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SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP): UNCOVERING THE FRAUD

Ada Torres
La Salle University, torressa1@student.lasalle.edu

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ADA TORRES

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Executive Summary

The Supplemental Nutrition Assistance Program (SNAP), once labeled the Food Stamp Program, was constructed mainly to boost low-income households' capabilities in regards to purchasing food in order to maintain a satisfactory nutritional, low-cost diet. The program accomplishes this by providing benefits as a supplemental income to recipients in order to allow them to purchase certain foods. The federal government supplies the funds for the benefits and transfers the obligation to the states as far as administrating the program. Specifically, the Food and Nutrition Service (FNS) is liable for defining the program regulations and confirming that the states are complying with these regulations, mainly by supervising the direction of the program as well as monitoring their activity.

Within the past few years, various forms of fraud, including trafficking, or the mistreatment of program benefits to obtain non-food items, have become serious concerns, with technology providing increased opportunities to both commit and combat such activities. State agencies are held liable for addressing SNAP recipient fraud, including detecting, investigating and prosecuting fraud under the direction and supervision of the FNS and the U.S. Department of Agriculture.

The research provided by this paper identifies the different types of SNAP fraud, namely, recipient and retailer fraud. This paper further discusses how these can negatively affect specific states, small businesses and individual families. The need for a structured fraud framework is also discussed in order to provide stabilization and the prevention of loss within states. In addition, this paper addresses proposed solutions of

government interventions as well as how states may monitor fraud, and this paper ends by providing recommendations for individuals reporting fraud.

Introduction

In today's economic conditions, millions of Americans find themselves striving to make ends meet, leading them to rely on public assistance programs, collectively thought of as welfare. Many such programs exist under the U.S. welfare umbrella, including Public/Cash Assistance, the Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income, Medicaid, Housing Assistance and Earned Income Tax Credits. Funding for all of these programs comes from the federal government, while it is the state's responsibility to administer the funds, and to provide any additional funds, if necessary (Foster, 2017).

As stated above, numerous programs fall under the rubric of welfare. This paper concentrates on SNAP, also known as food stamps. The purpose of this paper is to delve into the issues and allegations of large losses due to fraudulent behavior within or impacting the program. SNAP provides nutrition assistance to approximately 43 million low-income individuals and families, in addition to providing economic benefits to communities. SNAP is the most extensive program in the domestic hunger safety net, costing U.S. approximately $70 billion per year in food assistance, with an average of no less than $133 going to each participating person every month (Foster, 2017). By understanding the effect of fraud within SNAP, policymakers can pursue appropriate reform measures in order to minimize the ongoing fraud while still maintaining the program's integrity and meeting the basic nutrition needs of struggling Americans.

History of the SNAP

Throughout the years, the SNAP has drastically evolved from the initial intention and implementation of the program to what it has become today. Initially, the SNAP was intended to aid the economy by supporting the price of food during the Great Depression due to the decline in the prices of crops in American farms (Food stamp program/supplemental nutrition assistance program, 2009).

In the 1930s, farmers faced significant trouble selling their crops due to the number of Americans who were too poor to be able to afford them, leading to an increase in starvation in America. The federal government intervened, seeing a way to help farmers while assisting needy families in the process. The process involved the government purchasing the surplus farm products being producing and then distributing these products to needy families. However, the fact that the government was purchasing a surplus in products soon became a problem, because the initial procedure was that the food would only be distributed once a month. This created an issue, because this meant distributing massive amounts of perishable products at one time. The result was that recipients possessed an overabundance of perishable products, which conflicted with their nutritional needs, because the perishable products needed to be used before they spoiled. At the same time, retail food businesses also faced limited sales at the beginning of each month (Foster, 2017).

In the late 1930s, the federal government revamped the program. This time, rather than actually distributing food, families would have to purchase what became known as food stamps, which were orange in color. Families were to purchase these orange food stamps in the same amount that they would typically spend on food, and for every orange stamp, they would receive two free blue stamps. These blue stamps were then used to purchase an excess of farm products. The food stamps allowed people to go to stores, leveling the buying patterns and increasing store sales. They could also purchase these products throughout the month instead of being given all food products at one time (Food stamp program/supplemental nutrition assistance program, 2009). This continued for another few years before the program came to a halt in 1943. It is estimated that approximately 20 million people partook in this program at one time or another (Food stamp program/supplemental nutrition assistance program, 2009).

It was not until The Food Stamp Act of 1964, which made the food stamp program a permanent one, that the program was reinstituted. However, the Act allowed states to determine whether they wanted to participate in the program or not, and also allowed them to make their own decisions regarding who would be eligible to purchase the food stamps. Recipients of the program were allowed to purchase any food of their choice, with the exception of alcoholic beverages and imported foods. The effects of granting the states these powers were considerable. Although, at the time of writing this thesis, approximately 3 million people are participating in the food stamp program, that still only accounts for 22% of all poor people who live in the counties that provide this program (Foster, 2017).

In the late 1990s, the primary purpose of the program changed once again. This time, the goal was to mitigate hunger and malnutrition by allowing low-income households to obtain a more nutritious diet through normal channels of trade (Food stamp program/supplemental nutrition assistance program, 2009). Additional revisions were also put in place, limiting legal immigrants by requiring a five-year minimum residency in the United States and allowing non-disabled adults without dependents to remain on the program for only three months unless they were working. The “stamp” name in the food stamp program also quickly began to diminish, as the use of electronic benefits transfer (EBT) cards was instituted (Food stamp program/supplemental nutrition assistance program, 2009).

In 2008, the Food Conservation and Energy Act replaced the original name of the program from the Food Stamp Program to the Supplemental Nutrition Assistance Program. The purpose was also to drift away from the food stamp name and shift more to the Food and Nutrition Act. States are now allowed to decide their name for the program therefore; state names may differ (Foster, 2017, p.3). Some states have chosen to keep the name “Food Stamps,” while others have switched to the SNAP or selected another name, such as the “CalFresh Program,” as used by California. SNAP reauthorizes its farm bill every five years most recently focusing on fraud prevention and improvements as of mid 2018 (Food stamp program/supplemental nutrition assistance program, 2018).

Current Participation in the SNAP

According to demographic data within the program, 39.8% of SNAP participants are white, 25.5% are African-American, 10.9% are Hispanic, 2.4% are Asian and 1% are Native American (USDA/Food and Nutrition Service, 2014). The average recipient within SNAP cannot fall under 130% of the federal poverty level, which, for a three-person family, would be $20,780 a year, as of 2018 (CBPP, 2018). An estimated 44% of all SNAP participants are children, leading to two-thirds of SNAP children living in a single-parent household. This leads to 76% of SNAP benefits going to households with children, while 11.9% go to homes with a disabled person, and 10% go to homes with senior citizens. In 2017, the average SNAP client received a monthly benefit of $126 (CBPP, 2018).

Although SNAP is a national program, it is currently run by each state, and each state has the authority to develop its own specific requirements, which differ from state to state. An applicant can apply for SNAP either through their state website or in person at their local state office.

Under Pennsylvania's requirements, for instance, in order to be eligible, the maximum gross monthly income for a family of three would be $2,723, although it is $3,404 for a family with a disabled or elderly member (USDA/Food and Nutrition Service, 2018). Every state requires an applicant to provide proof of assets, such as bank account information and countable resources. This includes money one receives from a job, social security, SSI or interest. In addition to this, housing expenditures are taken into account in the decision. This includes how many people live in the household and where the person lives. Specific groups of people are not eligible for the SNAP regardless of how small their income. Such groups include job strikers, most college students and certain legal immigrants who do not meet the residency timeframe. Undocumented immigrants also may be ineligible for SNAP.

It is also important to note that despite each state being accountable for the specific monthly income requirement, certain additional requirements remain universal across the nation. An example of this is a mandated work requirement. In order to receive SNAP benefits, each state requires recipients to register for work, not voluntarily quitting a job or reducing their hours, taking a job if offered and participating in employment and training programs. Failure complying with this nationwide regulation may lead a recipient to be disqualified from SNAP. The only exception to this requirement would be if the recipient is a child, a senior citizen, a pregnant woman or exempt for physical or mental health reasons (USDA/Food and Nutrition Service, 2018).

Although SNAP's focus is on helping low-income individuals and families while providing economic benefits to communities and retailers, retailers must also meet specific criteria in order to be authorized to participate in the program. In order for a retailer to be considered an authorized store, that retailer must fit into one of the two staple food requirements: Criterion A (staple food inventory) or Criterion B (staple food sales) (Food and Nutrition Service, 2018). Staple foods are foods that the majority of people consume every day, and which constitutes a significant portion of their diet. These foods are usually prepared within a household and eaten as a meal. Examples of staple foods include (1) fruits or vegetables; (2) dairy products; (3) meat, poultry or fish; and (4) bread or cereals. However, prepared food or foods that can be heated are not considered staple foods.

As mentioned, staple foods run in two categories: Criterion A and Criterion B. Criterion A requires a store to consistently stock three out of the four staple food categories, with one being a perishable staple food. This would require the store to stock fruit, such as bananas, apples, oranges or potatoes. In addition, retailers can qualify by selling cans of tuna fish or fresh deli-sliced turkey. As long as they sell a mini variety of Criterion A foods and constantly keep them stocked, they most likely become authorized retailers (USDA, Food and Nutrition Service, 2018). Stocking units are considered to be whatever package a product tends to be sold in. That may include a single can, a bag or a bunch. In order to meet the stock requirement for a certain variety of staple food, there must be a minimum of three stocking units of the staple food in question (USDA, Food and Nutrition Service, 2018). For example, three oranges meet the stock requirement for an orange variety in the vegetables or fruits staple food category, while three cans of tuna meet the minimum stock requirement for a tuna variety in the meat, poultry or fish staple food category (USDA, Food and Nutrition Service, 2018). Foods that are considered perishable include un-refrigerated, fresh or refrigerated food items that would normally spoil or significantly deteriorate within two weeks at room temperature. Staple A foods must be stocked on a continuous basis. This means that a store must display and offer the required staple foods for sale on any given day. Therefore, all together, Criterion A stores must stock at least 36 staple food items, six of which must be perishable. Additionally, these 36 staple food items must meet the depth of stock requirements (USDA, Food and Nutrition Service, 2018).

Stores that do not meet the requirements of Criterion A are automatically to be considered for Criterion B. Criterion B stores may sell one staple food product or several staple foods under the staple food category, but are not required to keep the amount of stock that Criterion A stores must. Additionally, Criterion B stores require a merchant to earn more than 50% of its gross retail from the sale of staple foods (Food and Nutrition Service, 2018). For instance, if a store sells one item from one staple food category, but that constitutes most of their sales, then they are most likely to qualify as an SNAP retailer under Criterion B. In addition to this, some stores are known as specialty stores and are also authorized under Criterion B. Butcher shops would be an excellent example of these types of specialty shops that make most of their sales under one staple food category.

The primary difference between Criterion A and Criterion B stores is that Criterion B stores may sell food from several staple food categories, such as poultry and bread, yet they do not have to meet the stock requirement that Criterion A stores must follow as long as most of their retail sales come from staple foods.

In addition to Criterion A and Criterion B foods, there are exceptions to other retailer eligibility considerations, meaning a store may qualify under the Criterion B category if proven to be eligible. This is only applicable for stores in rural areas. For instance, there may be stores based on their location where SNAP clients have limited access to certain foods. In these circumstances, if there are no other surrounding local supermarkets, the closest specific retailer would become an authorized store (USDA, Food and Nutrition Service, 2018).

Distribution of Food Stamps

The federal government (Department of Agriculture and Food and Nutrition Service (FNS)) provides the full cost of SNAP. The states are responsible for all recipients within the SNAP Program while the federal agency (USDA- FNS) is solely responsible for the retailers within the program. This money is given to the states, which actually administer the program. Because benefit issuance is a state agency responsibility, states generally contract with private vendors to carry out most of their issuance activities. For instance, in Pennsylvania, the specific department overseeing SNAP is the Pennsylvania Department of Human Services. The entity that actually performs the work under contract to the state depends on the specific county within that state. For instance, Philadelphia County in Pennsylvania is contracted with Conduent, which is in charge of the EBT system and benefit issuance. These are made accessible over the first 10 business days of every month (Food and Nutrition Service, 2018).

It is the responsibility of the specific state SNAP agency to have the SNAP assistance available within 30 days of the person's original application, as well as provide benefits without disruption if an eligible person reapplies and refiles their application promptly (USDA, Food and Nutrition Service, 2018). It is also the state's responsibility to determine eligibility. Homeless individuals, as well as households in immediate need due to limited assets, are to be given expedited services. This means that their application is to be accepted within seven days, in which their monthly allotment may be distributed for one month. If households are reapplying and do not meet the deadline, but become eligible immediately after, their benefits for the first month of the new application are to be prorated to follow the date when the recertification began (USDA, Food and Nutrition Service, 2018).

As previously stated, recipients now receive an EBT card rather than actual stamps. The EBT cards operate with a declining balance similar to a debit card. The EBT is loaded once a month with their government benefits from a federal account, and they can be used at any authorized SNAP retail stores throughout the United States. At the point of sale, the recipient or cashier swipes the EBT card through the card reader, and the customer then enters their personal identification number in order to secure the transaction. More than 80% of benefits are redeemable at local supermarkets or convenience stores. Implementing EBT cards has helped to make the program more efficient and reduce the level of fraud in the program (Wolkomir, 2018).

SNAP Fraud

Fraud entails the false representation of facts, whether by intentionally withholding critical knowledge or providing false statements to another party for the particular purpose of gaining something that may not have been provided without the deception. Research has attempted to determine why fraud is committed by various individuals. One train of thought is that the rationale can be explained through the use of the fraud triangle, which includes three aspects: (1) pressure, (2) opportunity and (3) rationalization (Schuchter, A., & Levi, M., 2016). The pressure a person may face to commit fraud, particularly SNAP fraud, may be the result of financial pressures they are experiencing. The opportunity one has to commit fraud would be the obvious course of action in which the person sees a way they may be able to commit SNAP fraud, whether this be purposely withholding information on their application or by trafficking food stamps. Lastly, rationalizing refers to how the individual justifies their actions to commit fraud. This could be how the person makes himself or herself believe they are a victim of their circumstances and need to take care of their family; therefore, committing the fraud may be necessary in their eyes.

States are held accountable for investigating fraud and abuse by recipients, and making sure that the violations committed are intentional. Intentional program violations include providing false or misleading statements in one’s application in order to obtain benefits—one of the most common SNAP fraud occurrences—and trafficking one’s benefits. The primary purpose for performing the latter is to use one's benefits in unaccepatable ways, such as exchanging benefits for services and non-food goods, or attempting to do so (Foster, 2017).

Recipients traffic benefits by selling their benefits to retailers and/or selling EBT cards to another person. Recipients participate with retailers, who then exchange their SNAP benefits for cash.

For example, a retailer may allow a recipient to charge $200 on their EBT and then pay the recipient $100 instead of actually providing food. Recipients are also known to sell their EBT cards to another person. This is when a recipient exchanges their EBT card and the corresponding PIN (personal identification number) for cash or non-food goods, such as alcohol or tobacco, or services, such as rent or transportation (Foster, 2017). These sales may occur in person or online. Individuals have been known to post ads on sites such as Craigslist or Facebook to sell their EBT cards (Foster, 2017). When a recipient requests an excessive number of replacement EBT cards, this can often indicate that the individual is, in fact, exchanging SNAP cards for ineligible items or cash. While this is not absolute proof, it is clearly a red flag.

In this regard, the USDA has created an EBT replacement card rule. This rule gives states the benefit to require SNAP recipients who have made an unreasonable number of card requests to make contact with the state in order to provide states the opportunity to evaluate whether the request for a new card is justifiable or whether an investigation should take place (USDA, Food and Nutrition Service, 2017).

In addition to recipient fraud, retailer fraud is another unfortunate occurrence. Retailers who have previously been disqualified and eliminated from the retailer program due to former misconduct or application deception commit retailer fraud within SNAP. In some cases, the retailer will then lie on their application in order to re-qualify for the program. Likewise, as stated with recipient fraud, trafficking goes hand in hand with retailer fraud (Cline, 2018).

According to federal law, the use of SNAP benefits is solely for purchasing food items. The program itself is not intended to cover the recipient's entire cost of their food bill, only to assist families when buying food (Levin, Barnard & Saltalamacchia, 2016). Additionally, EBT cards cannot be used to purchase alcohol, cigarettes or medicine. The SNAP funds also cannot be used to purchase personal care items, such as shampoo, soap, or cosmetics. Furthermore, household products, such as laundry detergent, vitamins and cleaning supplies are also not permitted. The SNAP benefits may be used to purchase cold deli items, such as a hoagie, but not hot foods, such as soup or rotisserie chicken. Retailers who allow such transactions are violating SNAP policies and engaging in fraud (USDA, Food and Nutrition Service, 2014). The following case is an example of retailers conducting SNAP fraud.

Case Study –$20 million in food stamp fraud bought Prosecution to 12 people

According to special agent Karen Citizen-Wilcox, eight small convenience stores were found to have committed an enormous amount of fraud. The fraud occurred in the South Florida area in a relatively short amount of time (Neal, 2017, Page 1). The individuals involved were from storeowners to clerks and were found to have been accepting payments in exchange for transactions in which did not involve food. These fraudsters' swiped food stamp recipients' debit cards at their store in order to make it look as if they were buying food. Instead, they gave the cardholder a reduced percentage of the value for the food stamp benefits in cash. The owners and employees of the store then filed for full reimbursement for the transaction. This was to portray the transactions as if food was being purchased and sold. Due to this, a dozen South Floridians are now confronting federal charges in the states where they deceived the government out of more than $20 million by illegally exchanging food stamps for cash (McMahon, 2017).

In another instance, the manager of a Fort Lauderdale convenience store, Hasan Saleh, authorized food stamps to be purchased when the store itself was never an authorized retailer to offer food stamp benefits in the first place. Employees disregarded that the store was no longer authorized to engage in the SNAP program yet, still exchanged recipients benefits for cash. They did this by running the transactions at their Miami store location, which was an authorized SNAP retailer store. Between April 2015 and August 2017, the fraud amounted to approximately $2 million dollars (McMahon, 2017).

Another convenience community store in Pompano Beach Florida was indicted for exchanging food stamp benefits in order to receive cash between November 2016 and January 2017. These cases are currently still pending, so none of the people involved have yet been convicted of their offense. If convicted, the defendants could face terms ranging anywhere from five to 20 years in federal prison. The prison term will vary depending on the severity of the charges against them (McMahon, 2017).

Problems Detecting Fraud

SNAP fraud is relatively rare. Despite efforts to eliminate fraud and corruption, it appears that with a program so large, such a goal remains almost impossible. However, there are multiple ways in which fraud can be significantly reduced. Limiting the amount of fraud within the SNAP is thus the ultimate goal in order to keep the program on track for its original purpose. Accordingly, while the USDA tries it hardest to maintain the original purpose of the SNAP, the FNS has also come up with ways to attack SNAP fraud, and so reduce the cost of the program.

Initially the detection of fraud faced four significant problems: (1) the lack of a unified system throughout the United States to detect fraud; (2) tools for monitoring browsing websites were constrained and less efficient than manual searches; (3) fraud investigations were difficult to conduct due to reduced or static staff levels; and (4) data on states' activities were inconsistent and unreliable due to unclear reporting guidance (Larin, 2018).

The lack of a unified system throughout the United States to detect fraud was a significant issue. Initially, states endured a few challenges using the FNS-recommended data tools, as each state possessed different automated systems. The state systems were not initially designed to deal with the lack of specificity in the data. In order for assistance in recipient fraud prevention and detection, the FNS eventually had to contract out to an independent consulting firm providing 10 states with assistance. This included exploring the use of data analytics to analyze and clarify eligibility and transaction data in order to diagnose trends or patterns and construct models that incorporated predictive analytics (Larin, 2018).

Another problem with detecting SNAP fraud was that the current tools for monitoring e-commerce websites were less useful than manual searches. The development of an improved instruction for states on using social media detection of SNAP trafficking may significantly help with detecting fraud.

Third, the staff levels at the state agencies were significantly low. Most states reported dilemmas managing fraud investigations as a result of decreased or static staff levels, while the number of SNAP recipients had significantly increased. States reported inadequate staffing due to a reduction in funding and change/movement of people. As a result, some states proposed incentives in order to support fraud investigations anticipating that any financial incentives will cause employees to be more judicious preventing ineligible individuals from collecting benefits (GAO, 2018). For instance, when a recipient is committing fraud and the fraud is uncovered, the state typically withholds 35% of any recovered disbursement that was paid. However, when a state uncovers possible fraud by an applicant as well as denies the application, there are no funds redeemed. The FNS has also not pursued rewards for anti-fraud and program integrity activities. Due to the lack of change in this area of concern, the FNS may experience continuing concerns when addressing fraud (GAO, 2018).

Another problem found was that the FNS lacked persistent and dependable data on states activities' due to ambiguous informing guidance. There is also inconsistency regarding what the states report as far as their anti-fraud activities go. Furthermore, there is a lack of revision on the system used to compile recipient integrity data and reporting repetition, which is performed annually. In addition to this, there is a lack of training for state agencies and FNS regional personnel offices (GAO, 2018).

Moreover, states may possibly face a dilemma while mandating these rigorous regulations in order to maintain the program's integrity, such as making the regulations so extreme that instead of helping businesses and individual families by providing a hunger safety net, the requirements actually harm these individual families and small businesses. For example, the SNAP requires most people on the program to attempt to work or be in working status, yet this can constitute a major problem when people live in a small town with minimum available jobs. The case study below demonstrates how state regulations for maintaining SNAP benefits may negatively affect not only local businesses but individual families attempting to feed their household as well.

Case Study – "They've shifted the burden to us": A food pantry struggles to feed an increasingly hungry Ohio community (Samuels, 2018)

This case addresses the concerns of a small, nonprofit convenience store in Nelsonville, Ohio, which is considered an impoverished town. The storeowners provide families with the ability to obtain certain foods to get them through the month, such as bread, boxes of cereal, fruits and vegetables. The issue is that the storeowners faced trouble with finding food due to the shift in how states distributed federal grants to help the poor. Consequently, store owners Shekey and Lafferty found it more and more difficult to obtain food, even having to travel several hours in order to provide families in Nelsonville with food.

This was due to the stricter time limits and increasing work requirements being imposed on residents seeking assistance. Rather than focusing on money and food stamps, the states were making greater investments elsewhere (Samuels, 2018). The store owners believe that the focus should shift toward the lives of the poor instead of feeling as if they are picking up the state's burden by having to provide these families with proper nutritional needs in a run-down town.

A possible solution for this would be to have states not just look at the state in general, but concentrate on small towns such as Nelsonville that are limited in employment. Adding tougher work requirements has not proven to decrease the amount of occurring fraud, such as "gaming the system"; rather, the reality is that so many of the jobs added are low-wage that this still causes Americans to rely on the SNAP (Samuels, 2018).

Proposed Solutions

Because the USDA is responsible for providing a safety net for millions of food-insecure Americans, the department, along with the FNS, developed the SNAP Fraud Framework in mid-2018. This provides a guide for states, as well as training for detecting SNAP fraud and reporting anti-fraud activities (USDA, Food and Nutrition Service, 2018).

The new SNAP Fraud Framework is a tool-kit designed to help states prevent and detect fraud and sharpen their investigative techniques. It combines tested real-life strategies and innovations that states can learn from, plus concepts and practices from various industries so that even states that already possess advanced fraud processes can continue to improve. It offers states the ability to choose techniques that best fit their needs while acknowledging that fraud is not a stagnant concept, and that one specific method to combat fraud will not necessarily work correctly for all states. The components of the fraud framework include (1) organizational management, (2) performance measures, (3) recipient integrity education, (4) fraud detection, (5) investigations and dispositions, (6) analytics and data management, and (7) learning and development. Brief details of each component included within the fraud framework are listed below.

- **Organization Management:** This aims to help SNAP states establish and communicate priorities, organize employees, and manage both large-scale and day-to-day processes within the program.
- **Performance Measurement:** This offers recommendations encouraging states to capture and analyze their own performance consistently.
- **Recipient Integrity Education:** This specifically aims at providing integrity education. It helps ensure that recipients will have the required information and instruments to use SNAP benefits as originally designed while preventing fraud before its occurrence.
- **Fraud Detection:** This emphasizes the significance of proper training for all state agency employees, particularly qualified workers and employees in fraud detection.
- **Investigations and Dispositions:** This provides states with the equipment and knowledge needed to help them improve their fraud case management from the original fraud referral through the actual disposition of the case.
- **Analytics and Data Management:** This specifies and points out the essential people, processes and technology needed in order to initiate and maintain an

analytics capability. Data analytics can play a valuable role in preventing, detecting and investigating SNAP fraud.

- **Learning and Development:** States are recommended to engage in and conduct training and professional development, as well as to ensure that their employees are up to date with the new and rising trends in fraud that are occurring within SNAP.

Having this framework provides states with the ability to select the best option that fits their needs in order to achieve progress when it comes to SNAP fraud (USDA, Food and Nutrition Service [PDF], 2018). To illustrate the choice that states have, the state of Oregon recently released an advisory report in June of 2018 elaborating on the fraud investigations and methods it used to uncover ongoing fraud. The method employed to uncover the fraud came from the fraud framework, and specifically from the data analytics and mapping software (Oregon Secretary of State, 2018). Auditors analyzed SNAP data by utilizing analytic as well as mapping software to pinpoint fraud warning signals that, in return, could help federal and state fraud investigations. The auditors were able to focus on a common fraud scheme where recipients and retailers would conspire to profit from the program (Oregon Secretary of State, 2018).

Case Study – Oregon's progress on SNAP fraud

As previously stated, the state of Oregon employed data analytics and mapping software to uncover fraud. With a sizeable public assistance data set, which included detailed SNAP client transactions, the state of Oregon matched multiple state data sets and found a large number of deceased individuals still receiving benefits, as well as benefit payments being made to incarcerated individuals. In addition to this, a million-dollar lottery winner was still considered qualified for public assistance (Oregon Secretary of State, 2018).

The state of Oregon's Department of Human Services teamed up with the Federal Bureau of Investigations (FBI), the USDA and the OIG to conduct a detailed investigation. The federal merchant data was matched and initial data analytics was performed to identify anomalies in order to investigate SNAP fraud. By analyzing the data in multiple ways, the state of Oregon found that this generated multiple fraud risk factors for merchants. Helping to determine irregular results within the data was the use of mapping and graphs. Retailers with a higher risk indicator were marked for further review. While this was not a definite signal that fraud was occurring, it was a significant red flag (Oregon Secretary of State, 2018).

Another data strategy involved mapping SNAP recipients' addresses and store locations. It was normal for recipients to purchase food from retailers closest to where they lived. However, this strategy revealed that some retailers drew an immense number of SNAP recipients traveling a long distance to use their cards. This provided another red flag that required further investigation. The following case is an example of the outcome of the fraud work with data analytics and mapping within the state of Oregon.

The SFO Shell is a relatively limited gas station in Portland, Oregon that was found to have a large number of transactions over one hundred dollars. In a typical gas station in the state of Oregon, one out of every six thousand SNAP transactions is usually over one hundred dollars. In SFO shell, however, one out of every eight SNAP transactions exceeded one hundred dollars. The investigators then analyzed a large-scale of food purchases and correlated to the store's total backlog. After analysis, it was revealed that the large-scale of food purchases and store backlog did not back the store's amount of reported SNAP transactions.

Law enforcement investigation uncovered several people that were seen exiting the store without products after their SNAP card had been charged for an extensive amount. The storeowner was interviewed by law enforcement, and he initially stated he had been selling high-end cheeses to these customers and that the customers would hide the slices on their person before exiting the store.

Ultimately, the storeowner pled guilty to unlawfully obtaining public assistance, first-degree aggravated theft and unlawfully using a food stamp benefit. He was sentenced to 22 months in prison. Furthermore, eight snap recipients were denied benefits for life, six snap recipients were denied benefits for one year, and the total court-ordered restitution was for $378,981 (Oregon Secretary of State, 2018).

Consequences for SNAP Fraud

If the state agency that is responsible for the distribution of the SNAP believes that fraud is occurring with a recipient, they may conduct an investigation. This investigation may include at-home visits of the family receiving the benefits and interviews with family members and neighbors in order to confirm the size of the household and any possible income sources (Oregon Secretary of State, 2018).

The state agency has various remedies available if it determines that fraud exists. The primary one is a disqualification hearing. If a recipient is believed to have been engaging in SNAP fraud, a hearing will be held in which the agency must demonstrate that the individual in question intended to commit fraud. If this is proven at the hearing, the recipient will become ineligible to receive food stamps for a specific period of time. In addition, they may even be required to repay any amount of money that was received while engaging in fraud (Cline, 2018).

Furthermore, the state agency or the investigators can recommend that the Department of Justice or the state Attorney General institute criminal charges against the perpetrators. Criminal charges will vary between the federal, state and local jurisdictions. However, individuals may also find themselves facing up to one year in jail, as well as a significant fine. For more substantial amounts of fraud, the person accused may face a long period in prison, probation and a more significant fine (Cline, 2018).

The severity of the penalty depends on the severity and dollar value of the fraud. For example, a storeowner convicted of defrauding SNAP by exchanging food stamps for 60 cents per dollar could face penalties including restitution ranging between $95,000 and $1.4 million as well as up to 38 months in prison. Recipient fraud, which would be considered swapping and using food stamps in exchange for drugs or cash, could lead to a felony charge if the amount exchanged exceeds one hundred dollars. If the amount is under one hundred dollars, then the recipient would be charged with a misdemeanor.

Moreover, retailers who are engaging in SNAP fraud can be detected by transaction data analysis. Storeowners who commit such fraud will have penalties imposed. Retailers may even be subjected to permanent disqualifications from future assistance in SNAP, as well as a significant fine. Beyond this, retailers who are caught falsifying their applications may be subjected to denial, perpetual ineligibility and other penalties.

The U.S. Attorney's Office in Maryland announced that 10 store owners or managers who were accused of food stamp fraud in 2013 were sentenced to prison for a variety of months ranging from 18 to 38 months, with restitution penalties spanning $95,000 to $1.4 million. These scams were conducted separately in order to redeem SNAP benefits in exchange for cash (Department of Justice, USAO – Maryland, 2015). The following case is another example of individuals, specifically those in authority, engaging in SNAP fraud.

Polygamist leader Lyle Jeffs sentenced to nearly five years in prison

Lyle Jeffs, polygamist leader from Utah, is sent to prison and ordered to serve five years in federal prison, followed by an additional three years of probation and ordered to pay $1 million worth of restitution. Jeffs was charged with conspiracy to commit SNAP fraud (Winslow, 2017).

Jeffs was accused of organizing what federal authorities have claimed to be a significant case of food stamp fraud. Jeff was found guilty of ordering his ordinary members within his polygamous community and church to surrender SNAP benefits to its church leaders who would use the benefits as they wished.

Due to some members handing over their food stamps, members claimed to have gone hungry while leaders of the church, ate luxury meals. According to federal prosecutors, the scheme exceeded $11 million in taxpayer dollars.

A total of 11 people were charged in this case, including Jeffs. The fraud was initially detected when federal and local police agencies raided the Fundamentalist Church of Jesus Christ of Latter-Day Saints (FLDS Church) of Hildale, Utah and Colorado City, Arizona. Others involved in the case either took plea deals, or their charges were dismissed. The FLDS Church has debated that they possess a religious right to consecrate all they have to the church (Winslow, 2017).

This case is a reflection of the impact that SNAP fraud can have across the United States. According to the USDA, increased oversight and program improvement is critical in order to reduce the occurring fraud. This will lead to a significant decrease in SNAP trafficking.

Reporting SNAP Fraud

No amount of fraud is welcome or will be accepted. In order to keep the principle of SNAP, it is vital that the USDA continues to stop individuals and businesses that violate the program and misuse taxpayers' dollars. The overall issue of fraud is being confronted by the USDA, and any individual that possesses any knowledge of or suspects ongoing fraud are encouraged to report this. Program integrity and improved supervision of the federal money will continue to take place as retailer and recipient fraud continues to be reduced. In addition, the USDA will continue to work to ensure accurate eligibility for both retailers and recipients. Individuals who believe that SNAP fraud is occurring may contact their local state agency office and file a claim for fraud or contact the USDA OIG. For example, reporting suspected fraud or abuse in the state of Pennsylvania may be accomplished by calling the Bureau of Program Integrity at 1-844-DHS-TIPS (1-844-

347-8477), by completing and submitting a report online at www.dhs.pa.gov, or by mailing a written complaint to the following address: Department of Human Services, Office of Administration Bureau of Program Integrity, P.O. Box 2675, Harrisburg, PA 17105-2675.

Conclusion

Because fraud is an on-going problem, fraud-detection work is unending. Criminals are adaptable, and so the government's response to them must also remain swift and sharp to current patterns of fraud. When individuals who commit SNAP trafficking do not face negative consequences for their wrongdoing, this prompts fraud to continue to grow over time. Ultimately, the detection of SNAP fraud seems to be on the rise. Although SNAP fraud seems to have a small impact on the federal government, it does create a significant loss to the state where the fraud is occurring. The state is impacted more because the fraud occurs after the federal government releases the funds to the state.

As illustrated with the cases above, there is an increase in oversight in improving the detection of fraud. For example, in Oregon, trafficking went from four cents on the dollar in 1993 to approximately one cent in the 2006–2008 timeframe. However, these amounts may be undervalued. These values focus only on fraud convictions, which essentially leads federal and state agencies with narrow means to examine and pursue legal action against these types of fraud. It is also equally important to note that the estimates of occurring fraud do not focus on fraudulent applications or fraud that occurs between cardholders who already hold benefits. The estimates focus more on trafficking of benefits between the retailers and recipients, especially because trafficking is both the most common method as well as the most detectable one.

Overall, SNAP was created to ensure that low-income families and individuals are able to purchase an adequate diet. To this end, SNAP does an admirable job of providing poor households with basic nutritional support and has considerably eliminated severe hunger and malnutrition within the United States. However, it is still important to note that while the bulk of benefit recipients are actually not engaging in fraud activities, even a 1% rate of fraud within this program still converts to an immense exploitation of the public’s money.

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