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Statement of
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before the
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
of the
House Committee on Agriculture

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on the
General Accounting Office's Review of
Efforts to Reduce Food Stamp Program Losses

Mr. Chairman and Members of the Subcommittee:

We are here today at your invitation to discuss our February 4, 1983, report (GAO/RCED-83-40) which addressed the need for greater efforts to recover costs of food stamps obtained through errors or fraud. We also will discuss some ongoing and planned work and some legislative matters that relate to Food Stamp Program losses. I will highlight the major issues.

Much of our work is focused on how to prevent and recover Federal losses from overissued food stamp benefits. There also is legitimate concern that eligible program recipients receive all that they are entitled to. Agriculture's updated quality control results for fiscal year 1981, the latest data we could get, show that about $1.1 billion, or about 10 percent, of the $10.6 billion in food stamp benefits issued that year, should not have been issued. Conversely, States should have issued an additional $267 million, or about 2.5 percent, to households

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that got less than they should have. The net difference (about $785 million) is equivalent to what was spent in fiscal year 1981 to provide food assistance to about 1.7 million needy people that year.

What causes errors in issued benefits?

Our February report included an analysis of quality control results for eight States for the 6 months ended March 31, 1981. It showed that the majority (58 percent) of incorrect issuances in those States was caused by inaccurate information on household income--earned and unearned. The eligibility factors and the percentage of erroneous issuances attributable to each were as follows.

Eligibility factors	Participant caused	Agency caused	Total
Earned income (wages)	28	8	36
Unearned income (other income supplement programs, interest, and dividends)	13	9	22
Household size	12	4	16
Resources	8	1	9
Other	9	8	17
Total	70	30	100

Errors can occur at various points--at initial application, at recertification for continued assistance, or at any intervening time when a change in household circumstances occurs. A major reason for benefit overissuances is that many applicants and recipients do not accurately, completely, or promptly report

pertinent household circumstances or changes involving household income, assets, size, or allowable program deductions. States, too, contribute to the overissuance problem by sometimes not promptly adjusting benefit levels based on recipient-reported changes, not changing benefit levels based on periodic cost-of-living wage increases or other across-the-board changes, not applying regulations correctly, and making clerical errors.

States are responsible for verifying the accuracy of household-supplied data affecting eligibility and benefit levels but do not always have an easy, reliable way to verify the accuracy of all the supplied information. Also, State officials told us that heavy food stamp workloads or a tendency to place less administrative emphasis on food stamp cases than on Aid to Families With Dependent Children (AFDC) Program cases (in which States pay part of the benefit cost) had weakened verification efforts and contributed to food stamp overissuances.

Identification of overissuance cases has not been emphasized

More emphasis on identification and pursuit of overissuance cases is needed. Although the States and Agriculture had identified specific cases of erroneous issuances through various procedures, they had not placed major emphasis on identifying specific households that obtained benefits they were not entitled to.

Agriculture told us that they have concentrated more on trying to prevent and correct causes of errors than on identifying specific cases of erroneous issuances. We believe that

Agriculture's stated emphasis on error prevention is a logical priority step; however, program cost growth and continued high error rates have resulted in increasing overissuances and underissuances and a heavy drain on program funds. As long as this situation continues, identifying specific erroneous issuance cases has potential for large savings and other benefits by (1) stopping ongoing erroneous issuances, (2) triggering claims establishment and collection,(3) identifying potential participant fraud for investigation, and (4) deterring households from providing inaccurate data.

Various mechanisms exist to identify specific cases with errors. These range from improving routine operating procedures, such as periodic eligibility recertification, to the use of computer matching and error-prone profiles. Officials in several States said that routine recertifications had resulted in identifying more overissuances than any other method. This process, if done timely and effectively, could offer substantial opportunities for preventing future losses and identifying prior overissuances.

Reconciling redeemed authorization-to-participate cards with master files also offers opportunities for identifying losses caused by the transacting of altered or duplicate authorization cards. Other ways to identify and reduce erroneous issuances include program audits, quality control reviews, error-prone profiling, and computer matching (which we will touch on later).

We reported that Agriculture should stress the need to identify error cases. One reason some State officials offered for not trying to identify more overissuance cases was that it was not required. We recommended that Agriculture:

(1) Strengthen food stamp regulations by specifically requiring States to identify and correct erroneous issuance cases--instead of just requiring States to establish claims when they identify overissuances. Agriculture told us that it believed its regulations were adequate and that it had no plans to modify them.

(2) Explore the use of error-prone profiling. Data from Agriculture's three demonstration projects on profiling and its automated quality control system is supposed to provide nationwide data analysis and error-prone profiles. Agriculture officials said that demonstration project results should be available about July 1983 but were not certain when final results from the quality control system would be available.

(3) Gather and distribute information on data sources useful for verifying household information which has a major effect on eligibility and benefits. Agriculture said it would provide this type of technical assistance.

Establishment and pursuit of claims

Claims have been established on only a small percentage of estimated overissuances. Nationally, the $108 million in claims

established in 1980 and 1981 equalled 6 percent of program overissuances. Only 1 cent of each overissued dollar was recovered--about the same as we reported in our 1977 report (CED-77-112) on overissued benefits. Data is not available to show what percent 1982 claims ($78 million) or collections ($14 million) are of total estimated overissuances for that year.

Analysis and discussions with Agriculture and State officials showed that States had not established claims for all identified overissuances; however, because of data limitations, we could not determine how many more claims should have been established. State officials said that the benefits of establishing claims had been limited because of regulations (discussed later) that impeded or affected collection efforts. They also pointed out that for the period covered by our review, States did not have financial incentives to collect claims stemming from other than recipient fraud. (States could keep half of all amounts recovered on fraud cases but no part of recoveries on nonfraud cases--even though they incurred costs in pursuing both kinds.)

Some of the weaknesses in program collection activities that we had reported on in past years have been legislatively remedied to facilitate and encourage States to collect overissuances. For example, August 1981 legislation allows States to keep 25 percent of collections on claims caused by nonfraud recipient errors. Offset procedures adopted in that same legislation require that monthly benefit allotments for current

participants with outstanding claims be reduced by $10 or 10 percent--whichever is greater--until the claim is repaid.

Also, Agriculture has taken steps to modify regulations which State officials cited as impeding or affecting collection activity. Agriculture has removed previously required language from letters demanding repayment which Federal, State, and local officials described as having the effect of telling recipients of overissued benefits that they did not have to repay. Agriculture also has eliminated certain criteria for suspending claims which one State official said could be applied to almost any nonfraud claim. Currently, the only valid reasons under Agriculture regulations for not pursuing claims is that the household cannot be located, or that collection costs would likely exceed the amount recovered.

These changes should be helpful but they have not been in use long enough to accurately measure their effect on State collection activity and success.

Collection techniques used in other programs could help increase collections from households no longer receiving benefits and therefore not subject to offset procedures. Using State income tax refunds to collect delinquent claims has proven successful and cost effective in several States. Currently, the Internal Revenue Service is permitted to retain Federal income tax refunds to collect delinquent child support payments from those whose families receive AFDC benefits. Unemployment benefits may also be used for the same purpose.

Other collection possibilities include the use of small claims courts, reporting to credit bureaus, and use of private collection agencies.

Agriculture's initiatives to solicit information on State claims and collection techniques in the more successful States and to distribute that information to other States signal its intent to start becoming more involved with State efforts in this area. Agriculture needs to expand these efforts to include an evaluation of each State's performance in establishing and collecting claims. Results of such assessments should provide a basis for offering any further assistance that may be needed, as well as for determining whether administrative sanctions are warranted.

Fraud

Program officials believe, and limited information indicates, that fraud is a serious and pervasive problem. According to a report by the Investigations Staff of the Senate Committee on Appropriations (Rept. No. 80-6, Nov. 1980) released in February 1981, State and local officials interviewed said that fraud could be causing a large part of the dollar value of overissuances identified by the program's quality control system. In his semiannual report to the Congress for the 6 months ended March 1981, Agriculture's Inspector General said that recipient fraud was "in the aggregate, the greatest dollar drain in the food stamp program." However, comprehensive data is not available on this issue and no one knows for certain how much money is actually lost through recipient fraud.

Officials in the States we visited perceived certain barriers to effective fraud prosecution which, in effect, provide a disincentive to even investigate suspected fraud cases. Problems in handling suspected fraud through local courts center on attorneys' reluctance to handle such cases since they are not among the more serious crimes on their dockets, generally involve little money per case, are difficult to prove, and are often considered a Federal matter.

Because these same problems existed back in 1977 when we issued our earlier report, we recommended and the Congress passed legislation allowing States to adjudicate suspected fraud administratively. Some States have used the administrative process more successfully than others. Some cited impediments that hinder or discourage State attempts to pursue fraud, including the nonpunitive, nondeterrent nature of the procedure; difficulty in proving intent; lack of power to enforce judgments; and the high cost of holding administrative hearings.

Agriculture officials are aware of these impediments. They have participated in a number of fraud conferences with State officials and have told us that they intend to explore reasons for wide variations in the cost of administrative hearings. We believe, however, that Agriculture needs to do more to help foster a concerted effort to control fraud. It can do this by providing technical and administrative assistance to States, by facilitating information exchange among States on ways to effectively pursue fraud, and by monitoring State efforts to do this.

Computer matching is a tool for decreasing losses

Computer matching, especially for wages, is a promising technique to identify erroneous cases and prevent losses. In its most efficient use, it involves automated comparisons of household-provided data with external data bases to identify participants for whom different information is shown for common data elements. Caseworker followup would be required to reconcile discrepancies.

Although wage matching was not required at the time of our review, four of the six States we covered had in some degree, used computer matching to identify erroneous food stamp issuances. For example, New York City identified over 3,700 food stamp overissuance cases through wage matching in 1981. Benefits were discontinued for more than 3,000 of these cases.

As of January 1, 1983, States were required by law (Agriculture and Food Act of 1981) to obtain and use independently reported wage data for matching against wage information reported by participants to food stamp offices. States can use State wage data quarterly or obtain SSA wage data semi-annually. We have recently started a review of computer matching in five States to determine the effectiveness of States' systems for securing independent wage information and to determine how well States are resolving identified differences between program casefile data and external source data. Preliminary work indicates that some States are comparing State wage data and food stamp casefile information manually because casefile earnings for the match period were not computerized.

We are coordinating our work with a companion effort by Agriculture's Inspector General. We believe the complementary nature of these reviews which will be done in different States should be useful to Agriculture and to the individual States in achieving more efficient systems and more effective use of available data.

We also have underway or plan to start reviews of the effectiveness of the corrective action process, offset collection procedures, recertifications for continued eligibility, and quality control procedures--all of which will provide a better measure of whether needed program improvements are being achieved.

The Congress is emphasizing Food Stamp Program integrity in its legislative actions

Legislative amendments enacted since 1980 clearly demonstrate congressional emphasis on reducing program losses and inefficiencies. Most of these amendments, including many which we recommended or supported, are now being implemented. Although it is still too early to tell, some of these initiatives could significantly improve program integrity.

Indications are that increasing States' financial responsibility for program errors is giving States a strong incentive to more effectively manage the Food Stamp Program. Wage matching should enable States to identify overissued benefits and start collection action on both active and closed cases, and to adjust current benefit levels on active cases where appropriate.

Allowing States to collect claims through reductions of monthly benefit allotments and other aggressive collection techniques, and then retain a portion of collections on claims not involving agency error, should give States both the means and incentive to collect overissued benefits.

Other measures such as retrospective accounting, periodic reporting, requirements for providing social security numbers, longer disqualification periods for fraud, use of photo identification, and authority to require revisions in State benefit issuance procedures also should impact favorably.

Other opportunities for legislative improvements

Other ways to help States achieve error rate goals and improve identification and collection of overissuances have been discussed in several of our reports and testimony over the past 2 years.

ITEM 1. In view of increased State responsibility for errors, States should be allowed access to information needed to verify applicants' reported income and assets. We have recommended elimination of certain legislative restrictions on the use of Internal Revenue Service and SSA data for verifying income and assets in needs-based programs. State access to this information would boost their ability to verify unearned income such as interest, dividend, and certain retirement income. Perhaps more importantly, it could serve as an indicator of the value of any unreported assets generating the income.

ITEM 2. Food stamp legislation requires States to obtain wage data from external sources for comparison with applicant-reported information. The two allowable sources are State wage data collected for unemployment compensation purposes or SSA wage information. Because not all States routinely collect data from employers, food stamp agencies in those States will have to use SSA data which may be well over a year old. The Congress could make two modifications that would improve access to wage data. The first, which we proposed in a 1982 report (HRD-82-9), would require all States to routinely collect individual wage data. A second would be to allow States to use other than the two wage data sources specified in existing law.

ITEM 3. The President's 1984 budget proposals would further modify the definition of a separate household for program purposes. Currently, most family members living together are required to apply for program benefits as one unit (household), but unrelated persons and elderly or disabled parents and siblings can apply separately. As we understand it, a major feature of the new proposal would require that unrelated persons living together be considered as a single household. We testified last year that it is difficult to verify separate household status for people living together.

The proposals would also modify and/or consolidate several existing program deductions which try to take into account many individual household circumstances. Calculating these deductions for each household is a complex, time-consuming process, and contributes to erroneous payments. As a general concept,

consolidating and standardizing deductions has considerable merit and could offer, as a side benefit, the freeing of staff to concentrate on verifying income, assets, and household size. One possibility that we noted in last year's testimony is to establish a standard deduction for shelter costs.

ITEM 4. Existing law requires that overissuances to participating households be recovered by reducing monthly benefit allotments by $10 or 10 percent, whichever is larger. However, this only applies to recipient-caused errors. We have recommended that this offset authority be revised to conform with AFDC legislation which provides for mandatory offset for overpayments caused by any error--whether agency caused or recipient caused. As presently is the case, States should not be allowed to share in recoveries caused by agency errors.

ITEM 5. Offset provisions should be effective to recover overissuances from households still receiving benefits, but other collection methods are needed to recover overissuances from those no longer in the program. States are allowed to use other appropriate methods but specific action in this regard is not required. We have recommended that, as in the AFDC program, States should be required to take collection action on cases involving those no longer in the program, but within the limits of whether recovery and deterrent benefits justify the associated collection costs.

That concludes my statement. We will be glad to respond to any questions you may have.