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Testimony to the House Committee on Agriculture

Past, Present, and Future of SNAP: Understanding Error Rates and Fraud

July 6, 2016

Good morning Chairman Conaway, Ranking Member Peterson and Members of the Committee. Thank you for the opportunity to testify today. I particularly want to recognize Ohio Representatives Gibbs and Fudge for their service on this committee.

My name is Dave Yost. I am the Auditor of the State of Ohio, one of five constitutional officers elected statewide.

Recently, our team audited EBT card usage data to identify indicators of fraud or misuse. The main goal of the audit was not to find cases of fraud, but to search for structural weaknesses in the program that heighten risk. Our findings lead me to conclude that there are likely millions of dollars in fraud in Ohio's \$2.5 billion program.

The problems we found will not resolve the federal deficit, but fraud and poor management undermine public support for the program.

Ohio SNAP Audit Findings

We looked at a 6-month period in 2015. I have attached the entire report to my testimony, but in the interest of time, I will point out a few of the more troubling findings.

Deceased Recipients

We identified 36 instances where dead people received benefits more than a year after their death. In some cases, someone was still using the card. Federal law requires *at least* an annual comparison of death records against the list of

beneficiaries -- so the number should have been zero. (There were actually more than 1,862 people who continued to receive benefits after death, but for a period of less than a year.)

Excessive Card Balances

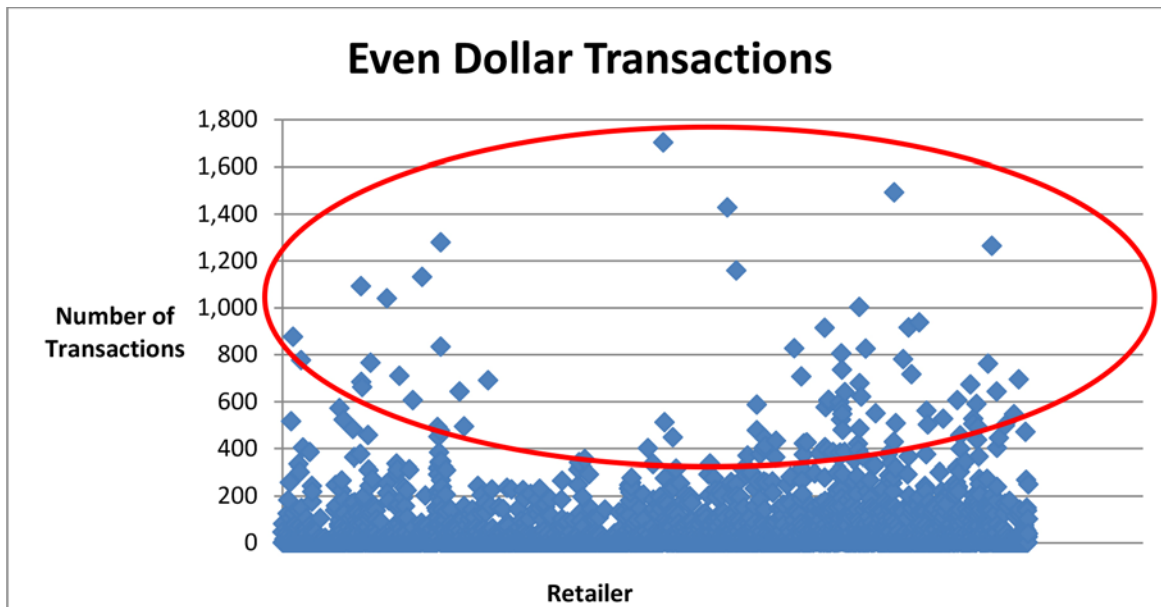
We also found 1,337 recipients with balances greater than \$2,300 – about twice the maximum benefit for a family of eight. Some 173 had balances of more than \$5,000 – including one with more than \$20,000.

If you can bank thousands of dollars, you are not in immediate need.

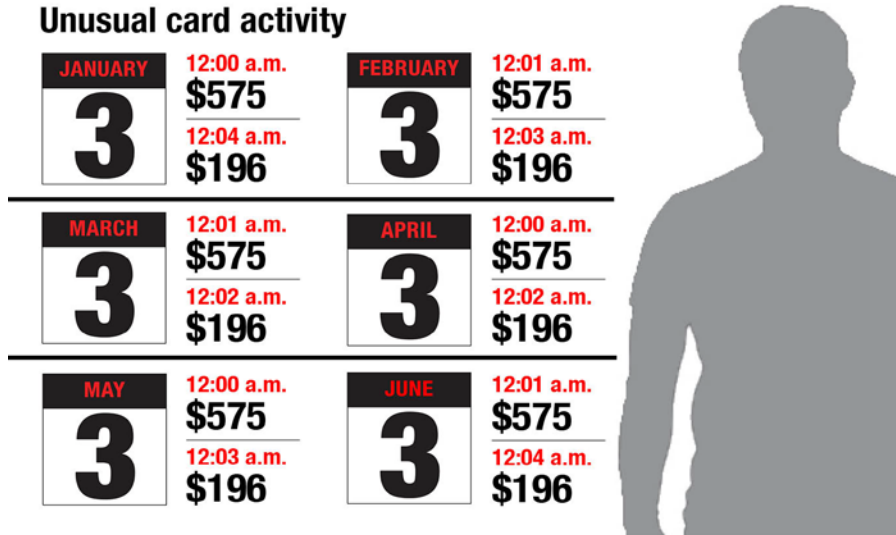
States may only expunge benefits after an entire year of dormancy. But if the card is used just once – even for a can of soda – that one-year clock resets and balances can continue to grow.

Unusual Card Activity

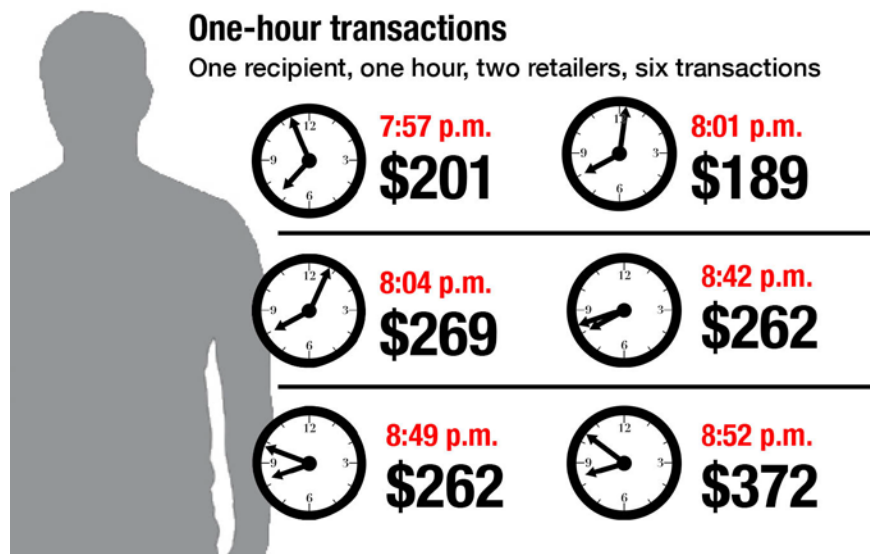
When was the last time you went grocery shopping and walked away with a bill of exactly \$100 and no cents? We found 183,400 such examples of \$100 or more – totaling \$28.5 million.



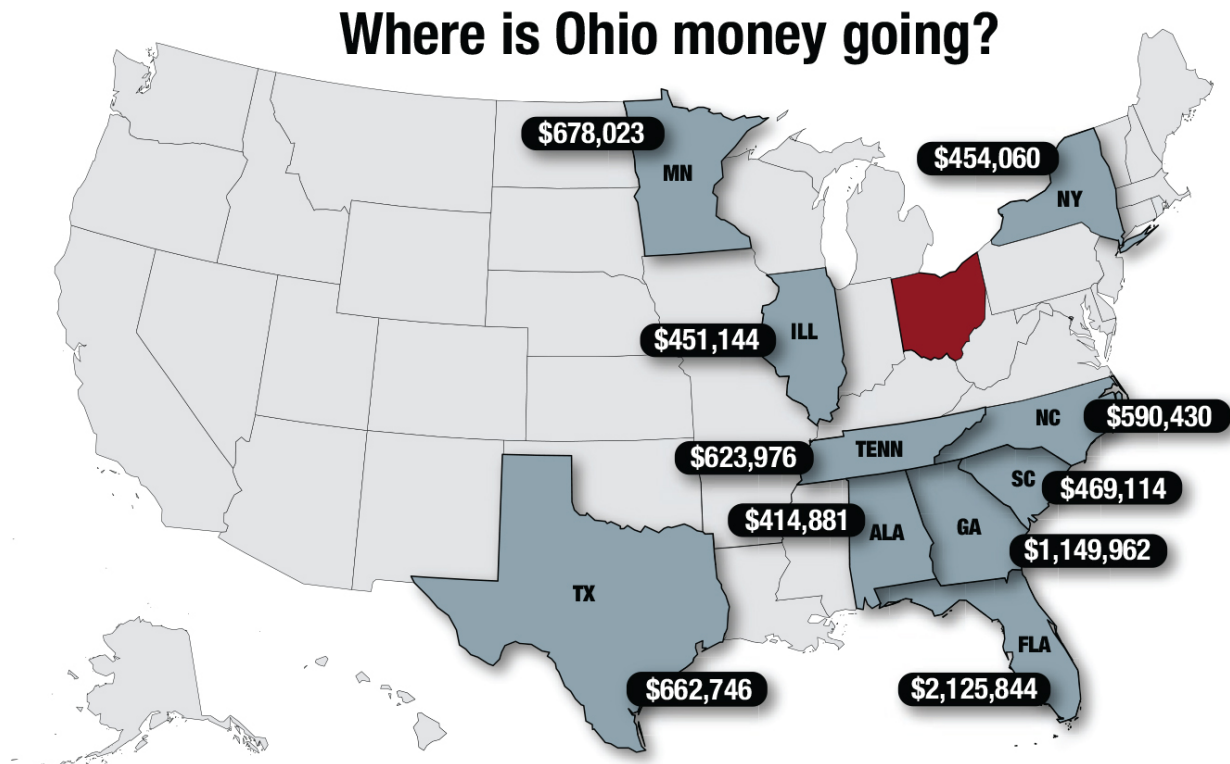
Or, how often have you checked out at the grocery store at precisely the same time every month and had the exact same total every month, 6 months in a row? We found that.



We also found multiple purchases by one person from the same retailer within the same hour. A person we've dubbed Recipient # 9 used their card to make six purchases for \$1,555 – all within one hour! When did you last spend that much on groceries?



Recipients can use their benefit card in other states, and we expected to see usage in our neighboring states. But we didn't expect to find usage in states as far away as Florida, Texas and Minnesota. We found \$28.7 million dollars spent outside of Ohio, more than a third of it spent in far-flung states. Are these recipients living in other states, or selling benefits, or double-dipping?



The federal Public Assistance Reporting Information System (PARIS) uses data-matching to identify people who might receive duplicate benefits in two or more states. But the states only have to submit information once a year and are not required to report on SNAP. This important program needs to be strengthened.

Multiple Reports

In total, we reviewed seven different reports that identify retailers and individuals with suspect activity. Merely being on such a report does not mean that a person committed fraud.

But we found nearly 1,100 recipients who appeared on 5 of the 7 reports and more than 1,400 retailers flagged on 4 reports.

Appearing on one report might be meaningless. Showing up on most of them is what we in law enforcement refer to as a clue.

Benefits of Auditing and Data Mining

There is much more in the report, but all of it points to two things: weaknesses in the system that can be exploited to commit fraud, and a set of tools that can be used to manage the program better, much better.

This is not limited to Ohio. Only about a quarter of the states have undertaken this sort of audit, but the results are similar across the country.

Mr. Chairman, I am grateful that this committee is undertaking study and reform. Our report makes some suggestions, and you will hear others. But, I would suggest an overarching principle for reform: Block-granting this program to the states.

While we can identify the problems, the solutions are often less obvious. The only iron rule in government, it seems, is the Law of Unintended Consequences. When the federal government makes a change and there are unintended consequences, we all feel the pain if a reform fails. If the states develop their own management systems, failures will be limited to that state, and the successes and innovations will be there for others to copy.

I do not believe that fraud is rampant in Ohio, but it does exist, and it is significant. Food stamp fraud hardens the hearts of good people and deafens their ears to the sound of hunger. Every dollar wasted or fraudulently spent is a dollar that could be used for its intended purpose: to feed the poor. For those who hunger, and for those who pay the bill, we owe a greater effort toward integrity.

