Payment Errors and Trafficking Have Declined despite Increased Program Participation

What GAO Found

The national payment error rate for the Food Stamp Program combines states’ overpayments and underpayments to program participants and has declined by about 40 percent between 1999 and 2005, from 9.86 percent to a record low of 5.84 percent, due in part to options made available to states that simplified program reporting rules. In 2005, the program made payment errors totaling about $1.7 billion. However, if the 1999 error rate was in effect in 2005, program payment errors would have been $1.1 billion higher. FNS and the states we reviewed have taken several steps to improve food stamp payment accuracy, most of which are consistent with internal control practices known to reduce improper payments. These include practices to improve accountability, perform risk assessments, implement changes based on such assessments, and monitor program performance.

FNS estimates indicate that the national rate of food stamp trafficking declined from about 3.8 cents per dollar of benefits redeemed in 1993 to about 1.0 cent per dollar during the years 2002 to 2005 and that trafficking occurs more frequently in smaller stores. FNS has taken advantage of electronic benefit transfer and other new technology to improve its ability to detect trafficking and disqualify retailers who traffic. Law enforcement agencies have investigated and referred for prosecution a decreasing number of traffickers; they are instead focusing their efforts on fewer high-impact investigations. Despite the progress FNS has made in combating retailer trafficking, the Food Stamp Program remains vulnerable because retailers can enter the program intending to traffic and do so, often without fear of severe criminal penalties, as the declining number of investigations referred for prosecution suggests.

While both payment errors and trafficking of benefits have declined in a time of rising participation, ensuring program integrity remains a fundamental challenge facing the Food Stamp Program. To reduce program vulnerabilities and ensure limited compliance-monitoring resources are used efficiently, GAO recommended in its October 2006 trafficking report that FNS take additional steps to target and provide early oversight of stores most likely to traffic; develop a strategy to increase penalties for trafficking, working with the Inspector General as needed; and promote state efforts to pursue recipients suspected of trafficking. FNS generally agreed with GAO’s findings, conclusions, and recommendations. However, FNS believes it does have a strategy for targeting resources through their use of food stamp transaction data to identify suspicious transaction patterns. GAO believes that FNS has made good progress in its use of these transaction data; however, it is now at a point where it can begin to formulate more sophisticated analyses.

www.gao.gov/cgi-bin/getrpt?GAO-07-422T.

To view the full product, including the scope and methodology, click on the link above.

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