

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL

**STATEMENT OF
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Rules

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Good morning, Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and Members of the Subcommittees. Thank you for the opportunity to testify about the Department of Agriculture's (USDA) Office of Inspector General's (OIG) work regarding the Supplemental Nutrition Assistance Program (SNAP). My testimony today will provide an overview of SNAP, outline the role of OIG Investigations, highlight collaborative efforts between OIG and other agencies to combat SNAP fraud, and discuss several trends regarding SNAP fraud.

SNAP Overview

SNAP is USDA's largest program in terms of both dollars spent and number of recipients. In fiscal year 2017, recipients redeemed close to \$63 billion in benefits. The latest available information shows that, through June 2018, more than 41 million people redeemed \$46 billion in SNAP benefits. SNAP is also an important part of the food safety net for Americans, especially in times of economic hardship.

Much of the public still knows SNAP as "the food stamp program," even though it was renamed officially in 2008. The Food and Nutrition Service (FNS), which administers SNAP, moved away from using the paper coupon system to providing benefits through electronic benefit transfer (EBT) system in the 1990s. Under the EBT system, recipients receive a plastic card, similar to a bank card, which they may use at FNS-approved retailers to redeem their benefits. In addition to eliminating cumbersome paper food coupons, EBT creates an electronic record that may indicate the potential misuse of SNAP benefits. As of July 2004, all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam have all operated State-wide, city-wide, and territory-wide EBT systems to issue food assistance and benefits.

OIG Oversight of SNAP

In providing oversight of SNAP, OIG employs a two-pronged approach involving audits and criminal investigations. OIG Audit staff conducts reviews of SNAP intended to improve FNS' overall management controls for the program, while Investigations staff conducts criminal

investigations into alleged fraud perpetrated against the program. The Office of Investigations utilizes specific law enforcement authorities, tools, and techniques to conduct these investigations, and this work is intended to result in appropriate actions to resolve allegations and to prevent and deter instances of illegal or fraudulent acts or misconduct.

Given the importance of ensuring SNAP's integrity, OIG devotes about 43 percent of its investigative resources to SNAP-related criminal investigations. Our main focus is on fraud committed by retailers, primarily because FNS is responsible for directly reimbursing retailers, while States are responsible for ensuring that individual recipients are eligible to receive benefits and that they use those benefits appropriately. Our investigations of retailers, however, often disclose individual recipients who have violated SNAP requirements, and we work with State and local prosecutors to respond to these violations. While it is ultimately FNS' responsibility to take administrative action against bad actors and keep such persons from re-entering the program, OIG devotes considerable resources to help FNS ensure the integrity of SNAP as part of our mission to promote the integrity, efficiency, and effectiveness of USDA programs and operations.

Our investigations yield tangible and direct benefits to the Government, including criminal prosecution, significant fines and penalties, restitution, and asset forfeiture. In the past 5 years, we have completed 857 SNAP investigations that have resulted in 2,302 indictments and 2,335 convictions. During that time, our monetary results have totaled \$463 million.

OIG Investigations

OIG receives information regarding allegations of criminal activity, including SNAP fraud, from three primary sources: (1) USDA agencies that have identified potential fraud and refer it to OIG for further investigation; (2) allegations from other Federal, State, and local law enforcement agencies; and (3) information from the public. When those allegations are received, preliminary work is done to assess the validity of the allegation. Preliminary work may include discussions with USDA program agencies, database checks, and interviews. These steps assist us in determining whether to initiate an investigation.

One key factor in determining whether to initiate an investigation involves discussions with the respective U.S. Attorney's Office or other prosecutors to determine their willingness to prosecute an individual if the allegations of criminal activity can be proven. Each U.S. Attorney's Office and other prosecutors across the country have differing requirements and thresholds for prosecution. If the investigation is declined for prosecution, OIG refers the matter to the corresponding USDA agency to determine if it is able to pursue administrative action against the individual or company.

When a SNAP investigation is initiated, we coordinate our investigative activities and share information with the U.S. Attorney's Office or prosecuting office. There are a number of techniques that can be employed to help obtain evidence of the crime. By working with the prosecuting office, OIG can establish probable cause and execute search warrants to obtain additional evidence. If enough evidence is obtained, the subject will be charged and ultimately arrested. The results of our investigative work are shared with FNS. FNS may be able to pursue additional administrative action against the subjects of the investigation, such as disqualification from the program or debarment from other Government programs.

Collaborative Efforts

Prosecuting a SNAP case does not always involve OIG alone. Many times, prosecuting a SNAP case is a collaborative effort between OIG and other agencies. For example, in certain circumstances, we investigate SNAP recipients who illegally exchange their benefits for cash. By sharing this information with relevant law enforcement agencies, we help States pursue prosecution or disqualify recipients from the program. We also sometimes investigate recipients who provide false information to receive benefits. For instance, two individuals were the employees of an individual who owned a number of businesses. The owner and employees created a series of fictitious companies, then filed fraudulent tax returns for nonexistent employees. The owner and employees also applied for unemployment benefits using stolen Social Security Numbers and falsified SNAP applications to receive benefits to which they were not entitled. In July 2017, the owner was sentenced to 75 months in prison and ordered to pay

\$894,000 in restitution. In August 2017, one employee was sentenced to time served in prison and ordered to pay \$278,603 in restitution, and the other employee was sentenced to 27 months in prison and ordered to pay \$2,852 in restitution in November 2017. Of the restitution ordered in this matter, \$50,714 was for USDA violations. This case was worked jointly with the Internal Revenue Service—Criminal Investigation; the Department of Labor OIG and Office of Investigations, Labor and Racketeering and Fraud; the Kansas Department of Children and Families; the Department of Housing and Urban Development OIG; the Department of Education OIG; and the Kansas Department of Labor.

OIG also works with other Federal, State, and local law enforcement agencies to investigate SNAP fraud due to violations of other laws. OIG's primary investigative jurisdiction pertains to violations of law involving USDA programs. When there are other violations of law such as drugs or firearms, we work jointly with the appropriate agency to pursue those other violations in addition to SNAP fraud. In one investigation of a store in Pennsylvania, the owner of the store exchanged SNAP benefits for crack cocaine, heroin, and firearms. This investigation was conducted jointly with the Department of Homeland Security, U.S. Immigrations and Customs Enforcement, Homeland Security Investigations, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Drug Enforcement Administration. The owner of the store was sentenced to 30 months of probation in April 2017, and the owner's husband, who worked at the store, was sentenced to 90 months of incarceration in August 2015.

An ongoing example of our joint work is our participation on the Bridge Card Task Force to investigate criminal violations in SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children. Team members include the Michigan State Police and the Internal Revenue Service Criminal Investigations. During the first half of fiscal year 2018, we also worked with the Federal Bureau of Investigation and Homeland Security Investigations. Since 2007, our teamwork has resulted in 197 arrests and service of 318 search warrants. The United States Attorney's Offices for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 199 guilty pleas, lengthy prison terms, and over \$48 million in court-ordered fines and restitution. An investigation by this task force was recently concluded. In April 2018, two store

owners were each sentenced to 36 months of supervised release and ordered to pay \$440,000 in restitution. The store employees exchanged SNAP benefits for cash, cigarettes, lottery tickets, and other ineligible items.

Through our various collaborative efforts, we work to identify and resolve potential vulnerabilities in the processes that allow retailers to participate in SNAP.

Trends in SNAP Fraud

One of the most common abuses OIG investigates is the trafficking of benefits, which is essentially the illegal exchange of food assistance benefits for cash. In this scheme, retailers will pay recipients for their SNAP benefits. For instance, by giving a recipient \$50 in cash for \$100 in benefits, an unscrupulous retailer can make a significant profit. Recipients, of course, are then able to spend the cash however they like, and retailers profit after USDA has reimbursed them. For example, in a recently concluded investigation in Florida, the owners of a convenience store were sentenced for trafficking SNAP benefits. The owners exchanged SNAP benefits for cash, alcoholic beverages, and tobacco products. In December 2017, they were each sentenced to 33 months of imprisonment and ordered to pay \$3.3 million in restitution.

While recipients have exchanged benefits for drugs, weapons, and other contraband, these cases are not the majority. The types of fraud we see in SNAP are changing. In particular, with the use of electronic benefits and information technology, the fraud schemes are also becoming more advanced and reliant upon information technology. To counteract these schemes, OIG continues to work with FNS to develop new ways of detecting and investigating retailers at high risk of committing various kinds of fraud. We also utilize OIG's Office of Data Sciences to help identify anomalies that could not easily be identified and provide new perspectives for examining data. These techniques ultimately assist us in making critical decisions in the allocation of investigative resources. As OIG identifies fraud schemes, that information is shared with FNS to identify effective ways of combating fraud. When trafficking occurs

unchecked, families do not receive nutritional assistance and dishonest retailers profit at the expense of the American public.

Conclusion

This concludes my written statement. Again, I want to thank the Subcommittee for the opportunity to testify today. I welcome any questions you may have.