

FOOD, NUTRITION, AND CONSUMER SERVICES

**Statement of Kevin Concannon, Under Secretary for
Food, Nutrition, and Consumer Services
Before the House Committee on Oversight and Government Reform**

Thank you, Mr. Chairman, Ranking Member Cummings, and members of the Committee for the opportunity to present testimony on the U.S. Department of Agriculture's (USDA) administration of the Supplemental Nutrition Assistance Program (SNAP), including both ongoing and new strategies to combat waste, fraud and abuse in this critical program. I am happy to be joined by USDA's Inspector General Phyllis Fong. The Food and Nutrition Service works in tandem with Ms. Fong and her staff to ensure integrity in SNAP.

The mission of SNAP—to help low-income people get the nutritious food they need while they work to get back on their feet—has never been more important than it is today. Over 46 million low-income Americans count on SNAP to help them put healthy food on their families' tables every month. But to meet that mission effectively, we must earn and maintain the public's trust through the proper administration of the program—including accurate payments and appropriate use of benefits. So I am pleased to have the opportunity today to discuss with you USDA's ongoing efforts to strengthen integrity in SNAP.

The focus of today's hearing is about USDA's oversight and management of the retailers that are authorized by USDA to redeem SNAP benefits across the United States. Particular emphasis is being given to a recent story by Scripps Howard news service that focused on retailers that had been previously disqualified from SNAP for trafficking – the sale or purchase of SNAP benefits for cash, an illegal activity punishable by disqualification, fines, and criminal

prosecution. We greatly appreciate the issues that Scripps Howard news service brought to our attention. But I also want to set the record straight at the beginning of my testimony about some critical deficiencies in their investigation.

As with other leads and observations we receive from the public, we took this information very seriously. We began an immediate investigation into all of the stores that were brought to our attention and we have added further layers of security to our retailer oversight process. However, our research indicates that many of the cases identified by Scripps Howard do not involve improper activity. Indeed, of the 36 locations referred to FNS by Scripps Howard as suspicious, we have determined that 12 of the locations are not SNAP authorized stores, and 16 stores have been cleared as stores with no connection to the previous disqualified owner. Thus, over three quarters of the 36 locations identified do not have ongoing issues. Of the remaining stores, five stores have been charged with or disqualified for falsification; one has been charged with trafficking; one has been withdrawn for inactivity; and one is under criminal investigation by OIG.

It has been suggested by others that Scripps Howard's findings took little effort. In fact, the work of Scripps Howard was intensive and time-consuming. A team of staff did their own investigative work over a period of many months to develop their list of stores. We welcome that engagement. And as part of our ongoing efforts to improve program integrity, we treated our experience with Scripps Howard as an opportunity to make the Department better at fighting fraud, just as we would treat our interactions with OIG or any of our other partners that are committed to solving this problem. We have further strengthened our processes to prevent the authorization of previously disqualified owners, including a more robust review of public records

associated with the owner applicant and a shortened reauthorization time period requirement for retailers in locations that had been previously disqualified.

Retailer Integrity

Long before Scripps Howard's investigation, USDA was serious about combating fraud. The Department has been aggressively implementing a number of measures to reduce the prevalence of trafficking in SNAP from four cents on the dollar to one cent on the dollar over the last 15 years. But even one cent on the dollar is too much. USDA continues to work closely with our State and Federal partners to investigate and prosecute trafficking. The OIG reviews all cases and determines which will go forward for criminal investigation and prosecution. The remainder in which trafficking determinations are made result in administrative disqualification and potential fines by the Food and Nutrition Service (FNS). In FY 2011, FNS reviewed over 15,000 stores and conducted nearly 5000 undercover investigations. Over the last 10 years, 8300 retail stores were permanently disqualified through the administrative process due to trafficking.

In rare instances, retail store owners submit fraudulent applications to redeem SNAP benefits at a location where their authorization was previously revoked. Individuals who falsify information are charged, disqualified and may be liable for a \$10,000 fine or imprisonment for as long as five years—or both.

Other Key Areas of Oversight

Fighting retailer fraud is just one part of USDA's strategy to eliminate waste, fraud and abuse. Besides our efforts to improve program integrity among SNAP retailers, USDA is also engaged with various partners, including State and county governments, law enforcement bureaus, our Inspector General, and Congress, to maintain program integrity among recipients. USDA welcomes the constructive engagement of any of our partners in this endeavor.

While SNAP is operated by State governments, the Federal Government pays the full cost of SNAP benefits, more than \$65 billion for FY 2011, as well as approximately half of the expenses incurred by the States to administer the program – a substantial national investment. USDA’s Food, Nutrition and Consumer Services works in concert with the Department’s Office of Inspector General (OIG) – our independent agent for strong oversight – and in partnership with the States that operated the program and others, on behalf of American taxpayers to protect the Federal investment in SNAP, to make sure the program is targeted towards those families who need it most, to make sure that the benefits are used as intended. I would like to describe two other key areas of oversight and some of our accomplishments in these areas.

Improper Payments: First, USDA takes seriously its responsibility to make sure that only those families who are actually eligible for the program participate and that the correct amount of benefits is provided to them. Over the past decade, USDA, along with our State partners, has made major strides to improve the accuracy of SNAP’s eligibility determination and benefit payment systems. Over 98 percent of those receiving SNAP benefits are eligible, and the FY 2010 payment accuracy rate was over 96 percent—a historic high¹. This is one of the highest payment accuracy rates in all of the Federal government. In fact, the payment error rate is less than half what it was 10 years ago, which has resulted in a reduction of \$3.3 billion in improper payments in 2010. Reducing errors saves valuable resources because it eliminates waste resulting from avoidable mistakes.

Recipient Fraud: When potential recipients sign up for the program, clients are advised of their legal responsibilities as beneficiaries of taxpayer funded resources, and thus have an affirmative obligation to share in the responsibility of ensuring that SNAP benefits are managed

¹ The FY 2010 SNAP error rate is reported in USDA’s FY 2011 Performance and Accountability Report (Appendix B, “Improper Payment Sampling Results” table under “Results Reported in FY 2011”).

appropriately, which the overwhelming majority of them do. And while it occurs relatively infrequently, some recipients have committed fraud by purposely misrepresenting their circumstances in the certification process, or by misusing their benefits. These types of program fraud can undermine public confidence in government and jeopardize the ability of SNAP to serve the tens of millions of struggling families who need it the most. USDA works through our State partners to investigate recipient fraud and hold accountable those who defraud the program. Recipients who commit fraud are subject to disqualification. Additionally, those who receive overpayments must repay the overissuance to make good on any losses to the program. And USDA recently issued new policy to clarify that the *intent* to sell benefits, for example, by offering a SNAP card for sale on a social media site such as Craigslist, is a violation that can lead to disqualification from the Program.

Ongoing and New Strategies

We are proud of our success in reducing improper payments and trafficking, but we must be ever diligent in our work to ensure the cornerstone of our nation's safety net is administered with integrity. For this reason, we continue to explore new strategies that ensure accountability in a program that serves 46 million Americans with almost \$65 billion in benefits. We understand that continuous attention is required.

In a redoubling of our efforts with State agencies, USDA has been hosting anti-fraud conferences around the country over the past year, discussing with our State partners the opportunities, best practices, and policy needs that will help us protect the Federal investment in SNAP and make sure the program is targeted toward those families who need it the most. Last June, I sent letters to all State Commissioners expressing the importance of addressing client integrity issues and extending FNS' commitment to work with them. Last November, I wrote to

the Governors in all the States asking for them to make SNAP integrity a priority and enclosing recent policy guidance that provides additional tools to fight recipient fraud including ways to use data provided by FNS to investigate potential fraud. We have also engaged the retailer community to urge them to make integrity a priority. On February 1, 2012, we launched a new Web site as a one-stop portal to raise awareness of the issue of SNAP fraud and provide a direct avenue to report suspicious activities. Our OIG maintains a SNAP fraud hotline which we promote in order to give citizens a direct means to report fraud. And I have personally met with State Commissioners around the country to enlist their support and detail specific actions States can take to improve integrity in the program, including a greater focus on recipient trafficking and the establishment of memoranda of understanding with State Law Enforcement Bureaus (SLEBs) to complement our available resources.

Equally important, my own agency is continuing to strengthen our processes when it comes to retailer integrity. Beyond those items I mentioned earlier, and as a part of our efforts to strengthen our fraud detection capabilities, we are upgrading our electronic transactions data mining system, to implement state-of-the-art technology that will help detect suspicious SNAP redemption activity across the country. We have updated policies and procedures to enhance our fight against bad actors. We are implementing a protocol to use the Excluded Parties List System (EPLS) to notify other government agencies of SNAP retail store owners that have been permanently disqualified from the Program. Along with this, we are modifying our own policies to require staff to consult the EPLS prior to authorizing a store in a high risk area. And the Department is developing a forthcoming rule that will increase the penalties for owners that engage in trafficking.

Additionally, FNS is improving the process by which we authorize and oversee retailer participation in SNAP to maximize resources, gain efficiency and improve our efforts to fight fraud and ensure integrity. We will implement a single cohesive, centralized retailer management business structure that consolidates all retailer management functions under our National office.

One other area where USDA is actively engaged in promoting awareness of specific kinds of fraud relates to multiple replacement requests by households of their EBT cards. There are legitimate reasons for replacing cards—they wear out, become damaged, or are lost. But frequent replacement requests by a single household can be a trigger for further analysis, possibly indicative of those that have been selling their cards. FNS sent policy guidance to States in October of 2011 stating our concern and expectations that States review their card replacement data and take appropriate action to determine the reason behind a household's request for an excessive numbers of replacement cards. If it is determined that the reason is legitimate, the State has an opportunity to educate the client on how to manage their card. But if not, it suggests that further analysis by the State is warranted as fraud may be taking place. Beyond issuing that guidance, we are working with States to develop new approaches and policies that can improve their efforts to manage excessive card replacements. The Department is also thoroughly reviewing what more we can do within the law to prevent fraud stemming from excessive card replacements.

Conclusion

Fraud is neither a new nor a static concept. While the vast majority of SNAP retailers and participants abide by the rules, we know that where there is a will to commit malfeasance, bad actors will try to find new ways to exploit the program. We therefore must remain constantly

vigilant and continuously update our systems to identify and thwart new fraud efforts. The Department will continue to make improvements that keep us ahead of the curve and protect taxpayers' investment in this critical nutrition lifeline. We will continue to crack down on individuals who violate the program and misuse taxpayer dollars. And we will continue to welcome information from, and promote constructive dialogue with our partners, including the Inspector General, State and local officials, and others investigating fraud about how best to ensure that SNAP is managed with integrity and accountability.

I know the critical importance of these programs to the lives of millions of low-income people across our country, and their reflection of America's commitment to ensure that, whatever other hardships they face, our people should not have to experience hunger.

Thank you and I would be happy to take your questions.



Under Secretary for Food, Nutrition, and Consumer Services, USDA

Kevin W. Concannon was nominated by President Obama and Secretary Vilsack and confirmed by the U.S. Senate in July 2009 to serve as Under Secretary for Food, Nutrition, and Consumer Services in the United States Department of Agriculture.

Food, Nutrition, and Consumer Services has principal responsibilities and funding authority for Food and Nutrition Service (FNS), which feeds an estimated one in four Americans, and has lead responsibilities for promoting healthful diet through the Center for Nutrition Policy and Promotion.

Working in partnership with State and local organizations, FNS oversees the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, which serves over 44 million Americans each month; child nutrition programs including National School Lunch, School Breakfast, and Summer Food Service Programs; the Child and Adult Care Food Program; the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Commodity Supplemental Food Program; Food Distribution Program on Indian Reservations; The Emergency Food Assistance Program; and other nutrition programs.

Under Secretary Concannon has had a lengthy and distinguished career in public service. Over the past twenty-five years, he has served as Director of State Health and Human Services departments in Maine, Oregon, and Iowa. He has championed expanded services, improved access, alternatives to institutions, consumer choices, affordable health care, diversity in workplace and programs, and modernization of public information technology systems.

He has served in a number of national organizations, including serving as President of the American Public Welfare Association, President of the National Association of State Mental Health Program Directors, trustee of the American Public Human Services Association, board member of the American Humane Association, and co-chair of the Milbank Memorial Fund state steering committee.

He has received a number of awards, including the Lifetime Human Services Award from the American Public Human Services Association in 2007. He is a native of Portland, Maine, a graduate of Saint Francis Xavier University, Nova Scotia with both Bachelor of Arts and Master of Social Work degrees. He has continued his studies at the University of Southern Maine and the University of Connecticut Graduate School of Social Work.

Concannon has taught graduate courses at the University Connecticut, Portland State University, Oregon, and the University of Iowa as Adjunct Professor of Social Work.

He is married to M. Eileen Concannon and they are the parents of four sons.