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SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Policy Changes and
Calculation Methods Likely
Affect Improper Payment
Rates, and USDA Is Taking
Steps to Help Address
Recipient Fraud

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

GAO Highlights

Highlights of [GAO-16-708T](#), a testimony before the Committee on Agriculture, House of Representatives

Why GAO Did This Study

In fiscal year 2015, SNAP, the nation's largest nutrition assistance program, provided about 46 million low-income people with \$70 billion in benefits. USDA and the states partner to operate the program and address issues that affect program integrity, including improper payments and fraud.

This testimony summarizes GAO's recently completed work on SNAP improper payment rates and GAO's 2014 report on recipient fraud. It addresses: (1) the effects of SNAP policies on the rates; (2) how the SNAP improper payment rate calculation methodology compares to those of other federal programs for low-income individuals; and (3) GAO's 2014 findings on efforts to combat SNAP recipient fraud. GAO reviewed relevant federal laws, regulations, guidance, documents, and program data; interviewed relevant federal officials; and gathered information from states. For the 2014 report, GAO also interviewed officials from 11 states that served about a third of all SNAP recipient households, though GAO's results are not generalizable to all states. This testimony also includes USDA's actions to date on GAO's 2014 recommendations.

What GAO Recommends

In 2014, GAO recommended that USDA take several steps to improve state financial incentives, fraud detection tools, and reporting methods. USDA agreed with these recommendations and has taken some steps to address them. GAO is not making new recommendations at this time.

View [GAO-16-708T](#). For more information, contact Kay E. Brown at (202) 512-7215 or brownke@gao.gov.

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SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Policy Changes and Calculation Methods Likely Affect Improper Payment Rates, and USDA Is Taking Steps to Help Address Recipient Fraud

What GAO Found

Over the last 10 years, the U.S. Department of Agriculture (USDA) has reported that improper payment rates for the Supplemental Nutrition Assistance Program (SNAP) have ranged from an estimated 5.8 percent to 3.2 percent of all payments, likely reflecting, in part, certain policy changes and calculation methods. Many factors affect low-income households' eligibility for SNAP and the amount of benefits they receive, creating multiple opportunities for errors in the eligibility determination process conducted by states. However, GAO found that certain state or federal program changes can affect the likelihood of these errors. For example, when states adopted available 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. Conversely, other changes may have led to an increase in the improper payment rate. USDA cited the change from only counting errors over \$50 in the rate to counting all errors over \$37 as a key factor in an increase in the rate in fiscal year 2014.

SNAP's improper payment rate calculation methodology is generally similar to that used by other large federal programs for low-income individuals, including Medicaid, the Earned Income Tax Credit, and Supplemental Security Income (SSI), though some differences may affect the resulting program improper payment rates. To generate improper payment rates, all four programs draw representative samples of their recipients and report their improper payment rates at high levels of precision. Yet, some methodological differences among the programs likely affect the resulting rates. For example, when there is insufficient information to review eligibility and benefit determination for a selected case under review, Medicaid counts the full benefit amount as an error, SNAP makes an adjustment in the improper payment rate calculation but does not include the full benefit amount as an error, and SSI removes such cases entirely from the sample.

Fraud is also a key indicator of program integrity, and in 2014, GAO found that selected states employed a range of tools to detect potential SNAP recipient fraud, though they faced some challenges. Recipient fraud can occur when applicants make false or misleading statements to obtain benefits or when recipients misuse benefits by exchanging them for cash or non-food goods or services. All 11 selected states that GAO reviewed matched information provided by SNAP applicants and recipients against various data sources to check for accuracy, but efforts varied widely among these states. Some states suggested changing the financial incentive structure to promote fraud investigations. Some states also reported limitations of USDA's required approach to monitoring benefit card replacements, and GAO developed a more targeted approach by combining data sources to identify households potentially engaged in trafficking. In addition, although USDA had increased its oversight of state anti-fraud activities since fiscal year 2011, GAO found that USDA did not have consistent and reliable data on states' activities because its reporting guidance lacked specificity. This limited USDA's ability to monitor states and find more effective ways to combat recipient fraud.



Chairman Conaway, Ranking Member Peterson, and Members of the Committee:

Thank you for the opportunity to discuss our work on improper payments and fraud in the U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP), previously known as the Food Stamp Program. During fiscal year 2015, SNAP provided food and nutrition assistance to almost 46 million individuals for a total of approximately \$70 billion in benefits for the year. SNAP benefits are provided to low-income households; state agencies administer the program to assess applicants' eligibility and determine benefit amounts. Because many factors affect eligibility and benefit determination, there are multiple opportunities for errors to occur in this process that may result in improper payments. Improper payments are payments to individuals that were made in an incorrect amount or should not have been made at all, including both overpayments and underpayments. Improper payments may be caused by caseworker or participant errors. The Office of Management and Budget (OMB) has designated SNAP as a high-error program due to the estimated dollar amount in improper payments. Specifically, for SNAP payments made in fiscal year 2014, USDA reported in its fiscal year 2015 agency financial report that \$2.6 billion, or 3.66 percent of all payments were improper.¹ Other large federal programs for low-income individuals, such as the Earned Income Tax Credit (EITC), Medicaid, and Supplemental Security Income (SSI), currently report improper payment rates greater than SNAP's rate.

In addition, while some SNAP participants make unintentional errors that result in improper payments, others make intentional errors or misuse their benefits, practices which are considered fraud. USDA's Food and Nutrition Service (FNS), in partnership with state agencies, 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.

¹USDA, *Agency Financial Report: Creating a USDA for the 21st Century*, Fiscal Year 2015.

SNAP fraud is also committed by retailers approved to accept SNAP benefits who engage in trafficking. State agencies are directly responsible for detecting, investigating, and prosecuting recipient fraud, and FNS is responsible for pursuing retailer fraud. SNAP fraud committed by recipients and retailers undermines the integrity of the program and the public's confidence in the program.

My testimony today summarizes the results of our recently completed work on SNAP improper payment rates and our 2014 report on recipient fraud. Specifically, I will discuss: (1) the effects of SNAP policies on the improper payment rates; (2) how the SNAP improper payment rate calculation methodology compares to those of other federal programs for low-income individuals; and (3) our 2014 findings on efforts to combat SNAP recipient fraud.

For our recently completed work on SNAP improper payment rates, we reviewed relevant federal laws and regulations, as well as USDA policy memos that provided SNAP policy guidance to states.² We also reviewed state SNAP waivers approved by USDA and state policy options.³ To assess change over time, we analyzed states' adoption of certain options since 2003 that have the potential to affect a large portion of the eligible population.⁴ To assess the expected effect of policy changes on the SNAP improper payment rate, we reviewed prior GAO work, and FNS and USDA Office of Inspector General (OIG) documents, that describe the characteristics of policies that may affect the improper payment rate.⁵

²We reviewed SNAP policy guidance issued to states from fiscal year 2006 through fiscal year 2015.

³State policy options are flexibilities set forth in federal law or regulation that permit states to use alternative procedures when administering their SNAP program. We reviewed USDA's SNAP Certification Policy Waiver Database (updated as of March 2016) and state options identified in USDA's SNAP State Options Report for September 2013 (a state options report with information as of October 2015 was subsequently released, after we had completed our review). See Appendix I for more information on state flexibilities.

⁴To assess change over time, we also analyzed states' adoption of certain options from May 2003 to September 2013, that have the potential to affect a large portion of the eligible population, for example, by affecting reporting requirements or income eligibility guidelines. Such options include simplified reporting, broad-based categorical eligibility, and the simplified standard utility allowance.

⁵We also reviewed our prior work and USDA reports issued since 2004 that analyzed the effect of certain state flexibilities on improper payment rates.

We analyzed which federal and state policy changes had these characteristics, and then we assessed the likely cumulative expected directional effect of each policy on the improper payment rate. To obtain information on states' opinions regarding SNAP changes and other factors that may have affected SNAP improper payment rates, we administered a questionnaire by e-mail to state SNAP directors of all 50 states and the District of Columbia from February through May 2016. Where necessary, we followed up with states to clarify their responses and obtained a 100 percent response rate. While we did not validate specific information administrators reported through our survey, we reviewed their responses and conducted follow-up, as necessary, to determine that their responses were complete, reasonable, and sufficiently reliable for the purposes of this statement.⁶ To compare SNAP's improper rate calculation methodology to other means-tested programs, we selected three federal programs for low-income individuals: EITC, Medicaid,⁷ and SSI. These programs, together with SNAP, comprise almost two-thirds of federal low-income obligations, and together encompass both state and federally administered programs. Like SNAP, these programs are also included in the federal government's Payment Accuracy website's high improper payment programs list.⁸ For each of the programs, we reviewed the relevant agency financial reports, program data, and program documents, as well as relevant OIG reports and GAO reports, and we interviewed program officials involved with improper payment rate calculation.

⁶Also, as part of our survey development, we pre-tested the questionnaire with four states and had internal and external experts review it, and incorporated comments as appropriate.

⁷The Department of Health and Human Services (HHS) measures and reports Medicaid improper payments in three component areas: fee-for-service claims, managed care, and eligibility. For the purposes of this report, we reviewed the eligibility component's improper payment rate methodology. HHS's Centers for Medicare and Medicaid Services (CMS) recently proposed changes to the calculation of Medicaid improper payments rates. Medicaid/CHIP Program; Medicaid Program and Children's Health Insurance Program (CHIP); Changes to the Medicaid Eligibility Quality Control and Payment Error Rate Measurement Programs in Response to the Affordable Care Act., 81 Fed. Reg. 40596 (proposed June 22, 2016). These proposed changes were outside the scope of our review.

⁸We have also included these programs in our prior work that identifies high improper payment programs. See, *GAO, Fiscal Outlook: Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position*, GAO16-92T, (Washington, D.C.: October 1, 2015).

For our 2014 report, we focused on federal and state efforts to combat SNAP recipient fraud for fiscal years 2009 to 2014.⁹ We reviewed relevant federal laws, regulations, program guidance and reports, and we interviewed FNS officials in headquarters and all seven regional offices. We also interviewed knowledgeable state and local officials about their recipient anti-fraud work and obtained related documentation in 11 states.¹⁰ Further, we took steps to assess the use of monthly benefit data and website monitoring tools to detect potential SNAP fraud. More detailed information about our objectives, scope, and methodology can be found in our issued report. This testimony also includes updates on the status of our recommendations from the 2014 report, as of June 2016, which were obtained by contacting agency officials and reviewing relevant documents.¹¹ We shared a draft of this statement with the relevant agencies and incorporated technical comments as appropriate.

The work upon which this statement is based was 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

SNAP, formerly known as the federal Food Stamp Program, is intended to help low-income individuals and families obtain a better diet by supplementing their income with benefits to purchase food. The federal government pays the full cost of SNAP benefits and shares the costs of

⁹See GAO, *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).

¹⁰The 11 states in our review were: Florida, Maine, Massachusetts, Michigan, Nebraska, New Jersey, North Carolina, Tennessee, Texas, Utah, and Wyoming. The states served about a third of all SNAP recipient households, though our results are not generalizable to all states. We chose these states to achieve variation in geographic location, and a mix of high, medium and low SNAP improper payment 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.

¹¹See GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting to Combat Recipient Fraud Are in Development*, [GAO-16-719T](#) (Washington, D.C.: June 9, 2016.)

administering the program with the states.¹² FNS is responsible for promulgating program regulations, ensuring that state officials administer the program in compliance with program rules, and authorizing and monitoring retailers who accept SNAP benefits in exchange for food. The states administer the program by determining whether households meet the program's eligibility requirements, calculating the amount of their monthly benefits, and issuing benefits on Electronic Benefit Transfer (EBT) cards, as well as investigating possible program violations by benefit recipients.

Determination of Eligibility and Benefits

A household's eligibility for participation in SNAP is determined based on basic, non-financial, program requirements and the income and resources of its members. Non-financial program requirements include such things as residency and citizenship status. To determine financial eligibility, the caseworker first calculates the household's gross income, which generally cannot exceed 130 percent of the federal poverty guidelines (100 percent of the poverty guidelines in certain circumstances). Then the caseworker determines the household's net income, which generally cannot exceed 100 percent of the poverty guidelines. Net income is determined by deducting certain expenses from gross income, such as dependent care costs, medical expenses, utilities costs, and shelter expenses. Information on the household's resources (such as bank accounts and certain vehicles) may also be collected to assess whether these exceed defined limits. The net monthly income amount is then used in determining the household's benefit amount, subject to maximum benefit limits.¹³ After eligibility is established, households are certified to receive benefits for periods ranging from 1 to 24 months depending upon household circumstances. Once the certification period ends, there is a recertification process whereby households reapply for benefits, at which time eligibility and benefit levels are redetermined.

¹²For purposes of SNAP, states include the 50 states, the District of Columbia, Guam, the U.S. Virgin Islands, and reservations of Indian tribes who meet the requirements for participating as a state agency.

¹³FNS sets the SNAP maximum monthly benefit by household size. The maximum monthly benefit in fiscal year 2016 for a household of three is \$511 for the 48 contiguous states and the District of Columbia. Guam, the U.S. Virgin Islands, Alaska and Hawaii have higher maximum monthly benefit levels.

State Options and Waivers

While many of the rules governing SNAP are set at the federal level and apply uniformly in all states, states are also allowed flexibility in establishing some state-specific policy modifications through the use of options and waivers. SNAP's statutes and regulations provide state agencies with various policy options. In contrast, waivers require states to obtain FNS's permission before they are implemented. According to USDA, states adopt these flexibilities to better target benefits to those most in need, streamline program administration and operations, and coordinate SNAP with other programs. For example, one state option pertaining to reporting requirements, called simplified reporting, only requires households to report changes when their income rises above a certain level. In contrast, households for which this option does not apply are required to report changes more frequently. Another state option, broad-based categorical eligibility (BBCE), allows states to make households that receive non-cash services funded by Temporary Assistance for Needy Families (TANF), such as a toll-free number to obtain program information or an informational brochure, automatically eligible for SNAP.¹⁴ Through this option, the TANF non-cash service income and asset requirements become those relevant for SNAP, which we previously reported, resulted in some states effectively removing or increasing SNAP asset limits, raising the SNAP gross income limit, and removing the SNAP net income limit.¹⁵

SNAP Improper Payment Rates

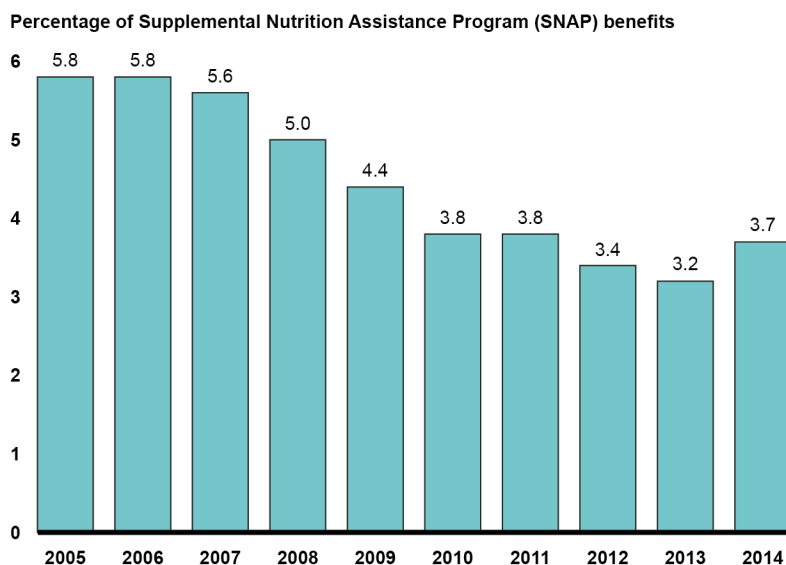
According to USDA, for the most recent 10 years for which there are SNAP improper payment rate estimates available (for benefits paid in fiscal years 2005–2014), the national SNAP improper payment rate, combining both overpayments and underpayments, has declined or stayed the same in all but fiscal year 2014, as shown in figure 1. For benefits paid in fiscal year 2014—the most recent year for which data are available—the rate increased to 3.66 percent from a low of 3.20 percent in fiscal year 2013. State-specific improper payment rates varied among

¹⁴The TANF block grant, which is administered by HHS, provides federal funding to states, which they are required to supplement with their own funds, to provide cash assistance and a variety of other benefits and services to meet the needs of low-income families with children.

¹⁵GAO, *Supplemental Nutrition Assistance Program: Improved Oversight of State Eligibility Expansions Needed*, [GAO-12-670](#) (Washington, D.C.: July 26, 2012).

states; for example, in fiscal year 2014, states' improper payment rates ranged from 0.42 percent to 7.61 percent.

Figure 1: SNAP U.S. Estimated Improper Payment Rate for Benefits Paid in Fiscal Years 2005 – 2014



Source: U.S. Department of Agriculture (USDA) data. | GAO-16-708T

Note: Improper payment rate estimates shown in this figure for fiscal years 2007- 2014 have a margin of error no greater than plus or minus 0.33 percentage points at the 95 percent level of confidence. Confidence level and margin of error information were not available from USDA's Performance and Accountability Reports for fiscal years 2005 and 2006.

For purposes of government-wide reporting, such as at the federal government's Payment Accuracy website, SNAP's improper payment rates may be reflected as the fiscal year in which they are reported in the USDA agency financial report, not the year in which benefits were paid.

According to USDA, SNAP improper payments are caused by variances in any of the key factors involved in determining SNAP eligibility and benefit amounts, and household income was the most common primary cause of dollar errors; accounting for more than half of the variances for improper payments in fiscal year 2013.¹⁶ A variance occurs when a quality control reviewer finds the incorrect application of policy, the basis

¹⁶ Fiscal year 2013 is the latest year for which this information is available. Income variances accounted for 57 percent of improper payment cases, while deduction variances accounted for 27 percent, non-financial variances for 14 percent, and income and other variances each at 1 percent.

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. Cases may have multiple variances that result in benefit errors. Further, SNAP errors result from administrative as well as recipient errors. In fiscal year 2013, USDA reported that 62.44 percent of errors were because of administrative errors by the state agencies, and 37.27 percent of errors were because of recipient errors. Some of the errors may be attributable to recipient fraud; however, the magnitude of such program abuse is unknown.

Quality Control System

In response to a requirement in federal law, FNS developed its original 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.¹⁷ The quality control staff review each sample case, both by reviewing the recipient household's file and contacting the recipient, to verify whether the recipient's eligibility and benefit amount were determined correctly. If the reviewer finds that someone was incorrectly deemed eligible, the entire amount of the benefit is counted as an error. If the reviewer finds that the benefit amount provided to the recipient differs from the correct benefit amount by more than a specified dollar amount, \$37 in fiscal year 2014, the difference between the amount disbursed and the correct amount is counted as an error. Cases that are identified as "not subject to review" or that the reviewer cannot complete, such as those for which the reviewer is unable to establish contact with the recipient or verify income information, are removed from the sample. The statewide sample is designed to produce a valid statewide improper payment rate, which is the sum of the overpayments and underpayments

¹⁷ Closed cases for which benefits were denied, suspended, or terminated are also sampled and reviewed and an error rate is determined for such cases. This error rate is termed the Case and Procedural Error Rate (CAPER). This statement focuses on active case errors, and not CAPER.

divided by the value of all payments.¹⁸ Some of these erroneous payments may be due to fraud, but others may be due to unintentional caseworker or participant error.

FNS regional offices are to approve the states' sampling plans, validate the states' samples, and review a subsample of the states' reviews to ensure accuracy. They also are to handle informal resolution discussions with states regarding disputes resulting from differences between the state and FNS reviews. Disputes that are not resolved informally can be appealed to FNS for arbitration. According to FNS officials, upon the completion of this process, the improper payment rates are adjusted to reflect the final results. FNS makes a further adjustment of a state's error rate if more than two percent of the state's cases selected for review could not be completed. FNS then combines the adjusted states' improper payment rates, weighting each state's improper payment rate by its actual caseload, to determine a national improper payment rate.

Once the federal adjustments are made to states' error rates, FNS imposes penalties or provides bonuses to certain states based on various measures related to states' payment accuracy and other measures.¹⁹

In 2015, USDA began a review of state quality control systems in all states in response to a report from its OIG that identified concerns in the application of the quality control process. On June 24, 2016, USDA notified the states that it had completed reviews in 33 states and expected to complete the remaining reviews no later than December 31, 2016, at which time it would release a national error rate for payments made in fiscal year 2015. In its letter to state officials, USDA explained that the ongoing review is looking at both intentional and unintentional

¹⁸However, in an OIG report published in September 2015, the OIG noted that the application of the methodology for estimating FNS' SNAP improper payment rate needed improvement. The 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 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.

¹⁹In addition to payment accuracy measures, bonuses are given for states' rates of improper denials, suspensions, and terminations; states' level of program access; and states' application processing timeliness.

non-compliance in the quality control process by states, such as misinterpreting FNS requirements or providing inadequate oversight of the quality control review process itself. States will receive a written report documenting any violations and outlining required corrective action steps, according to USDA. The effect of these ongoing reviews on the SNAP error rates is unknown at this time.

SNAP Fraud

FNS and state agencies are both responsible for addressing SNAP fraud. Acts of SNAP fraud include recipients making false or misleading statements in order to obtain benefits, as well as recipients and retailers engaging in SNAP trafficking—using benefits in unallowable ways, such as by exchanging benefits for cash or non-food goods and services, or attempting to do so. State agencies are directly responsible for detecting, investigating, and prosecuting recipient fraud, and FNS is responsible for providing guidance and monitoring these state activities. FNS also investigates and resolves cases of retailer fraud.

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 the data that would provide such information.²⁰ 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. 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 and resources in investigating, prosecuting and reporting fraud beyond current requirements.

Other Federal Programs for Low-Income Individuals

We have reported that Medicaid, SSI, and the EITC, together with SNAP, comprise almost two-thirds of federal low-income obligations.²¹ These programs for low-income individuals, along with SNAP, are included in

²⁰ 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).

²¹ See GAO, *Federal Low-Income Programs: Multiple Programs Target Diverse Populations and Needs*, [GAO-15-516](#) (Washington, D.C.: July 30, 2015).

the federal government's Payment Accuracy website list of programs with high improper payments reported to OMB.

- Medicaid is administered by the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) in partnership with the states, and it finances health insurance coverage for certain low-income individuals, children, and families. The Medicaid program also provides long-term care services and support to individuals who meet certain financial and functional criteria. HHS measures and reports Medicaid improper payments in three component areas: fee-for-service claims, managed care, and eligibility. For the purposes of this statement, we reviewed the eligibility component's improper payment rate.²²
- SSI, administered by the Social Security Administration (SSA), provides monthly cash assistance benefits to elderly individuals, as well as blind or disabled adults and children, who have limited income and resources.
- EITC, administered by the Internal Revenue Service (IRS), provides a tax credit to low income Americans who work and claim the EITC on their tax returns. Because the EITC is a refundable tax credit, the amount claimed by the taxpayer as a refund can exceed the taxpayer's income tax liability.

States' Adoption of Program Flexibilities and Changes in Federal Policy Likely Affected Payment Errors

²²CMS recently proposed changes to the calculation of Medicaid improper payment rates. Medicaid/CHIP Program; Medicaid Program and Children's Health Insurance Program (CHIP); Changes to the Medicaid Eligibility Quality Control and Payment Error Rate Measurement Programs in Response to the Affordable Care Act., 81 Fed. Reg. 40596 (proposed June 22, 2016). These proposed changes were outside the scope of our review.

States' Adoption of Certain Program Flexibilities Likely Reduced Payment Errors, Due in Part to Simplified Program Requirements

The majority of state SNAP policy flexibilities allowed under federal statutes and regulations, likely reduced payment errors by simplifying program requirements or modifying procedures, based on our review of these policies.²³ For example, flexibilities that simplified program requirements allowed states to require less information from applicants and participants for eligibility and benefit determination, resulting in less processing for caseworkers and reduced opportunities for participants and caseworkers to make errors. State flexibilities that simplified program policies or procedures therefore may have contributed to decreases in the SNAP improper payment rate, though the rate was likely affected by additional factors as well, such as changes in the number of SNAP applicants and participants and state staffing levels.²⁴ Further, the state flexibilities likely had other effects on the program, according to USDA officials, because states adopt flexibilities to better target benefits to those most in need, streamline program administration and operations, and coordinate SNAP with other programs. As shown in figure 2, of the 33 state flexibilities we reviewed, 17 likely reduced the potential for error.²⁵ We previously reported that the anticipated effect on the state SNAP improper payment rate was a key factor in states' decisions to adopt

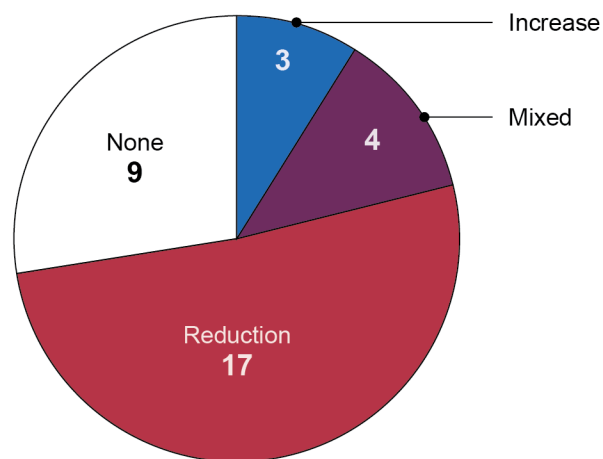
²³ To assess the expected effect of policy changes on the SNAP improper payment rate, we reviewed prior GAO work and FNS and OIG documents that describe the characteristics of policies that may affect the improper payment rate. We analyzed which federal and state policy changes had these characteristics, and then we assessed the likely cumulative expected directional effect of each policy on the improper payment. We did not analyze federal or state laws or regulations, and all descriptions and analysis of the various policy flexibilities are based on the documents and research we reviewed. See appendix I for further information.

²⁴ For example, in our 2016 survey of the 50 states and the District of Columbia, several states mentioned that rising caseloads accompanied by decreased staffing increased payment error rates when asked what factors, aside from federal or state policy changes, had affected their SNAP payment error rates in the last five years.

²⁵ These 22 options and 11 waivers come from USDA's most recent state options report (current as of September 2013) and USDA's SNAP Certification Policy Waiver Database (updated as of March 2016). We excluded options and waivers that had been adopted by fewer than 5 states at the time of our review; this meant that we excluded no options and 12 waivers. See appendix I for more information on our analysis.

certain policy options, such as those that simplified participant reporting requirements or eased the calculation of benefit amounts.²⁶

Figure 2: The Potential Effect of 33 State Flexibilities on the Likelihood of SNAP Payment Errors



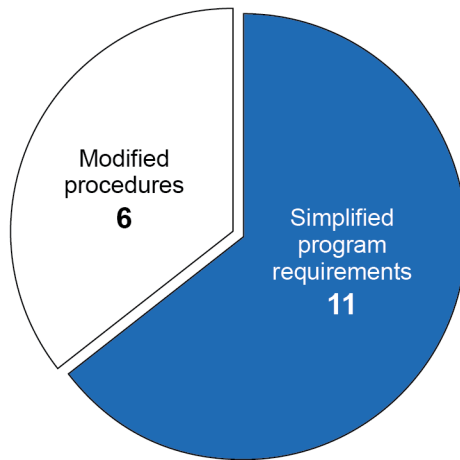
Source: GAO analysis of U.S. Department of Agriculture (USDA) data on state options and waivers. | GAO-16-708T

Note: The 33 state flexibilities include 22 options in USDA's state options report (11th edition) and 11 waivers in USDA's waivers database (current as of March 2016) adopted by 5 or more states.

Of the 17 flexibilities that potentially reduced the likelihood of SNAP payment errors, 11 simplified program requirements and 6 modified procedures for receiving and processing information.

²⁶See GAO, *Food Stamp Program: Farm Bill Options Ease Administrative Burden, but Opportunities Exist to Streamline Participant Reporting Rules among Programs*, [GAO-04-916](#) (Washington, D.C.: September 16, 2004).

Figure 3: Analysis of 17 Flexibilities that Potentially Reduced the Likelihood of SNAP Payment Errors



Source: GAO analysis of U.S. Department of Agriculture (USDA) data on state options and waivers. | GAO-16-708T

The 11 flexibilities that simplified program requirements generally resulted in reduced opportunities for participants and caseworkers to make errors, and the effect of these flexibilities on the improper payment rate likely increased over time as greater numbers of states adopted some of them. Two of the eleven options we reviewed simplified participant reporting requirements, and six flexibilities simplified or standardized calculations used to determine household eligibility and benefit amounts, including self-employment income, medical and utility costs, income of those transitioning off TANF, and hours worked by college students. In addition, two flexibilities eliminated program requirements and another increased the alignment of SNAP program rules with other programs administered by states that serve a similar population.²⁷ Over time, we found that increasing numbers of states adopted two policy options that have the potential to affect a large portion of the eligible population, thus potentially

²⁷ Many SNAP participants receive benefits from other federal programs, such as Medicaid or TANF. In many states, SNAP is administered out of a local assistance office that offers benefits from these other assistance programs as well. SNAP participants may provide necessary information to only one caseworker who determines eligibility and benefits for all of these programs, or they may work with several caseworkers that administer benefits for different programs.

increasing their effect on the improper payment rate. Specifically, as of February 2003, 25 states had adopted simplified reporting requirements for some or all eligible households and 16 states had adopted simplified utility calculations. However, by September of 2013, the numbers of states that had adopted these options increased to 53 and 47, respectively.²⁸ See table 1 for examples of flexibilities that simplified program requirements and our assessment of how they reduced the likelihood of error.

Table 1: Examples of the Flexibilities That Potentially Reduced the Likelihood of Errors by Simplifying SNAP Program Requirements

| Option/Waiver | Description | GAO Assessment ^a |
|--|--|--|
| Simplified Reporting option | Requires participants to report only if their income rises above 130 percent of the federal poverty guidelines, instead of requiring a variety of changes to be reported, including household composition, income, and expenses. | Results in participants reporting fewer changes and reduces the amount of paperwork that caseworkers must process. ^b In 2005, USDA estimated that simplified reporting reduced the improper payment rate by 1.2 to 1.5 percentage points. ^c |
| Simplified Income and Resources option | Excludes certain types of income and resources from SNAP eligibility and benefit determination requirements that are excluded under state TANF or Medicaid policy. | Increases uniformity in requirements across several programs for low-income individuals, which SNAP recipients may simultaneously receive and which are administered by the same caseworkers in some states. Therefore, this reduces program complexity and the potential for confusion by participants and caseworkers. |
| Standard Medical Deduction waiver | Establishes a standard medical deduction in lieu of calculating actual medical expenses for individuals who are disabled or elderly. | Eliminates the need for participants to provide proof of all medical expenses and streamlines eligibility and benefit determination procedures for caseworkers by reducing the amount of information to be verified and documented. |

Source: GAO analysis of information in USDA's 2013 State Options report, USDA's SNAP Certification Policy Waiver Database (updated as of March 2016), and other FNS documents. |GAO-16-708T

^aFlexibilities may have had multiple characteristics that suggested opposite effects; in those instances we selected what we considered to be the over-riding or primary effect.

^bWhether the caseworker needs to process a change, which the caseworker comes to know about but that the participant was not required to report, depends on whether the state has a policy to act on all changes.

^cSee U.S. Department of Agriculture, Food and Nutrition Service, The Effect of Simplified Reporting on Food Stamp Payment Accuracy, October 2005.

²⁸ The FNS state option reports include state agencies for all 50 states, the District of Columbia, Guam, and the U.S. Virgin Islands.

Instead of simplifying program requirements, six state policy options and waivers we reviewed allowed for modified procedures for receiving and processing information that likely reduced SNAP payment errors. For example, an option that allowed states to use online SNAP applications likely made information easier to document, retrieve, and process, thereby reducing opportunities for caseworker error. Another option that enabled states to set up call centers likely helped participants report changes more easily, potentially contributing to fewer unreported changes. However, questions have been raised about the effect of these approaches.^{29, 30} Further, two waivers provided states with procedural flexibilities intended to reduce the likelihood of participants having their case closed because of a delay in submitting paperwork and then having to re-apply.

While our analysis suggests that the majority of state policy flexibilities potentially reduced the likelihood of errors, 3 of the 33 flexibilities we reviewed likely increased it, and the remaining 13 likely had a mixed or minimal to no effect.

- *The three options that we assessed as having potentially increased the likelihood of payment errors* increased the number of calculations caseworkers needed to do or added a step to the eligibility determination process. For example, two options increased the conditions for which a participant could be disqualified, such as for lack of cooperation with a child support enforcement agency. This

²⁹Diminished face-to-face contact may increase the potential for recipient fraud, potentially increasing errors and negatively affecting program integrity.

³⁰In a recently finalized rule, FNS identified changes in operation that potentially increase the difficulty of households reporting required information (which could include implementation of a SNAP call center or online change reporting) as major changes in the operation of a SNAP program and has required that such changes be evaluated to assess the impact of the changes on the payment error rate, among other things. Supplemental Nutrition Assistance Program: Review of Major Changes in Program Design and Management Evaluation Systems, 81 Fed. Reg. 2725 (Jan. 19, 2016).

added a step for staff to determine whether an applicant or participant met these conditions, thereby increasing the opportunity for error.³¹

- *Four options had characteristics that we assessed as having the potential to both increase and decrease the likelihood of payment errors.* For example, the BBCE state option may have decreased improper payment rates in states that adopted it and, in effect, eliminated SNAP asset limits, as determining household assets can be a cause of error. In these states, participants no longer needed to provide documentation of assets, and caseworkers no longer needed to verify these amounts. At the same time, as we previously reported, because BBCE allowed some states to, in effect, increase the SNAP gross income limit, the policy may have resulted in greater numbers of households with earned income participating in SNAP.³² According to USDA's data on causes of error, determining household income is the most common cause of error when determining benefit amounts. Seven states had BBCE policies in fiscal year 2006, versus 42 states in fiscal year 2015. Thus the impact of this option on payment errors may have increased over the last 10 years, although the overall direction of this option's effect on the improper payment rate is unclear.
- *The nine options and waivers that we assessed as not having affected the likelihood of payment errors* changed SNAP eligibility or administrative procedures without introducing significant simplification or complexity. For example, one option allowed states to count child support payments as an income exclusion rather than a deduction when determining the payer's eligibility and benefits. While this option changed the eligibility determination process, the applicant needed to provide the same information, and the caseworker needed to process it. Another example is a waiver that allowed states to issue electronic notices to clients who elect to receive notices via email rather than paper mail.

³¹Note that cases that were incorrectly terminated would be considered in the rate for improper denials, suspensions, and terminations. The active case improper payment rate, which is the focus of this report, would have been affected by instances where the household should have been disqualified but was mistakenly allowed to remain on the program.

³²GAO, *Supplemental Nutrition Assistance Program: Improved Oversight of State Eligibility Expansions Needed*, GAO 12-670, (Washington, D.C.: July 26, 2012).

Federal Policy Changes That Likely Affected the Improper Payment Rate Changed Which Errors Are Counted as Improper Payments

While there were many federal SNAP policy changes in the last 10 years, we found that few likely affected improper payment rates, based on our analysis of FNS documents. Those that likely did (1) made changes to the dollar threshold below which an error is excluded from the improper payment rate calculation, (2) excluded certain income and resources for eligibility and benefit determination purposes, and (3) required certain types of data matching.

- Federal policy changes in the SNAP error tolerance threshold, or the dollar threshold below which an error is excluded from the SNAP error rate calculation, likely had a direct effect on the error rate.³³ During the last 10 years, the threshold has been changed several times through federal statute and regulations, and FNS attributed the 2014 increase in the SNAP error rate to a decrease in the error tolerance threshold from \$50 to \$37.³⁴
- Some federal policy changes that resulted in fewer sources of income and resources being considered during the eligibility and benefit determination process may have also affected the likelihood of errors. These changes reduced participant reporting requirements and caseworker verification requirements, but they also may have increased confusion regarding what sources of income and resources to report.³⁵

³³ For example, when the error tolerance threshold was \$50 for part of fiscal year 2009 and from fiscal year 2012 to fiscal year 2013, a household that received a monthly benefit amount found to be \$40 in error was not counted as an error when calculating the error rate. However, in fiscal year 2014, when the error tolerance threshold was \$37, a \$40 error was counted as an error when calculating the error rate.

³⁴ FNS has also previously linked these two factors. FNS estimated that the increase in the threshold from \$25 to \$50 for 6 months in fiscal year 2009, decreased the error rate for that year by 15 percent. However, error tolerance threshold changes do not always track with the overall error rate changes, likely because there are many factors affecting error rates simultaneously.

³⁵ For example, in 2009, legislation was enacted requiring that additional unemployment compensation payments should be excluded from consideration as income and resources for purposes of SNAP eligibility and benefit determination. However, because only the supplemental \$25 unemployment compensation payment (and not the regular unemployment compensation payment) was excluded, this supplemental payment needed to be separated from other unemployment compensation received when calculating income for SNAP, potentially increasing confusion and opportunities for error.

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- A federal policy change that increased requirements for data matching may have reduced the likelihood of errors by improving the accuracy of eligibility and benefit determination, but the quality and timeliness of the data may have mitigated that effect, according to our analysis and prior work.³⁶

SNAP's Improper Payment Rate Calculation Methodology Is Similar to Those of Medicaid, EITC, and SSI, although Some Differences May Affect the Resulting Rates

SNAP and other large federal programs for low-income individuals, such as Medicaid, EITC, and SSI, report improper payment rates, as shown in table 2. There are some similarities to how these improper payment rates are calculated by the agencies overseeing these programs, though there are also certain differences in these programs' improper payment rate calculations that may affect the resulting rates.³⁷ However, the extent of the effect of these differences on the programs' rate is unknown, in part because, as previously noted, programs' rates are likely affected by many additional factors, such as changes in numbers of applicants and participants, staffing, and program policy.

³⁶ For example, in 2012, FNS began requiring states to conduct a data match to check whether a person applying in one state was disqualified in another state, so that the receiving state could impose appropriate penalties. The required match would help ensure that clients who are supposed to be disqualified for a certain period or permanently are not granted benefits, reducing opportunities for improper payments. However, we reported in 2014 that the quality and timeliness of the data were impeding the effectiveness of this data match, thereby mitigating the effect of this policy change on the improper payment rate. See [GAO-14-641](#).

³⁷ Although we selected EITC, Medicaid, and SSI to compare to SNAP, other federal programs that provide benefits to low-income individuals have still different approaches to estimating their improper payments. For example, other USDA programs, such as the National School Lunch program and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), rely on periodic nationally representative studies to produce improper payment rate estimates.

Table 2: Estimated Improper Payment Rates Reported in Fiscal Year 2015 Agency Financial Reports for SNAP, Medicaid, EITC, and SSI

| Program | Improper Payment Rates |
|--|------------------------|
| Supplemental Nutrition Assistance Program (SNAP) | 3.7% |
| Medicaid (eligibility component) | 3.1% ^a |
| Earned Income Tax Credit (EITC) ^b | 23.8% |
| Supplemental Security Income (SSI) | 8.5% |

Source: Relevant federal agencies. | GAO-16-708T

Note: SNAP and SSI rates are reported at a 95 percent confidence level and EITC and Medicaid rates are reported at 90 percent confidence levels and all estimates are reported within plus or minus 2.5 percentage points. Improper payment rates reported in the fiscal year 2015 agency financial reports may pertain to a different period in which benefits were paid, for example the SNAP improper payment rate is for benefits paid in fiscal year 2014.

^aThe overall Medicaid improper payment rate was 9.8 percent, which combines component improper payment rates for eligibility, fee-for-service, and managed care.

^bFor EITC, this accounts for improper payments net of erroneous payments recovered.

SNAP’s Improper Payment Rate Calculation, Including How Cases are Chosen for Review, is Similar to Other Selected Programs

The methodology that SNAP uses to calculate its improper payment rate is generally similar to the methodologies used for other large federal programs for low-income individuals, specifically Medicaid,³⁸ EITC, and SSI. The federal agencies overseeing each of these programs provide guidance on improper payment rate calculation to those administering the program—state officials for SNAP and Medicaid, and federal officials for EITC and SSI. To calculate their improper payment rates, all four programs use similar sampling methods, draw samples generally representative of their recipients, and report their improper payment rates at similar levels of precision. (See table 3.) For example, each program employs a probability sampling methodology, based on a form of random selection, to select which cases they will review to determine the improper payment rate. Further, the programs generally draw samples from all individuals receiving program benefits. We also found that all four

³⁸ We previously reviewed the methodology for estimating a national improper payment rate for Medicaid and found it to be statistically sound. See, GAO, *Medicaid: Enhancements Needed for Improper Payments Reporting and Related Corrective Action Monitoring*, [GAO-13-229](#) (Washington, D.C.: March 29, 2013).

programs estimate their improper payment rates with high levels of precision.³⁹

Table 3: SNAP, Medicaid, EITC, and SSI Employ Similar Sampling Methodology Factors For Their Reviews to Determine Improper Payment Rates

| Sampling Methodology Factors | Approach Employed |
|------------------------------|--|
| Statistical Method | Probability sampling |
| Sample Selection | Stratifies or allows for stratification |
| Sample Representation | All recipients in active cases generally represented |
| Estimate Precision | Reports estimates at high levels of precision |

Source: GAO analysis. | GAO-16-708T

Several Differences among the Selected Programs, Including How Cases Are Factored into the Improper Payment Rate Calculation, Likely Affect the Resulting Improper Payment Rates

We found differences between SNAP and Medicaid, EITC, and SSI in how reviews are conducted to determine improper payments and how cases are factored into the improper payment rate calculation. Some of the procedural and methodological differences in the improper payment rate calculation among these programs likely affect the resulting improper payment rates.

How Case Reviews Are Conducted

There are some differences between how reviews are conducted to determine improper payments in SNAP and the three other federal programs for low-income individuals we reviewed, such as the reporting time frame, federal or state involvement in the review, and the extent of the review. (See table 4.)

³⁹ In its improper payments guidance, the Office of Management and Budget (OMB) recommends that agencies report improper payment rates at 90 percent confidence interval of plus or minus 2.5 percent or 95 percent confidence interval of plus or minus 3 percent.

Table 4: Key Aspects of How Reviews Are Conducted to Determine Improper Payments in SNAP and Select Other Federal Programs for Low-Income Individuals (EITC, Medicaid, and SSI)

| Program | Time frame of improper payments reported in agency financial reports | Review levels | Extent of review |
|--|---|--|---|
| Supplemental Nutrition Assistance Program (SNAP) | Benefits that were paid in the prior year. | Two levels of review (state & federal) | Contact the recipient |
| Medicaid | Benefits paid in the prior three years; reviewing benefits paid in one-third of states each year. | State review only | Rely on case file, but permitted to contact the recipient |
| Earned Income Tax Credit (EITC) | Credits allowed in the tax year four years prior. ^a | Federal review only | Contact the recipient |
| Supplemental Security Income (SSI) | Benefits that were paid in the prior year. | Federal review only ^b | Contact the recipient |

Source: GAO analysis. | GAO-16-708T

^aThe EITC improper payment rate is determined from previously reviewed returns from the most recent year from which compliance information is available and that rate is used for the current year. For the improper payment dollar amount, the improper payment rate is multiplied by the amount of EITC claims in the current year, less the amount of revenue recovered or protected.

^bAccording to SSA officials, the initial federal SSI case reviews are subject to a secondary SSI review to ensure consistency. For the second review, 5 percent of cases initially reviewed are randomly selected, as well as all cases with payment errors.

SNAP, Medicaid, EITC, and SSI differ in the time frames relied on to determine improper payment rate estimates reported in the same year. Specifically, SNAP and SSI report each year’s improper payment rate based on reviews of benefits paid in the prior year, whereas Medicaid relies on multiple years of data and EITC uses older prior year data. For example, SNAP and SSI improper payment rates reported in their fiscal year 2015 agency financial reports were for reviews of benefits that were paid in fiscal year 2014. In contrast, Medicaid’s annual improper payment rate stems from a three-year rolling rate of state estimates. Each year, one-third of the states produce an improper payment rate estimate for Medicaid; and thus, the nationwide fiscal year improper payment rate reported in the fiscal year 2015 agency financial report included reviews of benefit payments in fiscal years 2012, 2013, and 2014. EITC estimates the amount of improper payments in a current year, using an improper payment rate based on reviews done for tax returns filed four years prior. For example, the EITC improper payment rate of 23.8 percent, reported in the Department of Treasury fiscal year 2015 agency financial report is from the review of 2011 tax returns.

The programs we reviewed also differed in the levels of government involved in the case reviews, as well as whether a secondary review is conducted for verification. Although they are both state-administered,

SNAP and Medicaid differ in that both state and federal officials review cases for SNAP, but according to Department of Health and Human Services (HHS) officials, states alone review cases for Medicaid. Specifically, for SNAP, federal officials review a subsample of cases to verify the accuracy of state reviews, and if differences are found, the state's improper payment rate is adjusted. According to federal officials, states are not involved in SSI and EITC reviews because these programs are federally-administered. However, according to SSA, there is a secondary review of SSI cases for consistency at the federal level,⁴⁰ while according to IRS, for EITC there is no systematic secondary review. When the SSI consistency review finding differs from the initial review finding, the case payment amount is adjusted and included in the improper payment rate computation.

The extent to which officials review information beyond what is in the recipient's case file also differs between the programs we selected, such as with Medicaid, which may affect improper payment rates. For example, SNAP reviewers must contact recipients to obtain information to independently determine eligibility and benefit amounts, while according to HHS officials, Medicaid reviews can be conducted from information solely in the case file. While this can result in SNAP reviewers finding additional information not included in the case file that was necessary to determine whether the benefit amount was correct, it can also result in reviewers not being able to complete the review if they cannot make contact with the recipient. Like SNAP, the SSI and EITC reviewers also generally contact recipients.⁴¹

Cases Factored into the Improper Payment Rate Calculation

Differences in how cases are factored into the improper payment rate calculation also exist among SNAP and the other federal programs for low-income individuals we reviewed, which likely affect the resulting improper payment rates. These differences relate to how cases with

⁴⁰According to SSA officials, the SSI consistency reviews are done on five percent of reviewed cases, selected at random, as well as all cases with payment errors.

⁴¹EITC reviewers check the accuracy of the taxpayer's eligibility and the amount claimed on tax returns and not the accuracy of a determination made by a caseworker from a client's application. Tax credit recipients self-certify their eligibility and claim and do not need to meet with caseworkers, nor submit up-front documentation as is required with other programs.

insufficient information and those found to have certain kinds of errors are factored into the improper payment rate.⁴² (See table 5.)

Table 5: Key Aspects of How Cases Are Factored into the Improper Payment Rate Calculation for SNAP and Select Other Federal Programs for Low-Income Individuals (Medicaid, EITC, and SSI)

| Program | Treatment of cases for which review cannot be completed ^a | Errors excluded from the improper payment rate calculation |
|--|---|--|
| Supplemental Nutrition Assistance Program (SNAP) | Dropped from sample, but an adjustment is made | Case errors below \$37 (in fiscal year 2014) ^c Errors caused by a policy change in the 120 days after implementation |
| Medicaid | Full benefit amount counted as error | None |
| Earned Income Tax Credit (EITC) | If taxpayer does not respond, remains in sample, but an adjustment is made. ^b If taxpayer responds, but is unable to provide documentation, the full benefit amount is counted as error | None |
| Supplemental Security Income (SSI) | Dropped from sample | Errors caused by a policy change in the 6 months after implementation |

Source: GAO analysis. | GAO-16-708T

^aA case review cannot be completed when an agency's review is unable to discern whether a payment was proper because of insufficient or lack of documentation.

^bAccording to IRS officials, such cases are considered non-response cases and an adjustment is made to the improper payment rate calculation assuming that such cases have the same ratio of compliance to non-compliance characteristics as taxpayers who participate in the audits.

^cSNAP has an error reporting threshold, which is the dollar amount beneath which a case error is not included in the error rate.

⁴²Another difference across the four programs relates to adjustments that are made to the improper payment rate to account for improper payments that are recovered from the recipient by the federal agency. Unlike SNAP, Medicaid, and SSI, the EITC includes recovered overclaims in its rate calculation, according to federal officials. If IRS reviews of EITC cases, for which the credit has already been paid, determine that IRS should reduce or deny the EITC claim, the IRS must recover the amount that was previously paid. The amount of such overclaims that are recovered is subtracted from the amount of the overclaims determined by a reviewer, reducing the amount of improper payment used in computing the error rate.

For some cases, the reviewer may have insufficient information to assess the accuracy of the eligibility and benefit determination, and the programs we reviewed treated these cases somewhat differently in the improper payment rate calculation. For example, according to FNS officials, for SNAP, these cases are removed from the sample so that neither the benefit payments or any potential dollar error amounts are factored into the improper payment rate calculation, though the rate calculation may be adjusted depending on the proportion of reviewed cases in this category.⁴³ According to SSA, such cases are removed from the SSI improper payment rate calculation, and no adjustment is made to the improper payment rate. In contrast, according to HHS officials, in Medicaid cases where there is insufficient information to make an error determination, the full benefit amount is counted as an error in the improper payment rate calculation. EITC policy on incomplete cases varies depending on whether contact is made with the taxpayer. Specifically, if the taxpayer responds to the audit inquiry, but is unable to provide the required documentation, the full amount of the credit is considered to be in error. However, according to IRS officials, if the taxpayer cannot be reached to participate in the audit, the case is not completed, and an adjustment is made to the improper payment rate calculation.⁴⁴

Generally, unlike the other federal programs for low-income individuals we reviewed, SNAP excludes certain errors from its improper payment rate calculation. For example, as previously noted, SNAP excludes errors below a specific dollar threshold from its error rate calculation, while according to federal officials, the other programs we selected did not exclude identified errors below a specific dollar threshold.⁴⁵ FNS's data on payment errors suggests that the threshold has a direct effect on the

⁴³Under federal regulations, FNS makes an adjustment to a state's error rate if more than two percent of the state's cases selected for review could not be completed, such as when the reviewer could not contact a recipient or the household refused to cooperate. See 7 C.F.R. § 275.23(b)(2)(iii).

⁴⁴According to IRS officials, such cases are considered non-response cases and an adjustment is made to the improper payment rate calculation assuming that such cases have the same ratio of compliance to non-compliance characteristics as taxpayers who participate in the audits.

⁴⁵As previously noted, the fiscal year 2014 threshold below which SNAP improper payments were not included in the error rate, based on SNAP law, was \$37.

SNAP error rate. Specifically, in our analysis of FNS's quality control data for fiscal year 2013, we found that 31 percent of all cases reviewed had errors that were below the threshold, 6 percent had errors that exceeded the threshold, and 64 percent had no errors.⁴⁶ Further, the reviewed cases determined to have errors below the threshold—which were not included as errors in the error rate calculation—accounted for 38 percent of all SNAP dollars paid in error. In addition, for SNAP, errors are not included in the rate calculation if they are related to recent program changes; within 120 days.⁴⁷ Similarly, according to SSA officials, such errors are not included in the SSI rate calculation if they are found to have occurred within 6 months of a change.⁴⁸ According to federal officials, neither Medicaid nor EITC has such a provision.

Another difference between SNAP and the other programs we reviewed relates to bonuses to reduce error rates. Specifically, SNAP provides states with financial bonuses and sanctions to reduce or maintain low error rates, a policy which differs from Medicaid, EITC, and SSI.⁴⁹ For fiscal year 2014 state improper payments, FNS selected 10 states to share \$24 million in bonuses for best payment accuracy and most improved payment accuracy.⁵⁰ This policy differs from the other programs we reviewed likely due, in part, to differences in program structure. For

⁴⁶Percentages exceed 100 percent due to rounding.

⁴⁷Under SNAP, errors resulting from the application of new SNAP regulations or implementing memorandum of changes in federal law are generally to be excluded from the error rate if they are within 120 days of the required implementation date. See 7 U.S.C. § 2025(c)(3)(a) and 7 C.F.R. § 275.12(d)(2)(vii).

⁴⁸According to SSA officials, errors caused by significant program changes are not included in the SSI rate calculation if they are found to have occurred within 6 months of the change; however, they stated that there have not been significant changes that would invoke this provision since 2005.

⁴⁹See 7 U.S.C. § 2025 and 7 C.F.R. §§ 275.23-275.24.

⁵⁰In a June 24, 2016 letter to states, USDA said that it will complete a thorough review of quality control systems in all states before making decisions about the disbursement of the payment accuracy bonuses. These payments had not been made, because of FNS concerns about the integrity of the state data, based on FNS reviews. The USDA OIG had previously found that states had used practices to weaken the quality control review process, including the use of third-party consultants and error review committees to mitigate individual errors identified by reviewers. See, USDA, Office of Inspector General, *FNS Quality Control Process for SNAP Error Rate*, Audit Report 27601-0002-41, September, 2015.

example, according to Medicaid federal officials, states have an inherent incentive to reduce Medicaid improper payments because they share in Medicaid program costs. Further, given that SSI and EITC are federally administered programs, they have no state-based incentives.⁵¹

Despite differences among some federal programs' improper payment rate calculations, federal agencies are generally required to comply with relevant federal laws governing the estimation of improper payment rates. We are currently assessing the SNAP improper payment rate calculation in light of these laws and the relevant OMB implementing guidance and plan to report on these findings in the future.

States and FNS Have Taken Steps to Address SNAP Recipient Fraud That May Help Address Identified Challenges

Fraud is a key indicator of program integrity and FNS and state agencies partner to address it. As previously noted, improper payments made to SNAP households may be caused by caseworker or recipient errors, and intentional errors made by recipients are considered fraud, as are other recipient and retailer actions that qualify as misuse of benefits. FNS and the states work together to address SNAP recipient fraud, employing various tools that are specifically targeted at detecting recipient fraud. These tools have evolved over time with changes to the SNAP program and the ways in which SNAP recipient fraud occur.

In 2014, we reported that selected states said they employed a range of tools to detect potential SNAP recipient eligibility fraud, such as data matching and referrals obtained through fraud reporting hotlines and websites.⁵² 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. For example, all 11 states reported matching recipient data against prisoner and death files. In addition, we found that four of the states we reviewed used additional specialized searches to check numerous public and private data sources, including school enrollment,

⁵¹However, according to SSA officials, the agency uses its annual performance appraisals to hold SSI managers, supervisors, and field office employees accountable for reducing improper payments.

⁵²See [GAO-14-641](#).

vehicle registration, vital statistics, and credit reports, to detect potential fraud prior to providing benefits to potential recipients.

To address recipient trafficking of benefits—the exchange of benefits for cash or non-food goods or services, in 2014, officials in the 11 selected states reported that they took various actions recommended or required by FNS. For example, all 11 states reported tracking recipients who requested 4 or more replacement electronic benefit transfer (EBT) cards in a 12-month period. States issue an eligible household’s monthly SNAP benefits on an EBT card, and recipients use the cards to purchase allowable food items at authorized retailers. FNS has required that states track recipients who request multiple EBT replacement cards because some recipients who have trafficked their benefits contact state agencies to report their sold cards as lost or stolen and receive new, replacement cards, which they then use for future transactions. For recipients identified through such tracking, states generally must warn them that the purchases they are making with their SNAP benefits through their EBT transactions, are being monitored. All 11 states also reported reviewing EBT transactions in an attempt to uncover patterns that may indicate trafficking, as recommended by FNS, though these efforts varied by state. For example, while Florida officials reported that they routinely review EBT transaction data for suspicious patterns, Texas officials reported that they only review transactions for individuals or households after they have been referred to them because of potential fraud. Further, 8 of the 11 states reported using either automated tools or manual monitoring to detect postings on social media and e-commerce websites by individuals seeking to sell SNAP benefits, as recommended by FNS.

However, we also reported in 2014 that these states noted that inadequate staffing levels limited the effectiveness of their actions to detect recipient fraud, though some states were exploring ways to address this issue. Among the 11 selected states, there was wide variation in the number of staff available to investigate potential SNAP recipient fraud, and investigators each had additional responsibilities unrelated to SNAP fraud investigations. Further, 8 of the 11 selected states reported difficulties in conducting fraud investigations due to either reduced or maintained staff levels, while SNAP recipient numbers greatly increased from fiscal year 2009 through 2013. To help address this issue, 6 of the states reported that they had implemented or were in the process of implementing state law enforcement bureau (SLEB) agreements at the time of our 2014 report. These agreements 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. Some states also suggested changing the financial incentive structure to promote fraud investigations. To help address the increased caseloads and the resources needed to conduct investigations, we recommended that USDA explore ways that federal financial incentives could be used to better support cost-effective anti-fraud strategies. At this time, FNS has decided not to pursue bonus awards for anti-fraud and program integrity activities.

Also in 2014, some states reported that limitations of FNS’s required approach to monitoring replacement card data also challenged their efforts to combat recipient fraud. Specifically, at the time of our review, four states reported that they had not initiated any trafficking investigations as a result of the EBT replacement card data monitoring required by FNS, and five states reported a low success rate for such investigations. Through our own analysis of replacement card data combined with EBT transaction data that suggested trafficking, we found indicators of potential SNAP trafficking in households with excessive replacement cards, suggesting that a more targeted approach than that required by FNS may improve states’ efforts to identify recipient trafficking. As a result of these findings in 2014, we recommended that FNS 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 how to better focus this analysis on high-risk households potentially engaged in trafficking. In response, FNS officials reported that they have provided some states with technical assistance on how to effectively utilize replacement card data as a potential indicator of trafficking and have plans to expand their assistance to states in this area. Specifically, FNS has worked with seven states to help them 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. FNS officials also stated that they are providing four additional states with technical assistance in fiscal year 2016, and FNS is currently conducting a training program for state staff to teach them how to build predictive models that incorporate the use of card replacement data.

Further, although an FNS-recommended automated tool for monitoring potential SNAP trafficking on e-commerce websites was intended to replace the need for states to perform manual searches on these websites, we found the tool to be of limited use. Specifically, our testing found that manual searches returned more postings indicative of potential SNAP trafficking than the automated tool, and that most of the postings detected through manual searches were not detected by the automated tool. As a result, in 2014 we recommended that FNS reassess the effectiveness of the current guidance and tools recommended to states for monitoring e-commerce and social media websites, FNS officials reported that they continue to provide technical assistance to states on the effective use of social media and e-commerce monitoring. FNS officials also reported that the agency conducted an analysis in 2016 to evaluate states' current use of social media in their detection of SNAP trafficking, and they plan to use information from that analysis to determine how best to present further guidance to state agencies on using social media to combat trafficking.

In 2014, we also found that FNS had increased its oversight of state anti-fraud activities by issuing new regulations and guidance, conducting state audits, and commissioning studies on recipient fraud since fiscal year 2011.⁵³ Despite these efforts, we found that FNS did not have consistent and reliable data on states' anti-fraud activities because its reporting guidance lacked specificity. For example, FNS's guidance did not define the kinds of activities that should be counted as investigations, resulting in data that were not comparable across states. This limited USDA's ability to monitor states and find more effective ways to combat recipient fraud. 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 guidance and training, to enhance the consistency of what states report on their anti-fraud activities. As of May 2016, FNS reported that it had redesigned the form used to collect consistent recipient integrity performance information and expect it to be implemented in fiscal year 2017, pending approval from OMB.⁵⁴ FNS also published an interim final rule on January 26, 2016 (effective March 28, 2016) that increased the frequency with which states

⁵³See [GAO-14-641](#).

⁵⁴See [GAO-16-719T](#).

are required to submit the form to FNS from annually to quarterly.⁵⁵ As of June 2016, FNS officials reported that they had provided four 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.

Chairman Conaway, Ranking Member Peterson, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

GAO Contact and Staff Acknowledgments

For questions about this statement please contact Kay E. Brown at (202)512-7215 or brownke@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 Rachel Frisk, Alexander Galuten, Kathryn O'Dea Lamas, Jean McSween, Daniel Meyer, and Srinidhi Vijaykumar.

⁵⁵ SNAP Requirement for National Directory of New Hires Employment Verification and Annual Program Activity Reporting, 81 Fed. Reg. 4159.

Appendix I: GAO Analysis of the Effect of State Policy Flexibilities on SNAP Payment Errors

We used a multi-step approach to assess the expected effect of each of the 33 state policy flexibilities we identified on the SNAP improper payment rate.¹ First, we reviewed prior GAO work, and FNS and USDA Office of Inspector General (OIG) documents, that describe the characteristics of policies that may affect the SNAP improper payment rate. See table 6 for a description of the policy characteristics we identified and the expected effect of those characteristics on the likelihood of errors. We then obtained a description of each state policy flexibility using the 2013 USDA State Options report, the 2016 USDA waivers database, and other FNS documents.² We analyzed which federal and state policy changes had the identified characteristics, and then we assessed the likely cumulative expected directional effect of each policy on the improper payment rate, depending on whether the policy change simplified or complicated program rules or increased or decreased caseworker paperwork, among other characteristics. For flexibilities that had multiple characteristics with potentially opposite effects on the likelihood of errors, we selected what we considered to be the primary effect, based on a review by two analysts. However, for some policies, we were unable to determine the primary effect and therefore categorized those policies as having a mixed effect—essentially, these policies had characteristics that suggested they both increased and decreased the likelihood of errors.

¹ These 22 options and 11 waivers come from USDA's most recent state options report (current as of September 2013) and USDA's waivers database (current as of March 2016). We excluded options and waivers that had been adopted by fewer than 5 states at the time of our review; this meant that we excluded no options and 12 waivers.

² In conducting this analysis, we did not analyze federal or state laws or regulations, and all descriptions and analysis of the various policy flexibilities are based on the documents and research we reviewed.

Table 6: Characteristics of State Policy Flexibilities GAO Examined and How They Might Potentially Affect Supplemental Nutrition Assistance Program (SNAP) Payment Errors

| Factor | Characteristic | Effect on Likelihood of Errors |
|--|------------------|--------------------------------|
| Program rules | Simplify | ↓ |
| | Complicate | ↑ |
| Requirements for participants to provide information | Less | ↓ |
| | More | ↑ |
| Caseworker paperwork | Less | ↓ |
| | More | ↑ |
| Characteristics of eligible population | Less error-prone | ↓ |
| | More error-prone | ↑ |
| Others, such as program administration or procedures | Simplify | ↓ |
| | Complicate | ↑ |

Source: GAO. | GAO-16-708T

Note: We did not review program laws and regulations, but we identified when descriptions of flexibilities addressed similarities across programs. Greater similarity in program rules decreases household and caseworker confusion, as caseworkers may be responsible for determining eligibility for multiple programs.

We grouped the 33 state policy flexibilities into four categories, those that: potentially reduced the likelihood of errors; potentially increased the likelihood of errors; likely had a mixed effect; or likely had no effect. Tables 7, 8, 9, and 10 divide the policy flexibilities into these categories, describe each, and provide our assessment of each flexibility’s likely effect on errors.

Table 7: Seventeen Options and Waivers That Potentially Reduce the Likelihood of Supplemental Nutrition Assistance Program (SNAP) Payment Errors

| Option/Waiver | Description | Explanation ^a |
|---|--|---|
| Flexibilities that simplified program requirements | | |
| Simplified Reporting option | Requires participants to report only if their income rises above 130 percent of the federal poverty guidelines, instead of requiring a variety of changes to be reported, including household composition, income, and expenses. | Results in participants reporting fewer changes and reduces the amount of paperwork that caseworkers must process ^b . In 2005, USDA estimated that simplified reporting could have reduced the improper payment rate by 1.2 to 1.5 percentage points. ^c |
| Simplified Reporting – Certification Length option | Requires participants to submit a periodic report with household information at set intervals instead of requiring changes be reported within 10 days of their occurrence. | Results in participants reporting changes less frequently and reduces the amount of paperwork that caseworkers must process. |

Appendix I: GAO Analysis of the Effect of State Policy Flexibilities on SNAP Payment Errors

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| Simplified Income and Resources option | Excludes certain types of income and resources from SNAP eligibility and benefit determination requirements that are excluded under state TANF or Medicaid policy. | Increases uniformity in requirements across multiple programs for low-income individuals, which SNAP recipients may simultaneously receive and which are administered by the same caseworkers in some states. Therefore, this reduces program complexity and the potential for confusion by participants and caseworkers. |
| Simplified Self-Employment Determination option | Simplifies the method for determining the cost of doing business in cases where an applicant is self-employed. | Results in participants having to provide less documentation and simplifies paperwork for caseworkers. |
| Standard Medical Deductions waiver | Establishes a standard medical deduction in lieu of calculating actual medical expenses for individuals who are disabled or elderly. | Eliminates the need for participants to provide proof of all medical expenses and streamlines eligibility and benefit determination procedures for caseworkers by reducing the amount of information to be verified and documented. |
| Standard Homeless Housing Cost option | States can use a standard deduction from income of \$143 per month for homeless households with some shelter expenses. | Eliminates the need for participants to provide proof of all shelter expenses, which streamlines eligibility and benefit determination procedures for caseworkers by reducing the amount of information to be verified and documented. |
| Standard Utility Allowances (SUAs) option | Establishes a standard utility allowance in-lieu of using actual utility expenses. States that further make the SUA mandatory for all households opt out of the requirement to prorate SUAs for households that share living space. These states are also required to use a SUA that includes the heating and cooling costs of public housing residents with shared meters that are charged only for excess utility costs. | Eliminates the need for participants to provide proof of all utility expenses and streamlines eligibility and benefit determination procedures by reducing the amount of information caseworkers need to verify and document. Further, reduces the likelihood of a calculation error because the caseworker no longer has to prorate certain cases. |
| Transitional Benefits option | Establishes a set benefit amount for families transitioning off TANF, or other state-funded cash assistance, eliminating participant reporting requirements and reducing caseworker processing during the transition period. | Reduces participant reporting burden and reduces caseworker paperwork requirements at a time when the household's situation may be particularly subject to fluctuation. |
| Averaging Student Hours waiver | Students enrolled at least half-time in an institution of higher education, are ineligible to participate unless they meet at least one of several criteria. One criterion allows students to participate if they are employed for a minimum of 20 hours a week. The waiver allows state agencies to average the number of hours worked over a month in determining compliance with the student work requirement. | Reduces caseworker burden associated with needing to confirm the exact number of employment hours each week. |
| Interest Income Verification waiver | Enables state agencies to waive verification of income from interest and dividends if less than a certain amount. | Reduces the amount of verification the participant needs to supply and the amount of information the caseworker needs to verify. |
| Recertification Interview for Elderly or Disabled Individuals with No Earned Income waiver | Allows the state to waive the recertification interview for households in which all adult members are elderly or disabled and have no earned income. | Reduces the frequency with which recertification interviews need to happen, thus reducing the opportunity for the caseworker to discover changes in circumstances that would need to be documented and verified. |
| Flexibilities that modified procedures for receiving and processing information | | |

Appendix I: GAO Analysis of the Effect of State Policy Flexibilities on SNAP Payment Errors

| | | |
|---|--|--|
| Online Applications and Case Management | Allows SNAP applicants to apply for benefits online. Many state websites also allow clients to view information about their case or report changes in factors that affect eligibility or benefit levels. | May ease the completion of paperwork for the participant and the caseworker. Participants can complete applications and submit paperwork online. For the caseworker, information provided on-line may be easier to document, retrieve, and process. |
| Call Centers | Allows states to reduce the time local offices spend answering phone calls concerning general SNAP information and application and benefit status, conducting certification interviews, handling customer complaints, and processing changes. In some states, call centers go beyond these functions to directly certify and re-certify households. | May ease participant reporting of required household changes. May also reduce burden on local offices. |
| Modernization Initiatives | Allows states to take modernization initiatives which include a range of innovative managerial and technology solutions to increase efficiency. | May simplify program administration, for example, through specialization of caseworker tasks, as this enables staff to focus on certain aspects of the eligibility process, thus increasing efficiency and potentially reducing errors. |
| Document Imaging | Allows states to use document imaging to scan paper documents and convert them to digital images that are stored in an electronic format. | May simplify program administration by making applicant documentation electronically available, thus easing the certification process |
| Early Denial Waivers | FNS regulations allow households 30 days to provide verification prior to denying the household's application, in cases of missing documentation. Under the waiver, state agencies may deny an application if the applicant fails to provide verification within 10 days of the state agency's request. However, the client still has the right to provide the information by the 30th day and if she or he does so, the application must not be denied. | May help households avoid a disruption in benefits due to missing paperwork. Thus, this may prevent applicants from having to re-apply, which introduces more opportunities for error, than if the households had provided necessary verifications to continue their benefits. |
| Reinstatement waiver | Allows states to reinstate recently ineligible households without requiring a new application if the household provides verification required to reestablish eligibility during the calendar month following the effective date of closure. | May prevent applicants from having to re-apply, reducing application volume and the opportunity for participant or caseworker error. |

Source: GAO analysis of information in USDA's 2013 State Options report, USDA's SNAP Certification Policy Waiver Database (updated as of March 2016), and other FNS documents. | GAO-16-708T

Note: In conducting this analysis, we did not analyze federal or state laws or regulations, and all descriptions and analysis of the various policy flexibilities are based on the documents and research we reviewed.

^aFlexibilities may have had multiple characteristics that suggested opposite effects; in those instances we selected what we considered to be the over-riding or primary effect.

^bWhether the caseworker needs to process a change, which the caseworker comes to know about but that the participant was not required to report, depends on whether the state has a policy to act on all changes.

^cSee U.S. Department of Agriculture, Food and Nutrition Service, The Effect of Simplified Reporting on Food Stamp Payment Accuracy, October 2005.

Appendix I: GAO Analysis of the Effect of State Policy Flexibilities on SNAP Payment Errors

Table 8: Three Options That Potentially Increase the Likelihood of Supplemental Nutrition Assistance Program (SNAP) Errors

| Option/Waiver | Description | Explanation ^a |
|---|--|--|
| Comparable Disqualification option | Can disqualify SNAP applicants or recipients who fail to perform actions required by other federal, state, or local means tested public assistance programs. A state agency has the option to select the types of disqualifications within a program that it wants to impose on SNAP recipients. | Adds a step for caseworkers to determine whether disqualifications in other programs are to be imposed for SNAP. |
| Child Support-Related Disqualification option | Can disqualify individuals who fail to cooperate with child support enforcement agencies, who are in arrears in court-ordered child support payments, or both. | Adds a step for caseworkers to determine whether an applicant or participant met these conditions, thereby increasing the opportunity for error. |
| Simplified Deduction Determination option | Averages expenses that are billed more or less often than on a monthly basis. For example, if a household receives a single bill in February which covers a 3-month period, the bill may be averaged over February, March, and April. Conversely, a one-time only expense can be averaged over the entire certification period in which they are billed. | Requires an additional calculation to average a bill across several months instead of counting the bill in the month it was due. |

Source: GAO analysis of information in USDA's 2013 State Options report, USDA's SNAP Certification Policy Waiver Database (updated as of March 2016), and other FNS documents. | GAO-16-708T

Note: In conducting this analysis, we did not analyze federal or state laws or regulations, and all descriptions and analysis of the various policy flexibilities are based on the documents and research we reviewed.

^aFlexibilities may have had multiple characteristics that suggested opposite effects; in those instances we selected what we considered to be the over-riding or primary effect.

Table 9: Four Options That Likely Have a Mixed Effect on Supplemental Nutrition Assistance Program (SNAP) Payment Errors

| Option/Waiver | Description | Explanation |
|--|--|--|
| Simplified Reporting – Action on Change option | State agencies can act on all changes reported during the certification period, or to act only on certain changes. This option allows States that have combined SNAP/Temporary Assistance for Needy Families (TANF) programs to more seamlessly integrate. It avoids a situation where the TANF program has acted on a change, but SNAP has not, and decreases caseworker burden by aligning the programs. | If a state chooses to act on all changes, then caseworkers may have to process more household changes. However, this option could also lead to less participant and caseworker confusion due to aligned program requirements. |
| Ineligible Non-Citizens Income and Deductions option | Although ineligible non-citizens cannot receive SNAP benefits, their income is relevant to the SNAP determinations for other eligible individuals who live in their household. States have various options for counting the income and deductions of ineligible non-citizens, including to prorate these amounts. | If the state chooses to prorate income, this adds another step to the eligibility determination process, increasing program complexity. However, according to FNS, prorating for all ineligible non-citizens (as opposed to only for some) may simplify program administration because of uniform eligibility rules. |

Appendix I: GAO Analysis of the Effect of State Policy Flexibilities on SNAP Payment Errors

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|---|--|--|
| Broad Based Categorical Eligibility (BBCE) option | BBCE makes households categorically eligible for SNAP because they qualify for a non-cash TANF or state funded benefit, such as a pamphlet or 800 number. | In states that adopted BBCE and, in effect, eliminated SNAP asset limits, participants no longer need to provide documentation of assets and caseworkers no longer needed to verify these amounts. At the same time, in states that adopted BBCE and, in effect, increased the SNAP gross income limit, it may result in greater numbers of households with earned income participating in SNAP. According to USDA's data on causes of error, income is the most common cause of error when determining benefit amounts. |
| Drug Felony Disqualification option | Federal law permanently disqualifies people from SNAP participation if they have been convicted of a state or federal felony offense, based on behavior which occurred after August 22, 1996, involving the possession, use or distribution of a controlled substance. State legislatures can opt out of the penalty entirely or choose to impose less severe restrictions through a modified ban. | The effect of this option on the likelihood of errors depends on whether a modified ban or no ban is adopted. Under a modified ban, the level of case complexity appears to be similar to what it would be under a lifetime ban, as the caseworker would still need to delve into the participant's criminal justice background to ascertain what crime was committed. However, in a state with no ban, case complexity would be eased, as the caseworker would no longer need to research the client's criminal justice background. |

Source: GAO analysis of information in USDA's 2013 State Options report, USDA's SNAP Certification Policy Waiver Database (updated as of March 2016), and other FNS documents. | GAO-16-708T

Note: In conducting this analysis, we did not analyze federal or state laws or regulations, and all descriptions and analysis of the various policy flexibilities are based on the documents and research we reviewed.

Table 10: Nine Options and Waivers That Likely Have No Effect on Supplemental Nutrition Assistance Program (SNAP) Payment Errors

| Option/Waiver | Description | Explanation |
|---|---|--|
| Child Support Expense Income Exclusion option | Treats legally obligated child support payments made to non-household members as income exclusion rather than a deduction. This option helps to encourage payment of child support by excluding the amount paid from being considered part of the payer's gross income. | Has no effect on the amount of information participants need to provide nor does it change case processing, as a household's child support payment still needs to be assessed, verified, and documented. |
| Work Requirements and Disqualification option | Individuals who fail to comply with SNAP work requirements without good cause are ineligible for program benefits and disqualified from SNAP for certain periods of time, depending on how many prior instances of non-compliance there have been. The law gives states the options to 1) set disqualification periods longer than these minimum mandatory periods, 2) make the disqualification permanent upon the third occurrence, and 3) sanction the entire household if the head of household fails to comply with work requirements. | Does not change case processing, as caseworkers still have to undertake the disqualification/sanction process. |

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| Option/Waiver | Description | Explanation |
|--|---|--|
| Names for SNAP option | As of Oct. 1, 2008, the name for the Food Stamp Program changed to Supplemental Nutrition Assistance Program (SNAP). At the state level, state agencies may adopt the new program name SNAP, continue to refer to their program as the Food Stamp Program, or choose an alternate name. | Has no effect on the likelihood of errors. |
| Electronic Notices waiver | Allows the states to issue electronic notices to clients who elect to receive notices via email rather than paper mail. | Affects the method of communication with the client, not program requirements. Has no effect on the amount of information participants need to provide, nor does it change case processing. |
| Not Pay for Postage for Change Reports waiver | Waives the use of postage paid envelopes for change report forms. | Has no effect on the information that participants need to report and the caseworkers need to verify. |
| Postpone Expedited Service Interviews waiver | Allows the state to postpone the certification interview for certain expedited service households for up to 2 months, provided that household identity is verified and staff have attempted to contact the household for interview. | Delays the information participants need to report and that caseworkers need to verify; thus it does not ease program requirements but rather changes the timeframes. If a case were selected for quality control review and the interview had not yet been completed due to the waiver, differences in the quality control determined benefit amount and the actual amount that were discovered through an interview would not be considered an error because of the existence of the waiver. |
| Provide Paper Copy of Online Application waiver | Allows the state to waive its obligation to provide a copy of the online application information to clients who do not request a copy. | Has no effect on the likelihood of errors. |
| Telephone Interview In-Lieu of Face-to-Face Interview waiver | Enables states to allow interviews via telephone in lieu of a face-to-face interview without the need to document client hardship. | Has no effect on the amount of information participants need to provide, nor does it change case processing. FNS has reported that it found little evidence that the likelihood of errors was affected by the interview method. |
| On-Demand Interview waiver | Allows the state to waive interview scheduling requirements, allowing clients the option to call the state to complete the interview during business hours within a certain time period. | Has no effect on the amount of information participants need to provide, nor does it change case processing. |

Source: GAO analysis of information in USDA's 2013 State Options report, USDA's SNAP Certification Policy Waiver Database (updated as of March 2016), and other FNS documents. | GAO-16-708T

Note: In conducting this analysis, we did not analyze federal or state laws or regulations, and all descriptions and analysis of the various policy flexibilities are based on the documents and research we reviewed.

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