

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL

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The Committee on Agriculture, Nutrition, and Forestry

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Good morning, Chairman Roberts, Ranking Member Stabenow, and Members of the Committee. Thank you for the opportunity to testify before the Committee on the Office of Inspector General's (OIG) efforts to help ensure the integrity of the Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP). In particular, my statement will address our audit of the SNAP quality control process and a related investigation.¹

Of course, through our audits and investigations, OIG helps FNS improve its general oversight over SNAP. Over the past 3 years, we have published 6 audit reports that resulted in 77 recommendations and \$299 million in monetary findings. Our SNAP-related investigations over the same period have led to 2,370 arrests, 1,648 indictments, and 1,577 convictions, as well as \$296 million in monetary results.

SNAP's Quality Control Process

Since fiscal year (FY) 2013, SNAP has served on average more than 46 million people per month and paid out more than \$71 billion annually in benefits. As the largest food assistance program in the country, SNAP is jointly administered by FNS and State agencies. While FNS is responsible for establishing regulations governing SNAP and ensuring that States implement those regulations, States are responsible for determining whether the recipient's household meets the program's eligibility requirements, calculating monthly benefits for qualified households, and issuing benefits. FNS and State agencies conduct independent quality control (QC) reviews to measure the accuracy of the States' eligibility and benefit determinations.

FNS and State QC reviews are performed to determine SNAP recipient eligibility for benefits at a given point in time and, if determined to be eligible, whether or not the recipient received the correct benefit amount. Every year, States conduct QC reviews for a random sample of participating SNAP households and report all findings to FNS. FNS subsequently performs QC reviews for a sub-sample of the States' reviews to verify the States' findings. The results of both reviews (State and FNS) are combined to calculate the States' error rates. The national SNAP error rate is then determined by calculating a weighted average of the States' error rates.

¹ Audit Report 27601-0002-41, *FNS Quality Control Process for SNAP Error Rate*, Sept. 2015.

The SNAP error rate is an important measurement used for two primary purposes. First, it is the basis for awarding State bonuses for high payment accuracy and assessing State penalties for poor performance. Second, it serves as the improper payment rate for SNAP. The Improper Payments Information Act of 2002, as amended,² as well as Office of Management and Budget guidance,³ requires that high-risk Federal programs identify and measure improper payments and develop annual reduction goals. Federal agencies use the improper payment rate for each program to identify the root causes of payment errors. Once root causes are identified, agencies should implement corrective actions to prevent improper payments in subsequent years.

Given SNAP’s size, efficient and effective program administration is essential. In FY 2013, SNAP had the highest participation level in the history of the program (an average of 47.6 million participants per month), and the agency reported the lowest SNAP error rate. For that year, FNS reported a national payment error rate of 3.2 percent, which represented more than \$2.4 billion in improper payments. As the following table illustrates, FNS reported error rates that have generally declined since 2009.

Fiscal Year	Estimated Improper Payment Rate (%)	Estimated Improper Payment Amount (in millions)
2009	4.36	\$2,195
2010	3.81	\$2,465
2011	3.80	\$2,729
2012	3.42	\$2,553
2013	3.20	\$2,437
2014	3.66	\$2,563
2015	NA*	NA*
* According to USDA’s FY 2016 Agency Financial Report, USDA chose not to report the national SNAP error rate because some States reported SNAP error rate data that were unreliable.		

² Pub. L. No. 107-300, 116 Stat. 2350, as amended by the Improper Payments Elimination and Recovery Act of 2010 (Pub. L. No. 111-204, 124 Stat. 2224) and by the Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248, 126 Stat. 2390).

³ OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (Oc. 20, 2014).

Why OIG Performed the Audit

In 2013, OIG initiated an audit of SNAP's QC process. Though we recognized that FNS' reported improper payment rate for SNAP had been steadily declining, SNAP benefits had nearly doubled due to increased participation in the program. Even at a low error rate, improper payments for SNAP still averaged over \$2 billion annually. Therefore, OIG determined that an audit assessing the QC process was warranted.

What OIG Found

We found that confidence cannot be placed in FNS' reported QC error rate. States weakened the QC process by using third-party consultants and error review committees to mitigate individual QC-identified errors rather than improving eligibility determinations. FNS' QC process thus tended to understate SNAP's error rate.

In all eight States we visited, we found that private consultants and/or State error review committees used methods to mitigate case errors found during the QC review process rather than report those cases to FNS as errors. Most notably, a number of States had hired third party consultants who actively worked to eliminate errors and therefore improve the State's error rate. These States saw dramatic, if unwarranted, improvements in their error rates—from 21 percent to 85 percent, depending on the State.

We also found other issues with how these error rates were calculated:

- QC reviewers did not correctly identify and calculate payment errors during their reviews of selected SNAP cases. As a result, errors were inappropriately excluded from the SNAP error rate and SNAP recipients' future benefits were not adjusted within required timeframes.
- States' QC results in 27 of the 60 cases we reviewed were unsupported, questionable, or inaccurate. As a result, FNS lacked the assurance needed to validate the accuracy of States' reported error rates, which serve as the primary basis for determining SNAP's national error rate.

Likewise, State employees made errors when determining eligibility and calculating payment amounts:

- States did not assess the eligibility of more than 15 million SNAP households in FY 2012 under the traditional SNAP eligibility requirements because of their Broad-Based Categorical Eligibility (BBCE) status. Considering that more than 15 million households (roughly two-thirds of the 22.3 million SNAP households in FY 2012) were eligible because of their BBCE status, and with total SNAP benefits averaging over \$71 billion annually since FY 2010, the amount overpaid to SNAP recipients nationwide due to FNS' BBCE policy is likely substantial.
- SNAP recipients whose weekly and biweekly income amounts were converted to monthly income amounts received more benefits than they were entitled to in five of the eight States in our audit. Again, considering that since FY 2010, on average, over 45 million people received monthly SNAP benefits totaling over \$71 billion annually, the amount overpaid to SNAP recipients nationwide due to the inaccurate conversion factors is likely substantial.

In our report, we made 19 recommendations intended to help FNS improve this QC process so that the agency could report an accurate error rate for this important program. For example, we recommended that the agency consider the costs and benefits of moving away from its current two-tier QC process and to a system where FNS—or an unaffiliated third party hired by FNS—performs the QC review.

As of August 11, 2017, FNS had closed 14 of the report's 19 recommendations. FNS is still considering our recommendation to move to a new, single-tier QC process. In January 2017, FNS released a request for proposals to determine the feasibility of creating a one-tier QC system. FNS stated that it expected to award a contract for the study in the summer of 2017, including estimated costs, of changing the QC system from a two-tier process to a one-tier process.

Investigation Related to SNAP's QC Process

One unique OIG investigation also highlighted significant problems with how these QC processes have operated. Our investigators were aware of the results of the audit described above; they also received a whistleblower complaint related to the activities of a third-party QC consultant working in one State. This complaint led to an investigation with the following outcomes thus far:

- On April 7, 2017, the State of Virginia, Department of Social Services, agreed to pay \$7.2 million to resolve allegations that it violated the False Claims Act in its administration of SNAP.
- On April 12, 2017, the Wisconsin Department of Health Services agreed to pay \$6.99 million to resolve allegations that it violated the False Claims Act in its administration of SNAP.

Both States admitted that they used a QC consultant to review the error cases identified by their workers. This consultant advised the use of several improper and biased QC practices, including: (1) finding a basis for dropping error cases from the review by discouraging beneficiaries from cooperating with information requests and pursuing unnecessary information; (2) selectively applying requirements and policies to overturn and reduce errors; (3) asking beneficiaries leading questions to obtain desired answers to eliminate error potential; (4) arbitrating any and all differences with USDA; (5) subjecting error cases to additional scrutiny and QC casework with the goal of overturning an error or dropping a case; and (6) omitting verifying information in documents made available to USDA. These practices improperly decreased the States' reported error rate and, as a result, the States were paid performance bonuses to which they were not entitled.

At present, this investigation remains ongoing.

Conclusion

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