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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Other Integrity Efforts**

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

## **Conclusion**

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

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