition Service SNAP Quality Control and form 583 data. | GAO-18-504T

Note: Data include the 50 states, District of Columbia, Guam, and the Virgin Islands. According to FNS officials, available data on SNAP E&T participants have certain limitations, given that the data are state-reported and not subject to multiple verification processes. According to FNS officials, some SNAP recipients who are exempt from work registration requirements may participate in SNAP E&T programs, yet there are no data available which would allow us to calculate how many such recipients do so. Estimates for SNAP recipients overall and work registrants are FNS estimates derived from a monthly sample of SNAP households. We have not yet assessed the statistical precision of these estimates or whether changes over time and among subgroups of recipients are statistically significant. We plan to further assess these estimates as part of our ongoing work.

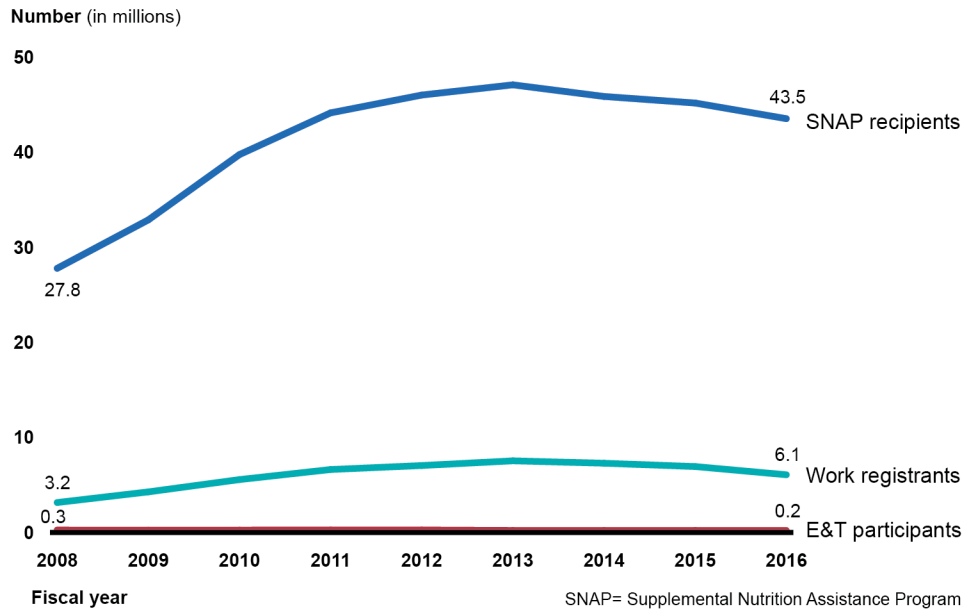
¹⁷There are other federal exemptions from SNAP work requirements, such as having responsibility for caring for a dependent child under six or an incapacitated person, or complying with work requirements for certain other programs, such as Temporary Assistance for Needy Families.

¹⁸According to FNS, state data on SNAP E&T participants have various limitations, in part because the data are state-reported and not subject to multiple verification processes. FNS officials noted that some of the common reporting errors made by states result in inconsistencies between quarterly and annual reports, incorrect reporting of ABAWDs, duplicate counts of SNAP E&T participants, and undercounts or duplicate counts of work registrants, among others. We are continuing to examine these data limitations as part of our ongoing work.

In recent years, the number and percentage of SNAP recipients and work registrants participating in SNAP E&T programs appears to have decreased, according to FNS data. From fiscal year 2008 through fiscal year 2016, the average monthly number of SNAP E&T participants decreased from about 256,000 to about 207,000, or by 19 percent, according to state data on SNAP E&T participants reported to FNS. (See fig. 2.) However, over the same time period, the average monthly number of SNAP recipients appears to have increased from about 27.8 million to about 43.5 million, and work registrants appears to have increased from about 3 million to about 6.1 million, according to FNS data. As a result, the percentage of total SNAP recipients participating in SNAP E&T programs decreased from about 0.9 to about 0.5 percent, and the percentage of SNAP work registrants participating in these programs decreased from approximately 8.1 percent to 3.4 percent, from fiscal year 2008 through fiscal year 2016.¹⁹

¹⁹According to FNS officials, some SNAP recipients who are exempt from work registration requirements may participate in SNAP E&T programs, yet there are no data available which would allow us to calculate how many such recipients do so. As a result, these percentages may overstate the percentage of work registrants participating in SNAP E&T programs.

Figure 2: Average Monthly Federal SNAP Employment and Training (E&T) Participants Compared with Average Monthly Work Registrants and SNAP Recipients, Fiscal Years 2008 to 2016



Source: GAO analysis of Food and Nutrition Service SNAP Quality Control and form 583 data. | GAO-18-504T

Note: Data include the 50 states, District of Columbia, Guam, and the Virgin Islands. According to FNS officials, available data on SNAP E&T participants have certain limitations, given that the data are state-reported and not subject to multiple verification processes. According to FNS officials, some SNAP recipients who are exempt from work registration requirements may participate in SNAP E&T programs, yet there are no data available which would allow us to calculate how many such recipients do so. As a result, these percentages may overstate the percentage of work registrants participating in SNAP E&T programs. Estimates for SNAP recipients overall and work registrants are FNS estimates derived from a monthly sample of SNAP households. We have not yet assessed the statistical precision of these estimates or whether changes over time and among subgroups of recipients are statistically significant. We plan to further assess these estimates as part of our ongoing work.

Available information suggests the characteristics of SNAP E&T participants are generally similar to those of SNAP work registrants who do not participate in these programs. A recent FNS study, which surveyed SNAP E&T participants and SNAP work registrants who had not participated in SNAP E&T, found that members of the two groups had similar demographic characteristics, including age and gender, and received similar monthly SNAP benefit amounts.²⁰ Further, at the time

²⁰Rowe, Gretchen, Elizabeth Brown, and Brian Estes. *SNAP Employment and Training (E&T) Characteristics Study: Final Report*. Prepared by Mathematica Policy Research for the U.S. Department of Agriculture, Food and Nutrition Service, Oct. 2017.

they were surveyed, about one third of each group were employed, and their average wage rates were similar, at about \$10 per hour.²¹

State SNAP E&T Programs Have Changed in Several Ways

State SNAP agencies have broad flexibility in how they design their SNAP E&T programs, and the characteristics of these programs have changed in several ways over the last decade. For example, states have increasingly moved from mandatory to voluntary programs, focused on serving ABAWDs, and partnered with state and local organizations to deliver services.

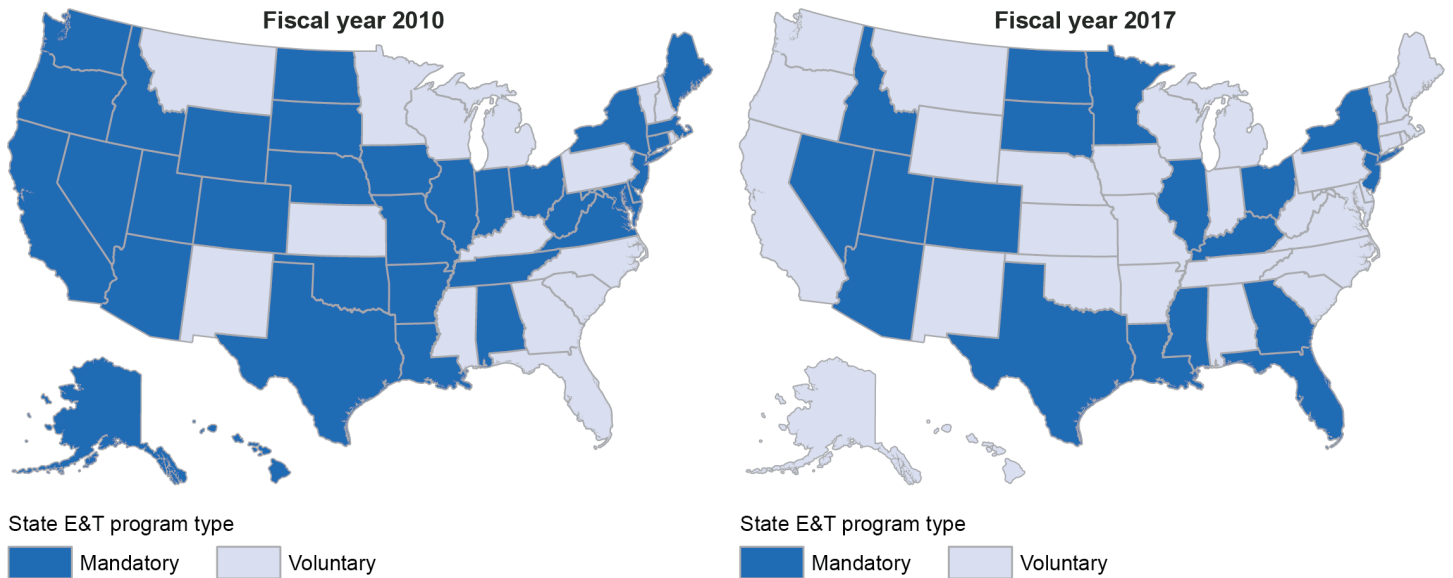
States Have Increasingly Moved from Mandatory to Voluntary Programs

According to FNS data, states have increasingly moved from mandatory to voluntary SNAP E&T programs in recent years.²² In fiscal year 2010, 17 states operated voluntary programs; however, by fiscal year 2017, 35 states operated voluntary programs, according to FNS data. (See fig. 3.) FNS officials told us that they have been actively encouraging states to provide more robust employment and training services, such as vocational training or work experience, through voluntary programs. They said that they believe these types of robust services are more effective in moving participants toward self-sufficiency, but that funding may not be sufficient to provide these to the large numbers of participants served in mandatory programs. In addition, FNS officials told us that voluntary programs are less administratively burdensome than mandatory programs, as they allow states to focus on serving motivated participants rather than sanctioning non-compliant individuals.

²¹The survey was conducted several months after respondents were identified as work registrants or SNAP E&T participants. Their circumstances could have changed during this period, including completing an SNAP E&T program and finding full-time employment. Although working more than 30 hours a week is an exemption from SNAP work requirements, study authors state that a number of the respondents might have been designated as work registrants many months prior to the survey. In addition, SNAP E&T participants included those who had participated in the program within the previous 24 months and might have become employed after completion of the SNAP E&T program.

²²FNS categorizes state SNAP E&T programs as either mandatory or voluntary. Some states operate mandatory SNAP E&T programs in certain localities rather than statewide. These states are denoted as having mandatory programs.

Figure 3: SNAP Employment and Training (E&T) Program Type, Fiscal Years 2010 and 2017



Source: GAO analysis of Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) E&T program data. | GAO-18-504T

Note: Some states operate mandatory SNAP E&T programs in certain localities rather than statewide. These states are denoted as having mandatory programs in the figure. Guam and the Virgin Islands are not included in the figure. In fiscal year 2010, Guam operated a voluntary program. In fiscal year 2017, Guam, the District of Columbia, and the Virgin Islands operated voluntary programs.

According to FNS officials, when states move to a voluntary program, they generally experience a decline in SNAP E&T participation—a trend consistent with our analysis of FNS data—which may have contributed to the decline in overall SNAP E&T participation. Of the 22 states or territories that changed from a mandatory to a voluntary program from fiscal year 2010 through fiscal year 2016, according to FNS data, 13 experienced a decrease in SNAP E&T participation—ranging from a 21 percent decrease to a 93 percent decrease.²³ Overall, voluntary programs are generally smaller than mandatory programs, according to our analysis

²³Over the same period, 9 of the 13 states or territories that changed from a mandatory to a voluntary program and experienced a decrease in SNAP E&T participation experienced an increase in their total number of SNAP work registrants. In the 9 additional states or territories that changed from a mandatory to a voluntary programs and experienced an increase in SNAP E&T participation, this increase ranged from 3 percent to 954 percent. In the latter case, participation in one state increased from 13 participants in fiscal year 2010 to 137 in fiscal year 2011.

Focus on ABAWDs Has
Increased as Waivers Have
Expired

of FNS data.²⁴ In fiscal year 2016, for example, the 32 states or territories operating voluntary programs together served less than half of the total number of SNAP E&T participants served by the 21 states or territories operating mandatory programs, although these two groups of states had similar numbers of new work registrants.²⁵ Furthermore, states operating voluntary programs served an average of nearly 7,000 SNAP E&T participants per state, while states operating mandatory programs served an average of 23,000 SNAP E&T participants per state.

Evidence suggests that states have increased their focus on serving ABAWDs—a sub-population of SNAP recipients subject to benefit time limits and additional work requirements—through SNAP E&T, as related waivers have expired in recent years, according to FNS data. During and after the 2007-2009 recession, the majority of states operated under statewide waivers of the ABAWD time limit due to economic conditions. However, as the economy recovered, most statewide waivers expired, and the ABAWD time limit was reinstated. For example, according to FNS data, in fiscal year 2011, 45 states or territories had a statewide waiver and 7 states had a partial waiver—one applying to certain localities. By fiscal year 2017, the number of states or territories with a statewide waiver had decreased to 9, while 27 states had partial waivers.²⁶ FNS officials and state SNAP agency officials we spoke with in some states

²⁴Program size may be affected by multiple factors. Although SNAP recipients choose whether or not to participate in voluntary programs, in mandatory programs, some work registrants may fail to participate while others may be exempted from participation. For example, state SNAP agencies may elect to exempt from participation in mandatory E&T programs categories and individuals for whom participation is judged impractical or not cost effective. According to agency guidance, exemptions may be based on categories of individuals, such as those who live in certain areas; characteristics of individuals, such as those with low literacy; or significant access barriers, such as a lack of transportation, dependent care, or computer access.

²⁵In fiscal year 2016, the 32 states operating voluntary programs had a combined 2.9 million new work registrants and the 21 states operating mandatory programs had a combined 3.2 million new work registrants.

²⁶The 9 states or territories with statewide waivers in fiscal year 2017 were Alaska, California, District of Columbia, Guam, Illinois, Louisiana, Nevada, New Mexico, and the Virgin Islands.

told us that, as the waivers have ended, state SNAP E&T programs have become increasingly focused on serving ABAWDs.²⁷

Although state data on SNAP E&T programs reported to FNS suggest a greater percentage of ABAWDs have been participating in these programs in recent years, according to FNS officials, these data have limited usefulness in assessing state trends in serving ABAWDs for several reasons. For example, in recent years, FNS officials learned that there was widespread confusion among states regarding the need to track ABAWDs when waivers were in place, and that as a result, some states had not been tracking ABAWDs or properly documenting SNAP recipients' ABAWD status.²⁸ This is consistent with what some of the selected states we spoke with reported. As part of our ongoing work, we are continuing to explore the availability and reliability of data on ABAWDs.

States Increasingly Developed Partnerships to Deliver SNAP E&T Services

State SNAP agencies have increasingly partnered with other state and local organizations, such as workforce agencies, community-based social service providers, and community colleges, to provide services to SNAP E&T participants in recent years, according to FNS and states we selected for our review. In fiscal year 2018, nearly all states partnered with at least one other organization to deliver SNAP E&T services, with the majority partnering with more than one, according to an analysis by FNS.²⁹

In recent years, FNS has urged states to make use of the broad network of American Job Centers. The American Job Centers, also known as one-

²⁷According to FNS data, as waivers have expired in recent years, some states have also made use of additional exemptions to extend SNAP eligibility beyond 3 months for ABAWDs subject to the time limit for up to 15 percent of a state's ABAWDs subject to the time limits. Specifically, in fiscal year 2016, 33 states and territories made use of the 15 percent exemptions.

²⁸FNS officials told us that states should have continued to track ABAWDs even if the state was under a statewide ABAWD waiver. Furthermore, in a memorandum to regional directors, FNS noted the importance of accurately tracking ABAWDs following the expiration of the waivers and reinstatement of the time limit, writing that states that failed to do so risked potential overpayments and Quality Control errors. Specifically, an ABAWD who fails to comply with the SNAP work requirement within the time period is no longer eligible for SNAP; if the non-compliant ABAWD is not properly identified, this could lead to an overpayment.

²⁹Kansas, New Hampshire, and New Mexico administer SNAP E&T programs that are solely operated by their state SNAP agencies.

stop centers, are funded through the Department of Labor's Employment and Training Administration and designed to provide a range of employment-related services, such as training referrals, career counseling, job listings, and similar employment-related services, to job seekers under one roof.³⁰ Our prior work has highlighted the value of coordination between federally funded employment and training programs to ensure the efficient and effective use of resources.³¹ Despite encouraging such partnerships, FNS officials said that American Job Centers typically provide lighter touch services to SNAP E&T participants, such as job search and job search training, and they therefore may not be well suited for SNAP E&T participants who have multiple barriers to employment. In our 2003 work on SNAP E&T, we found that while workforce system programs offered some of the activities needed by SNAP E&T participants, officials from 12 of the 15 states we contacted said that most participants were not ready for these activities, in part, because they lacked basic skills, such as reading and computer literacy, that would allow them to successfully participate.³²

An alternative service delivery strategy that FNS has promoted is the development of third party partnerships with community-based social service providers, community colleges, and other entities to help states enhance their SNAP E&T programs. According to FNS, in this model, third party organizations use non-federal funding to provide allowable SNAP E&T services and supports, which are then eligible for 50 percent

³⁰The American Job Centers were established under the Workforce Investment Act of 1998 and reauthorized in the Workforce Innovation and Opportunity Act. The Workforce Innovation and Opportunity Act aims, in part, to increase coordination among federal workforce development programs.

³¹GAO, *Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies*, [GAO-11-92](#) (Washington, D.C.: January 13, 2011).

³²Officials from 5 of those states said that mental health problems often prevented SNAP E&T participants from participating in more intensive employment and training programs at one-stops. [GAO-03-388](#). A 2017 FNS study that surveyed SNAP E&T participants about their barriers to obtaining or retaining employment found that while 20 percent of respondents reported no barriers, 28 percent reported one barrier, and 52 percent reported two or more barriers. The most frequently reported barriers were transportation issues, physical or mental health issues, lack of education, and having a criminal record. Rowe, Gretchen, Elizabeth Brown, and Brian Estes. *SNAP Employment and Training (E&T) Characteristics Study: Final Report*. Prepared by Mathematica Policy Research for the U.S. Department of Agriculture, Food and Nutrition Service, October 2017.

federal reimbursement funds through the state's SNAP E&T program.³³ According to FNS officials, third party partnerships enable states to leverage additional resources, grow their SNAP E&T programs, and reach more SNAP participants. In addition, FNS officials said that these partnerships allow states to improve their program outcomes by tapping into providers currently serving communities that include SNAP recipients. Federal 50 percent reimbursement funds expended increased from nearly \$182 million to more than \$223 million, or by 23 percent, from fiscal year 2007 to fiscal year 2016.³⁴

FNS Has Taken Steps to Increase Support and Oversight of SNAP E&T

FNS has taken steps to increase federal support of states' SNAP E&T programs by increasing the number of federal staff responsible for SNAP E&T and providing additional technical assistance to states. Specifically, FNS officials said that in 2014, they created the Office of Employment and Training to provide support and oversight for the SNAP E&T program and expanded SNAP E&T staff in FNS headquarters from one to five fulltime employees. FNS has also taken steps to increase technical assistance to states. For example, they have developed tools, including the SNAP E&T Operations Handbook, intended to help states implement and grow their program, and by adding a dedicated SNAP E&T official in each of FNS's seven regional offices. According to FNS, regional officials have targeted technical assistance to states on, for example, developing third-party partnerships, and they have emphasized evidence-based approaches to administering the program, such as providing skills-based training for in-demand occupations.

FNS officials rely on various information sources to oversee states' SNAP E&T programs, including participant outcome data reported by states for the first time in January 2018. For example, FNS officials conduct management evaluation reviews of states, annually review states' SNAP E&T plans for compliance, and collect data from states on program

³³These funding sources can include state training funds for specific populations, county and city funds, foundation or corporate funds, and social enterprise funds, according to FNS.

³⁴States receive 50 percent reimbursement funds from the federal government for (1) administrative costs beyond the amount funded through 100 percent funds (described below), and (2) payments made by the states to participants for expenses reasonably related to participation in the program, like transportation and dependent care. According to FNS, states are required to reimburse participants for expenses that are necessary for participation in SNAP E&T.

participation and expenditures. In addition, as of January 2018, FNS has begun receiving new data on SNAP E&T program participants and outcomes from states.³⁵ These data include employment outcomes, such as the number of SNAP E&T participants in unsubsidized employment after participation in the program, and participant characteristics, such as the number of participants entering the program with a high school degree or equivalent. FNS officials said that although states generally submitted the new data on time, states experienced challenges that likely affected the accuracy of the data. For example, some states needed to manually collect data on participant characteristics due to the limited capacity of their data systems. Further, according to FNS officials, some states did not correctly interpret certain reporting definitions or time periods. To address these challenges, FNS officials have been providing technical assistance to states to help them refine their participant and outcome data reports. Officials told us that they expect the states to submit revised reports by May 2018; we will examine these data and related issues in our ongoing work.

³⁵The Agriculture Act of 2014 required that USDA, in consultation with the Department of Labor, develop reporting measures and that USDA require states to report outcome data to USDA on an annual basis. That Act also specified that the measures be based on common measures of performance for federal workforce training programs. Pub. L. No. 113-79, § 4022(a)(2), 128 Stat. 649, 805. FNS issued an interim rule implementing the reporting measures in March 2016. 81 Fed. Reg. 15,613 (Mar. 24, 2016).

FNS Has Taken Steps to Address SNAP Program Integrity Issues, but Concerns Remain

FNS and the states partner to address issues that affect program integrity, including improper payments and fraud, and FNS has taken some steps to address challenges in these areas, but concerns remain. For example, regarding SNAP recipient and retailer fraud, FNS has taken some steps to address challenges identified in our 2006 and 2014 reports related to fraud committed by SNAP recipients and authorized retailers, but more remains to be done. We currently have ongoing work to assess the steps FNS and states have taken to address our recommendations related to recipient and retailer fraud and other program vulnerabilities.

SNAP Improper Payments

In 2016, we reviewed SNAP improper payment rates and found that states' adoption of program flexibilities and changes in federal SNAP policy in the previous decade, as well as improper payment rate calculation methods, likely affected these rates.³⁶ For example, when states adopted available SNAP policy flexibilities that simplified or lessened participant reporting requirements, these changes reduced the opportunity for error and led to a decline in the improper payment rate, according to a USDA study. In addition, we found that the methodology SNAP used to calculate its improper payment rate was generally similar to the methodologies used for other large federal programs for low-income individuals, including Medicaid, Earned Income Tax Credit, and Supplemental Security Income. However, we also found that some of the procedural and methodological differences in the rate calculation among these programs likely affected the resulting improper payment rates, such as how cases with insufficient information or certain kinds of errors were factored into the improper payment rate.³⁷

In 2014, USDA identified SNAP improper payment data quality issues in some states and has since been working with the states to improve improper payment estimates. Although USDA reported national SNAP improper payment estimates for benefits paid through fiscal year 2014, USDA did not report a national SNAP improper payment estimate for

³⁶[GAO-16-708T](#).

³⁷For example, SNAP excludes certain errors from its improper payment calculation. Specifically, SNAP excludes errors below a specific dollar threshold from its improper payment rate calculation, and FNS's data on payment errors suggests that the threshold has a direct effect on the SNAP improper payment rate. According to federal officials, the other federal programs for low-income individuals we reviewed did not exclude errors below a specific dollar threshold.

benefits paid in fiscal years 2015 or 2016.³⁸ In response to a report from USDA's Office of Inspector General that identified concerns in the application of SNAP's quality control process, which is used to identify improper payments, USDA began a review of state quality control systems in all states in 2014.³⁹ According to USDA, due to the data quality issues uncovered in 42 of 53 states during the reviews, the improper payment rates for those states could not be validated, and the department was unable to calculate a national improper payment rate for benefits paid in fiscal year 2015.⁴⁰ To address the data quality concerns, USDA updated guidance, provided training to relevant state and federal staff, and worked with states to update their procedures to ensure consistency with federal guidelines. According to USDA, the department also required individual states to develop corrective action plans to address issues identified and monitored progress to ensure states took identified actions. On June 30, 2017, USDA notified the states that the department would not release a national SNAP improper payment rate for benefits paid in fiscal year 2016 and remained focused on conducting the fiscal year 2017 review.

SNAP Recipient Fraud

FNS has increased its oversight of state anti-fraud activities in recent years by developing new guidance and providing training and technical assistance to states on detecting fraud by SNAP recipients and reporting

³⁸USDA reports its estimate of SNAP benefits improperly paid in a specific fiscal year in the following year's agency financial report. As such, USDA did not report SNAP improper payment estimates in its fiscal year 2016 and 2017 agency financial reports.

³⁹The OIG found that states weakened the quality control process by using third-party consultants and error review committees to mitigate individual quality control-identified errors, rather than improve eligibility determinations; and that quality control staff also treated error cases non-uniformly. The OIG concluded that FNS' quality control process may have understated SNAP's improper payment rate. USDA, Office of Inspector General, *FNS Quality Control Process for SNAP Error Rate*, September, 2015.

⁴⁰USDA reviewed the quality control systems in the 50 states, District of Columbia, Guam, and the Virgin Islands. USDA released state error rates for the 11 states whose quality control data could be validated.

on anti-fraud activities to FNS.⁴¹ In 2014, we reported on 11 selected states' efforts to combat SNAP recipient fraud and made several recommendations to FNS to address the challenges states faced.⁴² We found that FNS and states faced challenges in the following areas:

- **Guidance on use of data tools to detect fraud:** States faced challenges using FNS-recommended data tools to detect fraud, and FNS is in the process of developing improved guidance to address this concern. Specifically, FNS's guidance on the use of EBT transaction data to uncover potential patterns of benefit trafficking lacked the specificity states needed to uncover such activity, and we recommended FNS develop additional guidance. Since then, FNS contracted with a private consulting firm to provide 10 states with technical assistance in recipient fraud prevention and detection, which included exploring the use of data analytics to analyze and interpret eligibility and transaction data to identify patterns or trends and create models that incorporate predictive analytics. FNS officials also recently told us that the agency is developing a SNAP Fraud Framework to provide guidance to states on improving fraud prevention and detection. FNS officials anticipated releasing the framework in mid- 2018.
- **Tools for monitoring e-commerce websites:** We also found FNS-recommended tools for automatically monitoring potential SNAP trafficking on e-commerce websites to be of limited use and less effective than manual searches, and FNS has developed but not finalized guidance on using such tools. We recommended that FNS reassess the effectiveness of its current guidance and tools for states to monitor e-commerce and social media websites. In August 2017,

⁴¹Little is known about the extent of recipient fraud in the SNAP program nationwide beyond data from investigations. According to a September 2012 USDA OIG report, the magnitude of program abuse due to recipient fraud is unknown because states do not have uniform ways of compiling, tracking, and reporting their recipient fraud rates. The USDA OIG recommended that FNS determine the feasibility of creating a uniform methodology for states to calculate their recipient fraud rate. U.S. Department of Agriculture, Office of Inspector General, *Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts*, Audit Report 27002-001-13, September 2012, p. 2, <https://www.usda.gov/oig/webdocs/27002-0011-13.pdf>. In 2014, FNS responded to the OIG that it had determined that it would be infeasible to implement as it would require legislative authority mandating significant state investment of time and resources in investigating, prosecuting and reporting fraud beyond current requirements.

⁴²GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud*, [GAO-14-641](#) (Washington, D.C.: August 21, 2014).

FNS officials told us that they had developed revised guidance for states on using social media in detection of SNAP trafficking. According to FNS, the guidance will be incorporated into the SNAP Fraud Framework.

- **Staff levels:** During the time of our 2014 work, most of our 11 selected states reported difficulties conducting fraud investigations due to reduced or stagnant staff levels while numbers of SNAP recipients had greatly increased, but FNS decided not to make changes to address this issue. Specifically, 8 of the 11 states we reviewed reported inadequate staffing due to attrition, turnover, or lack of funding. Some states suggested changing the financial incentive structure to promote fraud investigations because agencies were not rewarded for cost-effective, anti-fraud efforts that could prevent ineligible people from receiving benefits. Specifically, when fraud by a SNAP recipient is discovered, a state may generally retain 35 percent of any recovered overpayments. However, there are no recovered funds when a state detects potential fraud by an applicant and denies the application. To help address states' concerns about resources needed to conduct investigations, we recommended in our 2014 report that FNS explore ways that federal financial incentives could be used to better support cost-effective anti-fraud strategies. FNS reported that it took some steps to explore alternative financial incentives, through a review of responses to a Request for Information in the Federal Register.⁴³ However, FNS decided not to pursue bonus awards for anti-fraud and program integrity activities. Given that FNS has not made changes in this area, state SNAP fraud agencies may continue to report resource concerns in addressing fraud.
- **Reporting guidance:** We also found that FNS did not have consistent and reliable data on states' activities because of unclear reporting guidance, and FNS has since revised its data collection form and provided training on the changes. To improve FNS's ability to monitor states and obtain information about more efficient and effective ways to combat recipient fraud, we recommended in 2014 that FNS take steps, such as providing guidance and training, to enhance the consistency of what states report on their anti-fraud activities. In response, FNS revised the form used to collect recipient integrity information and changed the reporting frequency from annual

⁴³According to FNS officials, FNS considered changes to its bonus structure, such as including a new category for high or most improved performance in recipient integrity. FNS also encouraged states to use funds from existing performance bonuses to improve program administration, particularly in the area of program integrity.

to quarterly, effective fiscal year 2017. FNS officials also reported providing training to approximately 400 state agency and FNS regional office personnel on the updates to the form and related instructions.

In our ongoing work, we are further reviewing states' use of data analytics to identify SNAP recipient fraud, including that which may be occurring during out-of-state transactions. Because transactions that may appear suspicious—such as those made out-of-state—may in fact be legitimate, states may use data analytic techniques to include additional factors that may help them better target their efforts to identify potential fraud. However, states may have different levels of capacity for using data analytics to detect fraud. We are examining how 7 selected states are using data analytics and identifying the advantages and challenges states have experienced in doing so. We are also assessing FNS's efforts to assist states in implementing GAO's leading practices for data analytics outlined in GAO's Framework for Managing Fraud Risks in Federal Programs outlined in GAO's Framework for Managing Fraud Risks in Federal Programs.⁴⁴ In addition, we are conducting our own analysis of EBT out-of-state SNAP transaction data. We expect to report on our findings later this year.

SNAP Retailer Trafficking

FNS has taken some steps to prevent, detect, and respond to retailers who traffic SNAP benefits since our last report on the issue in 2006,⁴⁵ but trafficking continues to be a problem. For example, in February 2018, a federal jury convicted a grocery store operator in Baltimore on charges of wire fraud in connection with a scheme to traffic more than \$1.6 million in SNAP benefits for food sales that never occurred.⁴⁶ The grocery store operator paid cash for SNAP benefits, typically paying the recipient half the value of the benefits and keeping the other half for himself. In our 2006 report, we found that SNAP was vulnerable to retailer trafficking in several areas, including:

⁴⁴GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

⁴⁵GAO, *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).

⁴⁶Department of Justice, "Catonsville Man Convicted for Food Stamp Fraud." (Baltimore, MD: Feb. 20, 2018).

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- **Requirements for food that retailers must stock to participate in SNAP:** In 2006, we found that FNS had minimal requirements for the amounts of food that retailers must stock, which could allow retailers more likely to traffic into the program, although the agency has since taken steps to increase these requirements. In our 2006 report, FNS officials said that they authorized stores with limited food stock to provide access to food in low-income areas where large grocery stores were scarce. At that time, retailers were generally required to stock a minimum of 12 food items (at least 3 varieties of 4 staple food categories, such as fruits and vegetables), but FNS rules did not specify how many items of each variety would constitute sufficient stock.⁴⁷ FNS officials told us that a retailer that only carries small quantities of food, such as a few cans of one kind of vegetable, may intend to traffic. In 2016, FNS promulgated a final rule increasing food stock requirements.⁴⁸ FNS officials told us that these new rules are designed to encourage stores to provide more healthy food options for recipients and discourage trafficking. According to FNS, retailers are now generally required to stock at least 36 food items (a certain variety and quantity of staple foods in each of the 4 staple food categories).⁴⁹
 - **Focus on high-risk retailers:** We also found in 2006 that FNS had not conducted analyses to identify characteristics of retailers at high risk of trafficking and to target its resources—a shortcoming FNS has since taken some steps to address. For example, we reported that some stores may be at risk of trafficking because one or more previous owners had been found trafficking at the same location. However, FNS did not have a system in place to ensure that these retailers were quickly targeted for heightened attention. In addition, once a store was authorized to participate in the program, FNS staff typically would not inspect the store again until it applied for

⁴⁷Alternatively, retailers could meet a second criterion for authorization, which required the store to have more than 50 percent of its sales in a staple food group, such as meat, poultry, or fish.

⁴⁸81 Fed. Reg. 90,675 (Dec. 15, 2016).

⁴⁹Retailers can still meet the second criterion that more than 50 percent of its sales are in a staple food group. Stores that do not meet either criterion may still be considered for authorization if they are located in an area where SNAP recipients have significantly limited access to food.

reauthorization 5 years later.⁵⁰ We recommended that FNS identify the stores most likely to traffic and provide earlier, more targeted oversight to those stores. In 2009, FNS began establishing risk levels for each authorized retailer, identifying high-risk stores as those with a prior permanent disqualification at that location or a nearby location.⁵¹ In 2013, FNS required all high-risk retailers to go through reauthorization and to provide additional documentation regarding store ownership.⁵² That same year, FNS also consolidated its retailer management functions, including those for authorizing stores and analyzing EBT transaction data, into a single national structure known as the Retailer Operations Division. FNS officials told us that this structure enables the agency to identify and deploy their investigative resources to the areas of highest risk nationally, rather than within a given region.

- **Penalties to deter retailer trafficking:** We also found in our 2006 report that FNS’s penalties for retailer trafficking may be insufficient to deter traffickers, and since then, FNS has proposed—but not finalized—rules to increase them. FNS imposes administrative penalties for retailer trafficking—generally a permanent disqualification from the program or a monetary penalty.⁵³ FNS relies on the USDA Office of Inspector General (OIG) and other law enforcement entities to conduct investigations that can lead to criminal prosecutions.⁵⁴ In our 2006 report, we recommended that FNS

⁵⁰After a retailer applies for authorization, an FNS contractor conducts an on-site inspection at the store to verify information from the application and take pictures of the store and its inventory, including the condition of its food stock.

⁵¹Medium-risk stores, for example, include those with temporary disqualifications or other program violations, according to FNS.

⁵²As part of our ongoing work, we will review FNS’s current authorization and reauthorization processes for stores.

⁵³In lieu of program disqualification, FNS can assess a civil monetary penalty if a store demonstrates that it had an effective policy and program in effect to prevent violations of relevant law and regulations. In addition, FNS imposes a “transfer of ownership” penalty if the disqualified owner sells his or her store before the expiration of the disqualification period (and in the case of permanent disqualification, the penalty is double that for a ten year disqualification period).

⁵⁴Specifically, the USDA OIG, U.S. Secret Service, and Federal Bureau of Investigation conduct investigations that can lead to criminal prosecutions. However, in 2006, we found that these entities were conducting fewer of these resource-intensive investigations, instead focusing on high-impact investigations. According to the USDA OIG, it opened fewer trafficking investigations because it had fewer investigators and decided to focus its resources on high-impact cases, such as those with large-scale trafficking or involving other criminal activity.

develop a strategy to increase penalties for trafficking. The Food, Conservation, and Energy Act of 2008 (known as the 2008 Farm Bill) gave USDA authority to impose higher monetary penalties, and the authority to impose both a monetary penalty and program disqualification on retailers found to have violated relevant law or regulations (which includes those found to have trafficked).⁵⁵ In 2012, FNS proposed regulatory changes to implement these authorities. However, FNS has not finalized these rules, and as of fall 2017, the rules were considered “inactive.”⁵⁶

In our ongoing work, we are continuing to assess FNS’s efforts to prevent, detect, and respond to retailer trafficking, as well as examining what is known about the extent of retailer trafficking nationwide. As part of this work, we are continuing to review FNS’s response to our prior recommendations, as well as related recommendations made by USDA’s OIG.⁵⁷ We are also studying FNS’s periodic estimates of the rate of retailer trafficking, expressed as the dollar value and percentage of all SNAP benefits that were trafficked and the percentage of retailers involved. These data suggest an increase in the estimated rate of retailer trafficking since our 2006 report. However, we and others, including a group of experts convened by FNS, have identified some limitations with the retailer trafficking estimates.⁵⁸ For example, the trafficking rate is calculated based on a sample of retailers that FNS considers most likely to traffic. Although FNS adjusts the data to better represent the broader population of authorized retailers, it is uncertain whether the resulting estimates accurately reflect the extent of trafficking nationwide. We are

⁵⁵Specifically, the 2008 Farm Bill gave FNS the authority to increase penalties to up to \$100,000 for each violation. Pub. L. No. 110-246, § 4132, 122 Stat. 1651, 1875.

⁵⁶The Office of Information and Regulatory Affairs publishes the “Inactive List” of regulatory actions under agency review but not included on the “Unified Agenda” of rules planned to be implemented in the near or future term. Agencies designate actions as “inactive” when they choose to take additional time to review a regulatory or deregulatory action but wish to preserve the regulatory identification number and title for possible future use.

⁵⁷See, for example, USDA Office of Inspector General, *FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers*. Audit Report 27601-0001-31 (Washington, D.C.: July 2013).

⁵⁸See USDA Office of Inspector General, *Analysis of FNS’ Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts*. Audit Report 27002-0011-13 (Washington, D.C.: September 2012). In addition, in 2013, FNS convened a technical working group of outside experts to assess its trafficking estimates methodology and propose alternatives.

reviewing these limitations and FNS's efforts to address them in our ongoing work.

Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and Members of the Subcommittees, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Kathryn Larin, Director, Education, Workforce, and Income Security Issues at (202) 512-7215 or LarinK@gao.gov. 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 testimony include Rachael Chamberlin, Celina Davidson, Swati Deo, Rachel Frisk, Alexander Galuten, Danielle Giese, Kristen Jones, Morgan Jones, Lara Laufer, Monica Savoy, and Kelly Snow.

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