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Supplemental Nutrition Assistance Program: Errors and Fraud

The Supplemental Nutrition Assistance Program (SNAP) is the nation's largest domestic food assistance program, serving over 42.1 million individuals in an average month at a federal cost over \$68 billion in FY2017. SNAP benefits may be used to buy eligible food at over 263,000 authorized stores. SNAP is jointly administered by state agencies, which handle recipient functions, and the U.S. Department of Agriculture Food and Nutrition Service (USDA-FNS), which supports and oversees the states and handles retailer functions. Policymakers discuss and debate errors and fraud in SNAP; these can be complex concepts. This In Focus summarizes the more-detailed CRS Report R45147, *Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP)*.

Types of SNAP Error and Fraud

Error and fraud can be organized into four main types:

1. *Trafficking SNAP benefits*—the illicit sale of SNAP benefits, which can involve both retailers and recipients (a type of fraud).
2. *SNAP retailer application fraud*—an ineligible store or owner's illicit attempt to participate in SNAP.
3. *Errors and fraud by households applying for SNAP*—unintentional or intentional recipient actions resulting in incorrect SNAP amounts.
4. *Errors and fraud by SNAP state agencies*—unintentional or intentional state agency actions resulting in incorrect SNAP amounts.

Errors versus Fraud

Errors are not the same as fraud. Fraud is intentional activity that breaks federal and/or state laws, while errors are mistakes. Certain acts, such as trafficking, are always considered fraud, but other acts, such as duplicate enrollment, may be either errors or fraud depending on the circumstances of the case. SNAP fraud is rare, according to all available data and reports, but there is no single data point that reflects all the forms of fraud in SNAP. Criminal prosecution of fraud, when pursued, is typically initiated by USDA Office of the Inspector General (USDA-OIG) or state law enforcement authorities.

Measures of Errors and Fraud in SNAP

There are two main measures of error and fraud in SNAP.

The National Payment Error Rate (NPER)

Based on annual SNAP Quality Control reviews, the NPER measures states' improper issuance of SNAP benefits, including from recipient fraud, recipient errors, and state agency errors. This rate reflects all overpayments and underpayments that exceed the error tolerance threshold (\$38 as of FY2017; per month in the sample month counted; threshold is inflation-adjusted annually per

statute). This rate is *not* a measure of fraud. See **Table 1** for recent rates and amounts. USDA-FNS developed new controls for FY2017 data collection that were not in place in FY2014. The substantial increase to error rates in FY2017 may be misleading since FY2014 rates were estimated under different procedures.

Table 1. Estimated SNAP Payment Error Rates and Dollar Amounts, FY2012-FY2014, FY2017

Estimated overpayment and underpayment amounts in billions

	FY2012	FY2013	FY2014	FY2017
Overpay Rate	2.77%	2.61%	2.96%	5.19%
Overpay Amount	\$2.07	\$2.00	\$2.07	\$3.30
Underpay Rate	0.65%	0.60%	0.69%	1.11%
Underpay Amount	\$0.49	\$0.46	\$0.48	\$0.71
NPER	3.42%	3.20%	3.66%	6.30%

Source: USDA-FNS Quality Control resources. Rates compare overpayment/underpayment amounts to total SNAP benefits issued. National rates were not issued for FY2015 or FY2016.

The National Retailer Trafficking Rate

Roughly every three years, the retailer trafficking rate estimates the volume of benefits trafficked. The retailer trafficking rate reflects a major form of SNAP fraud, but it does not reflect all forms of fraud. See **Table 2** for recent rates and amounts.

Table 2. Estimated National Retailer Trafficking Rates and Dollar Amounts, FY2009-FY2014

Estimated trafficked amounts in billions

	FY2009-FY2011	FY2012-FY2014
Trafficking Rate	1.34%	1.50%
Trafficking Amount	\$0.86	\$1.08

Source: USDA-FNS trafficking studies. Rate compares estimated trafficking amounts to all SNAP benefits redeemed.

Trafficking SNAP Benefits

USDA-FNS is responsible for identifying stores engaged in retailer trafficking—using transaction data analysis, undercover investigations, and other tools—and punishing store owners. Retailers found to have trafficked may be subject to permanent disqualification from participation in SNAP, fines, and other penalties. Recipient trafficking is considered an intentional program violation, and state agencies are responsible for identifying—using social media monitoring, transaction data analysis, and other tools—and punishing recipients who engage in this kind of

fraud. Recipients found to have trafficked may be required to repay the amount trafficked and may be subject to disqualification from receiving SNAP benefits and other penalties.

SNAP Retailer Application Fraud

Owners and stores applying to USDA-FNS to participate in SNAP must meet certain eligibility criteria. If applicants provide false or misleading information of a substantive nature, then they have committed retailer application fraud. FNS identifies this kind of fraud through review of application materials. Retailers found to have falsified their applications may be subject to denial, permanent disqualification, and other penalties.

Error and Fraud by Households Applying for SNAP Benefits

Households applying for SNAP benefits must submit personal information to their state agency for an eligibility determination and benefit calculation. During this application process, applicants may unintentionally provide incorrect information or omit certain information by accident. If this action results in an overpayment to the household, then this is designated a recipient error. If the recipient is found to have intentionally broken SNAP rules when applying, however, then they have committed fraud.

Recipient Errors

This is considered an inadvertent household error, and state agencies are responsible for identifying this kind of error through careful analysis of the materials provided by applicants. As with any overpayment, a household that receives an overpayment resulting from a recipient error is usually required to repay the overpaid amount. In FY2016, state agencies attempted to collect \$422 million in overpayments resulting from recipient errors.

Recipient Application Fraud

This is considered an intentional program violation, and state agencies are responsible for identifying this kind of fraud through analysis of the materials provided by applicants. Recipients found to have engaged in application fraud (also called eligibility fraud) may be required to repay the amount illicitly obtained and may be subject to disqualification from SNAP and other penalties. In FY2016, state agencies attempted to collect \$73 million in overpayments resulting from recipient trafficking and recipient application fraud.

Error and Fraud by State Agencies

SNAP state agencies are responsible for administering SNAP on the recipient level in accordance with federal statute and regulation. In the course of conducting eligibility determination and issuing benefits, state agencies (and their agents) may commit inadvertent errors or intentional fraud.

Agency Error

When overpayment or underpayment is not the result of the recipient's actions (i.e., not recipient error or recipient application fraud), then it is generally the result of an agency error. Agency errors include overpayments or underpayments caused by the action or inaction of any

representative of a state agency. State agencies are responsible for preventing, identifying, and correcting agency errors, including underpayments. As with any overpayment, a household that receives an overpayment resulting from an agency error is usually required to repay the overpaid amount. In FY2016, state agencies attempted to collect \$189 million in overpayments resulting from agency errors.

State Agency Employee Fraud

State agency employee fraud is any intentional effort by state employees to illegally generate and benefit from SNAP overpayments. State agency employee fraud usually involves eligibility workers who abuse their positions and access to the SNAP certification process in order to unlawfully generate SNAP accounts.

State Agency Quality Control Data Issues, Fraud

State agencies conduct Quality Control reviews of their SNAP caseloads and report these findings to USDA-FNS, which the federal agency uses to develop the NPER. USDA-FNS identified quality issues in most of these state-submitted data for FY2015 and FY2016 and, as a result, did not issue national rates in these years. These data quality issues are not, in and of themselves, proof of wrong doing. USDA-FNS examined states' data and processes, revised procedures, and in June 2018 released FY2017 national payment error rates. In addition to the data issues, in 2017, the Department of Justice found at least three agencies (Wisconsin, Virginia, and Alaska) to have actively falsified their quality control data, mitigating rather than reporting errors, to avoid penalties and acquire bonuses since at least FY2008. These three agencies have admitted to violations of the False Claims Act and repaid a total of about \$17 million in fraudulently obtained bonuses. USDA-OIG continues to investigate this in other states.

Issues and Strategies

Oversight entities, such as the Government Accountability Office and USDA-OIG, have identified issues and strategies relevant to combating errors and fraud in SNAP. USDA-FNS has also proposed related regulatory changes that were not finalized. On the retailer side, issues identified focus on opportunities to prevent and more promptly punish trafficking. On the recipient side, issues identified include that there is no recipient fraud rate, states vary in their efforts (and may be better incentivized) to pursue recipient fraud, and data matching in the application process can be improved. Examples of issues and strategies are discussed further in CRS Report R45147, *Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP)*.

For SNAP Background

CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*.

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