

GAO

Report to the Chairman, Subcommittee
on Department Operations, Oversight,
Nutrition, and Forestry, Committee on
Agriculture, House of Representatives

July 1999

FOOD STAMP PROGRAM

Households Collect Benefits for Persons Disqualified for Intentional Program Violations



**Resources, Community, and
Economic Development Division**

B-282612

July 8, 1999

The Honorable Bob Goodlatte
Chairman, Subcommittee on
Department Operations, Oversight,
Nutrition and Forestry
Committee on Agriculture
House of Representatives

Dear Mr. Chairman:

During numerous hearings over the last several years, the Congress has expressed its strong desire to reduce the level of fraud, waste, and abuse in the Food Stamp Program, which is administered by the U.S. Department of Agriculture (USDA). In 1997 and 1998, we reported that millions of dollars in food stamp overpayments in four states were caused by counting thousands of inmates and deceased individuals as household members and by counting thousands of individuals as members of recipient households in more than one state during the same period.¹ In these reports, we identified several actions, including the use of automated information, to reduce the level of ineligible participation. In response to your request, this report focuses on individuals who were disqualified from the program for intentionally violating the program's rules but were included as household members during their disqualification period, a problem referred to as disqualified participation. Individuals are disqualified from participation in the program when it is determined that they have committed an intentional program violation.²

Specifically, we (1) determined for calendar year 1997 how many individuals were included as members of food stamp households in four states while disqualified from the program and estimated the value of the benefits that were improperly issued to those households and (2) determined why these individuals were improperly included in

¹Food Stamps: Substantial Overpayments Result From Prisoners Counted as Household Members (GAO/RCED-97-54, Mar. 10, 1997), Food Stamp Overpayments: Thousands of Deceased Individuals Are Being Counted as Household Members (GAO/RCED-98-53, Feb. 11, 1998), and Food Stamp Overpayments: Households in Different States Collect Benefits for the Same Individuals (GAO/RCED-98-228, Aug. 6, 1998).

²⁷ C.F.R. ch. II, part 273.16 (c) specifies that a determination of intentional program violation can be made when an individual is found to have intentionally (1) made a false or misleading statement or misrepresented, concealed, or withheld facts or (2) committed any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program's regulations, or any state statute relating to the use, presentation, transfer, acquisition, receipt, or possession of food stamp coupons or authorization to participate cards. The four procedures for determining intentional program violations are discussed in more detail in appendix II.

households and what actions USDA and state agencies could take to detect and prevent disqualified participation.

To identify disqualified participation, we conducted a computer match comparing the calendar year 1997 food stamp rolls of four states (California, Illinois, Louisiana, and Texas) with information on disqualified individuals contained in USDA's Disqualified Recipient Subsystem.³ These four states accounted for about 28 percent of the nation's participants in the Food Stamp Program and were responsible for 19 percent of all active disqualifications nationwide in 1997.⁴ (See app. I.) To ensure the accuracy of our analyses, we used only those matches that (1) met the most reliable and stringent criteria used by the Social Security Administration to verify Social Security numbers and (2) identified individuals who were included in households that were issued food stamp benefits for the same month(s) that they were disqualified from participation.

Results in Brief

Over 3,000 disqualified individuals in the four states we reviewed were improperly counted as members in households that received food stamp benefits during calendar year 1997. While we cannot estimate the potential amount of overpayments received nationwide for individuals who participated while disqualified, the households in the four states we reviewed improperly collected about \$500,000 in food stamp benefits. The \$500,000 in overpayments, while small in relation to the \$5.6 billion in food stamps distributed to 6.4 million individuals in these four states, undermine USDA's accomplishments and ongoing efforts to ensure the program's integrity.

About 70 percent of the disqualified participation we identified was attributable to weaknesses in state processes for the timely removal of individuals from the food stamp rolls after they have been disqualified. About 30 percent of the disqualified participation that we identified occurred because the states did not check USDA's national database of disqualified individuals to determine if household members had been disqualified by another state or because of delays in updating information in the database. Furthermore, USDA's database is incomplete and contains errors; therefore, even if state agencies check the database, they may not

³USDA's Disqualified Recipient Subsystem compiles nationwide disqualification information collected from the state agencies that administer the Food Stamp Program.

⁴Because California does not maintain statewide participation information, we used state eligibility information in our match. For California, we determined that eligibility for the program is representative of actual participation, as described in appendix III.

receive full and accurate disqualification information. We could not estimate, however, the amount of additional disqualified participation attributable to this problem. USDA could help the states reduce disqualified participation by sharing best practices for imposing disqualifications promptly and requiring states to check its national database of disqualification information for applicants. This report includes a number of recommendations to the Secretary of Agriculture designed to reduce disqualified participation.

Background

The Food Stamp Program is designed to promote the general welfare and to safeguard the health and well-being of the nation's population by raising the nutritional levels of low-income families. Recipients use their food stamp benefits to purchase allowable food products from authorized retail food merchants. USDA's Food and Nutrition Service (FNS) manages the Food Stamp Program through agreements with state agencies. FNS approves the states' plans to operate the program and ensures that states administer the program in accordance with regulations. The federal government pays all of the costs for benefits and one-half of the administrative costs for each state. In fiscal year 1997, USDA provided about 23 million participants with over \$19.5 billion in benefits and paid the states, U.S. territories, and the District of Columbia about \$1.7 billion to administer the program.

Food stamps are issued to households, which can comprise an individual, a family, or any group that lives together and customarily purchases and prepares food in common. Households applying for benefits must provide information about each household member, including Social Security numbers. The value of the food stamp benefits for a household depends on the number of eligible household members and their income as adjusted for assets and such costs as those for shelter and utilities. Therefore, a household's monthly food stamp allotment increases with each additional member, provided that income limits are not exceeded. The national average monthly food stamp benefit for individuals was \$71.27 in 1997.

Eligibility workers in service centers work directly with applicants or their representatives to certify households' eligibility and determine the amount of benefits at the time of the application and at least annually thereafter. Generally, the service centers maintain the clients' detailed case records, while the computerized eligibility and benefit issuance data are maintained at the state or local level. State agencies in Illinois, Louisiana, and Texas maintain both types of data, but in California, the state agency maintains

the information on eligibility, while the counties maintain the information on benefit issuance. Each state is required to establish a performance-reporting system to monitor its food stamp program, including a quality control review process to help ensure that benefits are issued only to qualifying households and that the amounts of these benefits are correct.

Each state is required to investigate any case of alleged intentional program violation and ensure action if allegations are verified. Federal regulations specify that individuals found to have committed an intentional program violation shall be ineligible to participate in the program for a specified period.⁵ States have several procedural options for determining whether individuals have committed intentional program violations, and the extent to which each procedure is used can vary widely from state to state. (See app. II.) State agencies are responsible for imposing penalties and for recovering any food stamp overpayments associated with the intentional program violations. The disqualification of an individual by one state is valid in all states.

Disqualified Participation Weakens the Program's Integrity

In the four states we reviewed, over 3,000 disqualified individuals were improperly included as members of food stamp households in calendar year 1997. These households received about \$500,000 in food stamp overpayments during the year. Among these individuals were 40 disqualified participants who had been permanently disqualified from the program. While our review was limited to identifying disqualified participation in four states, we believe it is likely that such participation also occurs in other states. Table 1 summarizes the number of disqualified participants that we identified in the four states we reviewed.

⁵⁷ C.F.R. ch. II, part 273.16. In addition, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 doubled the disqualification period for intentional program violations from 6 months to 1 year for the first violation, and from 1 year to 2 years for the second violation. The penalty for the third violation remained the same—permanent disqualification. Disqualification penalties can differ in specific cases, such as transactions involving food stamp benefits and drugs or firearms, and may also be specified by the court for cases that are prosecuted.

Table 1: Extent of Disqualified Participation, Calendar Year 1997

Dollars in thousands

States examined	Number of disqualified participants	Total months of disqualified participation	Estimated overpayments
California	2,042	4,839	\$340
Illinois	505	1,157	88
Louisiana	198	504	37
Texas	421	873	63
Total	3,166	7,373	\$529

Sources: For California, the California Department of Public Social Services; for Illinois, the Illinois Department of Human Services; for Louisiana, the Louisiana Office of Family Support, Department of Social Services; and for Texas, the Texas Department of Health Services.

Overall, about 81 percent of the disqualified participants that we identified were members of food stamp households in the state that had imposed the disqualification, and about 19 percent had been disqualified by a different state. However, in some states and in one county, higher proportions of the disqualified participants had been disqualified by a different state. For example, in Texas, 209 out of 421, or 50 percent, of the disqualified participants we identified had been disqualified by some other state, yet they accounted for about 59 percent of the estimated overpayments because they had participated for a somewhat longer period of time. In Louisiana, about 34 percent of the disqualified participants had been disqualified by a different state, and in California, 38 percent of the disqualified participants in Los Angeles County had been disqualified by another state.

While we focused our analysis on disqualified participation in the Food Stamp Program, such participation may be indicative of similar problems in other public assistance programs administered by the states. In our review of sample case files in three of the four states we visited, we found that some individuals who were disqualified from the Food Stamp Program were also disqualified at the same time, for the same offense, from the Temporary Assistance for Needy Families (TANF) program. While our match did not include other programs, we believe that if individuals were able to obtain food stamp benefits while disqualified, they may have obtained the other benefits as well.

Although the total estimated dollar value of benefit overpayments associated with the disqualified participation for the four states we reviewed was not large compared with the total amount of food stamp

benefits issued, such participation undermines the program's integrity. The importance of the program's integrity was highlighted in the April 23, 1998, testimony of USDA's Food and Nutrition Service Administrator.⁶ The Administrator stated that

"A crucial part of the President's and Secretary's commitment to delivering nutrition assistance to needy Americans is ensuring that the integrity of the Food Stamp Program is protected from those who would abuse the program. It is our nation's most important nutrition program, and we make protecting its integrity our highest priority."

In her testimony, the Administrator cited the increase of 12 percent in recipients' disqualifications for fraud—from more than 94,000 in 1996 to almost 106,000 in 1997. The positive impact of such efforts is undermined when some of these same individuals who were disqualified for fraudulent activities in the program are allowed to participate in the program during their disqualification period.

Improved State Processes and Use of Complete and Accurate National Information Would Help Prevent Disqualified Participation

Weaknesses in states' processes for imposing disqualifications were responsible for about 70 percent of the disqualified participation that we identified, which permitted disqualified individuals to continue receiving benefits during part or all of their disqualification period. Certain practices, such as the centralization of responsibility for all aspects of imposing a disqualification, including the removal of the individual from the food stamp rolls, can help reduce disqualified participation. States' failure to check USDA's national database to determine if household members had been disqualified by another state or delays in updating disqualification information accounted for about 30 percent of the disqualified participation that we identified. A routine check by states of USDA's database to determine the disqualification status of household members, as well as quicker access to updated disqualification information, would go further to detect and prevent disqualified participation. In addition, USDA and the states do not effectively oversee and control the submission of disqualification information to the database. Although we identified and validated the participation of disqualified individuals using information in the database, the database is incomplete and contains errors; therefore, even if state agencies check the database, they may not receive full and accurate disqualification information.

⁶Testimony of Yvette S. Jackson, Administrator, Food and Nutrition Service, U.S. Department of Agriculture, Before the Senate Committee on Agriculture, Nutrition and Forestry (Apr. 23, 1998).

State Processes for Imposing Disqualifications Allow Some Disqualified Participation to Occur

In the four states we reviewed, weaknesses in the different processes that they used to implement disqualifications and remove individuals from the food stamp rolls allowed some disqualified individuals to participate. We found that certain state practices and procedures seem more effective than others in detecting and preventing such ineligible participants and that the states we visited have taken or are planning actions to address the problems we identified.

Individuals are disqualified from participation in the program when it is determined that they have committed an intentional program violation (IPV). Federal regulations require that a disqualified individual be notified of the disqualification and that the disqualification begin either at the beginning of the month following written notification or, if the IPV was determined by a court, on the date specified by the court or within 45 days of the court decision if no date was specified.

State processes for removing disqualified individuals from the food stamp rolls differed. Texas has a single Central Disqualification Unit for the entire state that (1) receives notice that an individual has been determined to have committed an IPV, (2) sends notification of disqualification to the individual and the eligibility worker, and (3) imposes the disqualification by removing the individual from the food stamp rolls. The unit also enters the disqualification information into Texas' statewide computerized eligibility information system. During the disqualification period, local-level eligibility workers cannot change the eligibility status of disqualified individuals; only the central unit staff can make such changes. If a local eligibility worker attempts to access the record of the disqualified individual on the automated system, the disqualification information appears on screen and the system rejects attempts to restore eligibility. On the basis of our analysis, disqualified individuals are less likely to continue participating under such a centralized system; Texas had a lower percentage of in-state disqualified participants (i.e., participants disqualified by Texas but continuing to participate) than the other states in our review. According to state officials, participation by individuals disqualified by Texas occurred primarily because the central unit received late notification of an IPV from hearing officers, the courts, or out-of-state decisions, resulting in the issuance of benefits in the first month of disqualification. As a result of our findings, Texas has implemented a policy giving priority to imposing disqualifications on individuals who are

participating in active cases, thus preventing overpayments to the household.⁷

Like Texas, Louisiana has a central unit that is responsible for imposing disqualifications; however, the unit does not actually remove individuals from the food stamp rolls. The unit sends electronic messages through Louisiana's statewide computerized eligibility information system to local eligibility workers, notifying them that an individual has been disqualified and that they must remove the individual from the food stamp rolls. The central unit also enters the disqualification information into the system; therefore, if a local worker attempts to access the record of the disqualified individual, the information appears on screen. However, the system does not ensure that the eligibility worker will act on the disqualification information or prevent the worker from later restoring eligibility for the disqualified individual. According to state officials, the central unit does not actually remove disqualified individuals from the rolls because the coincidental input of changes to a case record from two different locations in a day, while unlikely, could cause a problem in the case record. A state official stated that participation by individuals disqualified by Louisiana primarily occurred because local eligibility workers did not take prompt action, or never took action, on the disqualification information that they were provided. Such delays and oversights can occur for a variety of reasons, such as the worker's temporary absence for leave, training, or excessive workload. To address these problems, Louisiana officials told us that they required staff in each of the state's parish offices to evaluate processes for imposing disqualifications, and they plan to implement various practices, such as increasing supervisory review of eligibility workers' disqualification actions.

In Illinois, a central unit is notified of IPV determinations and is responsible for entering the information into a disqualification database on the statewide computerized eligibility information system. The central unit sends paper notices of IPV determinations to local eligibility workers, who are responsible for notifying the individuals of their disqualification and removing them from the food stamp rolls. The state conducts a monthly match between its database of Illinois disqualifications and its food stamp rolls to identify disqualifications that have not been imposed or disqualified individuals who reapply. We found little disqualification documentation in our review of case files, so it was generally not possible

⁷A federal appeals court recently decided that the imposition of food stamp disqualification penalties cannot be postponed, for example, even if the individual is not currently participating in the program. *Garcia v. Concannon*, 67F.3D 256 (1995).

to ascertain if the responsible eligibility worker had received notice of the disqualification or what action had been taken. However, in some case files, we found notices reminding eligibility workers to disqualify participants who had been identified in the monthly computer match of disqualified individuals and participants. State officials said that participation by individuals who had been disqualified by Illinois primarily occurred because local eligibility workers did not take prompt action. To address this problem, state officials said that they are considering the complete centralization of their disqualification process by making a single state-level unit responsible for all aspects of imposing disqualifications.

In California, responsibility for disqualifying individuals is delegated to individual counties, and the state agency is notified of a disqualification only after it is imposed, so that the information can be reported to USDA. Like all California counties, Orange County and Los Angeles County, operate independently of each other, with their own procedures and separate computerized information systems, but they impose disqualifications similarly. In each, the county fraud unit participates in the IPV process and notifies the eligibility worker responsible for the active case to send a disqualification notice and to remove the individual from the food stamp rolls. In these counties, our review of case file records and discussions with officials indicated that eligibility workers did not impose disqualifications on time for a variety of reasons, such as getting notification of a disqualification after the specified start date, and that local workers sometimes reinstated the disqualified individual to eligibility before the end of the disqualification period. According to an Orange County official, the agency has taken action to address these issues by, for example, altering its computerized eligibility system to inhibit workers from restoring eligibility before the end of the disqualification period.

Disqualified Participation Also Occurs Because States Do Not Check USDA's Database

About 30 percent of the disqualified participation we identified in four states was attributable to states' not checking USDA's Disqualified Recipient Subsystem (DRS) to determine the disqualification status of applicants or to delays in obtaining updated DRS disqualification data. While states are not required to check the DRS to determine the disqualification status of applicants, states are mandated to check the DRS to determine the proper length of the disqualification penalty. However, some states are not meeting this requirement.

The DRS is a national database of currently and previously disqualified food stamp recipients. It contains identification information on disqualified

individuals, including their name, Social Security number, and date of birth, along with disqualification information, such as the decision and start dates of disqualification, the length of penalty, previous disqualifications, and the state that imposed the disqualification. States are required to provide monthly updates of new disqualifications, changes to prior data submitted, and deletions to the DRS. After the DRS is updated on the 25th of each month, the updated information is made available to states. States can either receive disqualification information files directly from the USDA computer or obtain tapes through the mail. The disqualification information files are available to states in three formats: a file of the most recent update, a file of all currently active disqualifications, or a file of the entire DRS database. States can use these files to update or maintain a copy of the DRS on their own computerized information systems or to match them against their food stamp rolls.

Most states do not routinely check the DRS database to determine the disqualification status of applicants or household members, but they are not required to do so. According to FNS' records, of the 50 states and 2 U.S. territories participating in the program, along with the District of Columbia, 34 are provided with a file of DRS disqualification information monthly. While FNS' records do not indicate how the states use that information, FNS regional office officials told us that just 22 states routinely check the DRS disqualification data for new applicants.

Among the four states we visited, California was the only state that used the DRS disqualification information to screen food stamp applicants in 1997. Our analysis indicates that California's percentage of out-of-state disqualified participants was lower than that of any of the other states in our review. Instead of collecting statewide disqualification information and making it available to eligibility workers through a computerized system, as the other states we visited do, California maintains a copy of the entire DRS database that is updated monthly. The DRS database is compared with the applicant information submitted by counties for the nightly computerized state income and eligibility verification process. Disqualified applicants are reported to the responsible county eligibility workers, who are then responsible for denying eligibility. According to state officials, the use of the DRS helps prevent participation by individuals disqualified in other states, but the lag in updating the DRS data can allow some disqualified participants to apply and participate before the data are available on California's system. A state official estimated that it takes between 30 and 60 days from the date when an IPV determination is made by a county until the information is available on the state's copy of the DRS

database. This is reflected in our findings in Los Angeles County, where 43 percent of the disqualified participants that we identified had been disqualified in a different county. Despite the applicant check process, which uses the DRS data, disqualified participants were subsequently able to participate in Los Angeles County during their disqualification period for various reasons, including the delay in getting updated information into the database.

The other three states in our review did not use the DRS database information for various reasons. Texas officials said that their automated system checks applicants against the state's own disqualification database and that it is not productive to also check the DRS. However, we found that 209 out of 421 matches, or 50 percent of the disqualified participants we identified in Texas, were individuals who had been disqualified by different states. Many of these ineligible individuals could have been prevented from participating or could have been identified earlier if Texas had checked the national DRS. Illinois officials told us they did not have the technical capability to use the DRS when it was first made available and, instead, used their own database of Illinois' disqualified individuals for applicant checks. However, the officials stated that they intend to begin checking the DRS in the future. Louisiana officials stated that they did not have the computer resources to use the DRS data until early 1998, when the state began a monthly match of its food stamp rolls with the DRS file of current disqualifications. In the 12 months between March 1998 and February 1999, they identified and removed from their food stamp rolls 107 disqualified participants from other states.

FNS agreed to require states to check the DRS for applicants and recipients more than 3 years ago in response to the USDA Inspector General's recommendations. The Inspector General, reporting on its review of the implementation of the DRS, recommended that FNS develop procedures that require all state agencies to compare their databases with the national database and use the results to determine applicants' eligibility or whether current participants were disqualified elsewhere. Concurring, FNS stated that a regulation to require applicant or case load matches was currently being drafted. FNS estimated that the proposed rule would be published in the Federal Register in November 1996. FNS officials stated that the regulation has not been published because of other regulatory priorities within the Food Stamp Program. FNS now plans to publish the proposed rule by July 1, 2000.

While not required to check the DRS for the disqualification status of applicants or household members, states are required to use the DRS when determining the length of disqualification penalty for an IPV. As noted earlier in this report, the length of the penalty is based on the number of prior violations. To assist the states in meeting the requirement, FNS established telephonic access to the DRS through a Voice Response Unit. The unit allows state workers to directly access the DRS database and, by entering a Social Security number, determine if an individual has any prior violations, thus determining the length of penalty for a new violation. However, the Voice Response Unit is relatively slow, is not designed to process a large amount of calls, and is not appropriate for application or recertification checks.

Some state and county agencies are not complying with FNS' regulation that requires them to use the DRS to determine the length of the disqualification penalty for an IPV. We found that in California, Los Angeles and Orange counties do not use the Voice Response Unit, nor do they use a microfiche of the DRS that the state provides them with quarterly, to identify prior violations when determining disqualification penalty periods. Instead, they check their own disqualification databases and determine the penalty length on the basis of the number of prior disqualifications within the county. Similarly, Illinois determines the length of penalty by consulting its own database of state disqualifications rather than checking the DRS. According to FNS officials, New Jersey, Rhode Island, and the territory of Guam also do not check the DRS to determine the length of the disqualification penalty. As a result, each of these state and county agencies may not always be assigning the proper length of penalty for the disqualifications that they impose.

To replace the aging and inefficient Voice Response Unit, FNS is developing another method for states to query the DRS that is capable of accommodating routine applicant checks by states. This new system, known as the Online Query Subsystem, will allow eligibility workers to directly access the DRS and perform multiple queries, including checking to determine the disqualification status of applicants or recipients, through the Internet. According to FNS officials, the on-line system will not require any programming or maintenance by the states—only computers with Internet access. The officials stated that the system will provide information more quickly than the Voice Response Unit and allow access to updated DRS records sooner than is available through a direct transfer of files or a tape. FNS plans a phased implementation period, bringing several states on-line at a time, starting in December 1999.

FNS is also studying the feasibility of a national food stamp participation database, which could provide another way for USDA to provide the states with information on disqualified individuals. In 1998, we recommended that FNS conduct a study to consider establishing a central system to help insure that individuals participating in the Food Stamp Program are not improperly included as a household member in more than one state concurrently.⁸ FNS agreed with this recommendation, and the Congress approved funding for a feasibility study. Public Law 105-379, dated November 12, 1998, states that “the Secretary of Agriculture shall conduct a study of options for the design, development, implementation, and operation of a national database to track participation in Federal means-tested public assistance programs.” The creation of such a database provides the opportunity for FNS to match nationwide program participation with disqualification information and provide the states with the results for action. FNS has 1 year to complete the study and report the results to the Congress.

The Integrity of the DRS Data Can Be Improved to Enhance Its Effectiveness

Although we were able to identify and validate the participation of disqualified individuals using the DRS information, the database is incomplete and contains errors, which could allow disqualified individuals to participate or could result in states’ imposition of incorrect lengths for disqualification penalties. For example, we found that the disqualification data from three states—Michigan, Washington, and Arkansas—were not entered into the DRS for a 6-month period between August 1, 1998, and January 31, 1999. Michigan and Washington State officials attributed the lack of reporting to computer problems that prevented them from submitting information to the DRS, and an Arkansas official stated that the state transmitted its data to the DRS monthly but did not know whether the transmissions had been successful. An FNS official stated that the agency is working with Arkansas State officials to resolve the problem.

Furthermore, during that same 6-month period, states sent in large numbers of disqualification records that were rejected as “fatal errors” by DRS data checks designed to keep faulty information from entering the system. For example, of the 18,351 records sent by Oregon, 14,386, or 78 percent, were rejected, while South Dakota sent 3,408 records, but only 12 were accepted into the DRS. According to FNS officials, the number of rejected records is large because the states resubmitted the same erroneous records month after month without correction. FNS has no

⁸Food Stamp Overpayments: Households in Different States Collect Benefits for the Same Individuals (GAO/RCED-98-228, Aug. 6, 1998).

controls to ensure that the data are corrected and resubmitted; instead, it relies completely on the states to correct and resubmit disqualification data. If the states do not resubmit the data, the DRS disqualification database is incomplete. Among the four states in our review, California, Illinois, and Louisiana officials told us that they take action to review DRS' error messages and resubmit corrections; Texas does not.

Finally, in many cases, state information is not reaching the DRS within the required time frame. States are required to submit disqualification information so that the FNS receives it no later than 30 days after the disqualification takes effect. Yet, of the disqualifications that were active during any part of 1997, 41 percent, or 49,826 out of 118,921, were received more than 30 days after they took effect.

In addition to being incomplete, the DRS database also contains errors. For example, in Texas, we compared the start dates on disqualification documentation found in case files with the start dates in the DRS and determined that the DRS start dates were 1 month earlier than the actual disqualification start dates. In response to our request, officials in Texas traced the problem to an error in the program it uses to create the disqualification update file it sends to the DRS and plans to take corrective action. Texas officials also found a Year 2000-related problem involving the date-of-birth field. As a result of this problem, Texas did not report a large number of disqualifications to the DRS from August 1998 to January 1999. The officials told us that this problem has been corrected and that they plan to submit the missing data.

The DRS' data checks on information submitted by states do allow some erroneous records to be accepted into the database with a "warning" message sent back saying that the records contained an error or unusual circumstance. Some examples of what triggers a warning message are invalid gender codes and duplicate disqualification numbers (i.e., an individual has more than one "first" disqualification). According to FNS records, a large number of warning messages were sent to states from August 1, 1998, to January 31, 1999. Of the 119,088 records accepted into the DRS, 83,975, or 71 percent, were accepted with a warning message. An FNS official attributed many of these 83,975 warning messages to certain states that submit their entire database every month, which causes the system to detect duplicates and generate warning messages. He stated that the newly submitted duplicate records simply overwrite the existing records.

While some of these errors would have little consequence to states using the information to identify disqualified participants, others, such as those involving the dates or numbers of disqualifications, could make the information difficult to use if not corrected. For example, our analysis of the disqualifications in the DRS database that were active during 1997 found 5,960 individuals with two or more “first” disqualifications, 1,399 individuals with two or more “second” disqualifications, and 123 individuals with two or more “third” disqualifications. Since the length of a new disqualification is based on the number of prior disqualifications, such erroneous and conflicting information could make it difficult for states to properly determine disqualification penalties.

FNS officials were unaware of many of the data problems that we identified during our review. FNS delegates to its regional offices responsibility for ensuring that states comply with the DRS requirements, but regional officials we spoke to were also generally unaware of the problems we identified. For example, regional officials were not aware that the three states previously mentioned had not input data to the DRS for 6 months. FNS ultimately holds the states responsible for ensuring that the data they submit to the DRS is complete, on time, and accurate.

Conclusions

The inclusion of disqualified individuals in households receiving food stamp benefits compromises the integrity of the Food Stamp Program and results in overpayments. The four states we reviewed have processes in place to help ensure that their own disqualifications are imposed; however, certain practices, such as centralizing disqualification responsibilities, are more effective in ensuring that disqualifications are implemented promptly so that overpayments do not occur. While some states currently use national disqualification information obtained from the DRS to ensure that individuals disqualified by other states do not participate in their programs, the current effort by FNS to offer disqualification information through an on-line query system will provide states with a quicker means to access more timely data. A match between a national food stamp participation database, currently under a feasibility study, and the DRS database, is another means by which FNS could notify states of disqualified participants. However, for the DRS data to be most useful to states, FNS must take actions to ensure that they are complete, up to date, and accurate.

Recommendations to the Secretary of Agriculture

In order to ensure the integrity of the Food Stamp Program by preventing disqualified participation without imposing significant additional program costs to achieve this goal, we recommend that the Secretary of Agriculture direct the Administrator of FNS to

- collect, analyze, and disseminate state agencies' "best practices" to help ensure timely action on disqualifications;
- require states to use the national database to determine the disqualification status of applicants, using the method that each deems most appropriate to its circumstances;
- consider, as part of its study on the feasibility of creating a national database to track participation in federal means-tested public assistance programs, a process for periodically matching the disqualification database and disseminating the resulting matches to the states; and
- take actions to ensure that states provide the DRS with disqualification information in a consistent and timely manner, that the data in the DRS are accurate, and that sufficient controls are in place to ensure the accuracy of data submitted to the database.

Agency Comments

We provided USDA with a copy of this report for review and comment. FNS, in commenting on the draft report for USDA, stated that the Service appreciated our work and substantially agreed with our findings.

In commenting on our recommendation to collect, analyze, and disseminate state agencies' "best practices," FNS stated that resource constraints prohibit a formal "best practices" survey but that the Service will share, informally through regional offices, information about any state's DRS operations that FNS believes will be of benefit to other states. Regarding the recommendation to require states to use the national database to determine the disqualification status of applicants, FNS reiterated its commitment to publishing a proposed regulation by July 1, 2000, requiring states to use the national disqualification database to determine the disqualification status of applicants and/or recipients.

To address the recommendation to consider the periodic matching of disqualification data in its study of the feasibility of a national participation database, FNS stated that its study would address whether it is feasible in a national database context for states to access and share disqualification data. Finally, in response to the recommendation to take actions to ensure that the DRS data are timely and accurate, FNS will more closely monitor states' data transmission reports and follow up with states

whenever data are not timely transmitted, when the number of records transmitted appears low, or whenever a significant number of records are rejected or accepted with warnings. FNS' comments are provided in appendix IV.

We also provided California, Illinois, Louisiana, and Texas State officials with excerpts from the draft report for their review and comment. The state officials substantially agreed with our findings and provided technical and clarifying comments that we incorporated into the report as appropriate.

We conducted our work from August 1998 through April 1999 in accordance with generally accepted government auditing standards. Our detailed methodology is presented in appendix III.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, copies of this report will be sent to the Honorable Dan Glickman, Secretary of Agriculture; the Honorable Jacob J. Lew, Director, Office of Management and Budget; and other interested parties. We will make copies available to others on request.

If you have any questions about this report, please contact me at (202) 512-5138. Major contributors to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert E. Robertson". The signature is fluid and cursive, with the first name "Robert" being more prominent than the last name "Robertson".

Robert E. Robertson
Associate Director, Food and
Agriculture Issues

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Abbreviations

DRS	Disqualified Recipient Subsystem
FNS	Food and Nutrition Service
GAO	General Accounting Office
IPV	intentional program violation
TANF	Temporary Assistance for Needy Families
USDA	U.S. Department of Agriculture

Information on Food Stamp Program Participants and Benefits in Four States

In fiscal year 1997, California, Illinois, Louisiana, and Texas accounted for about 28 percent of Food Stamp Program participants nationwide and 29 percent of benefits issued, as shown in table I.1.

Table I.1: The Food Stamp Program's Participants, Benefits, and Average Monthly Benefit per Participant by State, Fiscal Year 1997

Costs and participants in millions			
State	State participants	Food stamp benefits	Average monthly benefit per participant
California	2.8	\$2,372	\$70.21
Illinois	1.0	933	76.28
Louisiana	0.6	512	74.18
Texas	2.0	1,765	72.30
Total	6.4	\$5,582	
Program total	22.9	\$19,548	\$71.27

Source: U.S. Department of Agriculture's Food and Nutrition Service.

These four states accounted for approximately 19 percent of all the disqualifications that were in effect during any part of calendar year 1997, as shown in table I.2.

Table I.2: Number and Percentage of Active Disqualifications by State, Calendar Year 1997

State	Number of active disqualifications	Percentage of total active disqualifications
California	8,318	7
Illinois	2,548	2
Louisiana	3,295	3
Texas	8,152	7
Total	22,313	19
Program total	118,921	100

Source: U.S. Department of Agriculture's Food and Nutrition Service.

Information on the Procedures and Criteria Used by States to Determine Intentional Program Violations

Food stamp regulations require that a state agency pursue administrative disqualification or referral for prosecution when it has sufficient documentary evidence to substantiate that a participant has intentionally violated the program's regulations. Intentional program violations include (1) making a false or misleading statement or misrepresenting, concealing, or withholding facts and (2) disobeying the Food Stamp Act, Program Regulations, or any state statute relating to the use, presentation, transfer, acquisition, receipt, or possession of food stamp coupons or authorization-to-participate cards.

Food stamp regulations specify four procedures that states may use to determine intentional program violations.

- Administrative disqualification hearings, which provide individuals suspected of an intentional program violation the opportunity to present evidence to a hearing officer, who then renders a ruling as to whether an intentional program violation was committed.
- Waived hearings, which allow individuals to waive their right to an administrative disqualification hearing and accept the disqualification penalty.
- Court referrals, which allow the state to refer appropriate cases for prosecution by a federal or state court and impose a disqualification penalty if the individual is found guilty of an intentional program violation.¹
- Deferred adjudication, through which, states can allow accused individuals to sign disqualification consent agreements to avoid prosecution and accept the disqualification penalty.

States are required to establish a system for conducting administrative disqualification hearings. However, FNS may exempt a state from this requirement if the state agency has already entered into an agreement with the state's attorney general's office or county prosecutors for the prosecution of intentional program violation cases. Waived hearings and deferred adjudication procedures are optional for states.

During fiscal year 1997, at least 46 of the 53 participating states used administrative disqualification hearings, waived hearings, and court

¹Food stamp regulations require states that are exempted from conducting administrative hearings to refer cases for prosecution in accordance with an agreement with prosecutors or state law. The agreement must include the understanding that prosecution will be pursued in cases where appropriate. The agreement must include information on how and under what circumstances cases will be accepted for possible prosecution and any other criteria set by the prosecutor for accepting cases for prosecution, such as a minimum amount of overissuance that resulted from the intentional program violation.

Appendix II
Information on the Procedures and Criteria
Used by States to Determine Intentional
Program Violations

referrals; just over half used deferred adjudication procedures.² (See table II.1.) Most states used three or all four procedures to disqualify individuals from the program; a few use only one or two procedures, such as Delaware, which relied entirely on court referrals to disqualify individuals during fiscal year 1997.

Table II.1: Number of States Using Each Determination Procedure, Fiscal Year 1997

Procedure	Number of states using procedure
Administrative disqualification hearings	47
Waived hearings	46
Court referrals	47
Deferred adjudication	28

Source: U.S. Department of Agriculture's Food and Nutrition Service.

The four states in our review—California, Illinois, Louisiana, and Texas—differed in the procedures each used to determine intentional program violations. (See table II.2.) Illinois, Louisiana, and Texas used administrative disqualification hearings or waived hearings for most of their disqualifications, while California primarily used court referrals or deferred adjudication.

Table II.2: Percentage of Determinations by Procedure for Four States, Fiscal Year 1997

State	Administrative disqualification hearings	Waived hearings	Court referrals	Deferred adjudication
California	2	0	86	12
Illinois	47	47	7	0
Louisiana	54	39	5	2
Texas	42	39	11	8

Note: Rows may not add up to 100 percent because of rounding.

Source: U.S. Department of Agriculture's Food and Nutrition Service.

Because federal regulations allow prosecutors to establish criteria for accepting cases for prosecution in their agreements with state agencies, we found that the criteria differed from state to state, and even from county to county within states. According to state agency officials, Louisiana prosecutors accept cases if the overissuance involved is greater than \$1,000 or particularly flagrant, and Texas prosecutors accept cases involving overissuances in excess of \$1,500. According to agency officials

²For convenience, we used the term "states" to include the District of Columbia and the territories of Guam and the Virgin Islands.

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in Illinois, the level of overpayment required to prosecute an intentional program violation case varies from county to county—from a low of about \$3,500 to a high of \$10,000 in the Cook County (Chicago) area. Similarly, agency officials in California told us that the Los Angeles County prosecution threshold is \$2,000, while the threshold in neighboring Orange County is \$1,000 or lower if the intentional program violation is particularly blatant or by a repeat offender.

Objectives, Scope, and Methodology

To determine how many individuals were included as members of food stamp households while disqualified from the Food Stamp Program and to estimate the value of the benefits that were improperly issued to those households, we matched the food stamp records of four selected states against the U.S. Department of Agriculture's (USDA) Disqualified Recipient Subsystem (DRS) database of individuals disqualified from the Food Stamp Program. California, Illinois, and Texas were among the top five states in participation and benefit issuance in fiscal year 1997; Louisiana provides balance as a smaller state that disqualifies individuals roughly in proportion to its participation rate.

We obtained state and USDA data as follows:

- State welfare agencies in Illinois, Louisiana, and Texas provided us with computer files containing information on all members of households and the amount of food stamp benefits issued to those households during calendar year 1997. The data provided personal identifiers, including name, Social Security number, date of birth, gender, and the months in which food stamp benefits had been issued to the household while each individual was a member. The state agencies had verified the Social Security numbers for the data on food stamp beneficiaries through Social Security Administration's Enumeration Verification System.
- In California, where issuance data are maintained at the county level, we used the state's eligibility information in lieu of the issuance data for our match. The data provided the same personal identifiers as provided by the other states and the months of eligibility for each individual. On the basis of our analysis of two counties, we determined that eligibility was predictive of participation.¹
- USDA provided us with a copy of its DRS database, which contains information on individuals disqualified by all states, districts, and territories. The data provided the same personal identifiers as obtained for food stamp beneficiaries and listed the start date and length of disqualification in months for each individual.

We matched the verified Social Security numbers of members of food stamp households in each state with those of individuals who were disqualified for any period during calendar year 1997. For those

¹In a match between state eligibility information and the Los Angeles County and Orange County, California, food stamp issuance information for calendar year 1996, we found that more than 89 and 75 percent of the eligible individuals participated, respectively. Using Orange County's issuance information for calendar year 1997, we found that more than 74 percent of the eligible individuals participated. On the basis of the 1996 results and the similarity of Orange County's 1996 and 1997 results, we believe that eligibility is predictive of issuance.

disqualified individuals identified as members of households, we determined the months in which food stamp issuance occurred after the date of disqualification and prior to the end of the disqualification period.

We estimated the dollar value of food stamps issued to households with disqualified members by applying the state's average monthly issuance per individual recipient from 1997 to each period in which issuance occurred. Food stamp benefits are calculated for households—not for individuals. Thus, it is difficult to determine the exact value of benefits issued to an individual included in a household, unless he or she is the only member of a household. Even then, the amount will vary from individual to individual, on the basis of such factors as income, assets, and the cost of shelter. Therefore, we relied on the average monthly benefit issued per person in the locations we reviewed, which ranged from a high of \$76 in Illinois to a low of \$70 in California. We realize that the actual issuance may be higher or lower than our estimates; for example, the maximum issuance to single-member households who are included in our findings was \$120 in fiscal year 1997. Our estimates are intended to show the general magnitude of the problem and cannot be used to estimate potential overpayments nationwide because our methodology was not designed for that purpose.

We considered every month of issuance to households that included disqualified members to be an overpayment, in keeping with food stamp regulations (7 C.F.R. ch. II, part 273.16), which specify that disqualifications be imposed beginning with the first month that follows the date that the household member receives written notification of the hearing decision. According to regulations (7 C.F.R. ch. II, part 273.13(b)(7)), there is no requirement to allow additional time for notifying the household of an adverse action when a member is disqualified for an intentional program violation.

Because of the quality control program operated by the Food and Nutrition Service and the states' ongoing quality assurance efforts, we accepted their computerized food stamp data identifying participants as reliable. To provide additional confidence in the data's accuracy, we reviewed a limited number of food stamp case files at social service centers in five large metropolitan areas: Los Angeles County and Orange County, California; Cook County, Illinois; Orleans Parish, Louisiana; and Bexar County, Texas. We compared the name, Social Security number, and date of birth of each individual in the computerized food stamp rolls with information in the relevant case files and found no significant differences. To further verify participation in the household, we reviewed

copies of available documents in the case files, such as birth certificates, drivers' licenses, and Social Security cards. We also verified the periods of participation by reviewing approved applications, when available; however, many case files did not contain complete information.

The Food and Nutrition Service has not conducted a comprehensive data assessment of the DRS because the agency's resources were committed to implementing and maintaining the system. Therefore, to determine the reliability of the disqualification data relevant to our review of four states, we reviewed a limited number of case files at the five social service centers mentioned previously to verify the disqualified individual's name, Social Security number, date of birth, disqualification start date, and length of disqualification. To supplement the case file information, we also obtained disqualification information from various other state agency sources, including centralized disqualification or fraud units, and from computerized state records. We found no significant differences, with the exception of DRS start dates for Texas disqualifications, which were off by 1 month because of a computer programming error by the state agency.

To determine why disqualified individuals were improperly included in households and identify actions that USDA and state agencies can take to detect and prevent disqualified participation, we contacted state agency officials in Sacramento, California; Springfield, Illinois; Baton Rouge, Louisiana; and Austin, Texas, to discuss and review policy and procedures for disqualifying individuals and removing them from the food stamp rolls. We discussed the process for verifying applicants' data, as well as methods of fraud detection, computerized data-matching, and quality control and assurance, with state officials. In the five large metropolitan areas that we selected for review, we discussed local processes for ensuring that disqualified individuals are removed from the food stamp rolls. We discussed with state and local officials ways that their processes could be changed and improved to better detect and prevent disqualified participation.

To determine how USDA can help states detect and prevent disqualified participation, we contacted USDA officials to determine what disqualification information is available to states, how that information is made available to states, and what states are receiving the information. To address data integrity issues that we identified during our review, we analyzed a computerized copy of the DRS database and other documentation that USDA provided us with to determine the timeliness, accuracy, and completeness of the data and discussed our findings with

USDA. We discussed with USDA officials the methods for ensuring that reliable disqualification data are readily available to states and that disqualified individuals do not participate in the program.

Comments From the Food and Nutrition Service, U.S. Department of Agriculture

JUN 07 1999

Mr. Robert E. Robertson
Associate Director
Food and Nutrition Agriculture Issue Area
Resources, Community, and Economic Development Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Robertson:

This letter provides Agency comments on the Draft Report, Food Stamp Program (FSP): Households Collect Benefits For Persons Disqualified For Intentional Program Violations (GAO/RCED-99-180). We appreciate the opportunity to review the draft and for the full discussion of the audit provided by the exit conference the General Accounting Office (GAO) held with the Agency April 28, 1999.

General Comments

Section entitled "The Integrity of Disqualified Recipient Systems (DRS) Data Can Be Improved to Enhance Its Effectiveness", beginning on page 14.

Food and Nutrition Service (FNS) appreciates the work done by GAO and substantially agrees with its findings. FNS welcomes and regularly solicits suggestions from our regional offices and from the States for ways in which we could improve all aspects of DRS. While FNS agrees that more could be done (and will be as resources permit) to ensure the timeliness and accuracy of the data in DRS, we would like to offer a few comments concerning the acceptance of data.

To the extent we were able, FNS anticipated potential data problems and designed system edits to prevent the acceptance of erroneous data. As with all systems in development, we failed to anticipate all problems but have reacted to each as it surfaced through reviews by the FNS National Office, FNS regional offices and by our contractor or was brought to our attention by participating States. For example, at the time GAO discovered that Texas was submitting records with a disqualification start date that predated their decision date, our contractor was already working on an edit to reject records with that and other erroneous date problems. Programming of that edit has been completed but currently awaits testing prior to migration to the production database.

As noted in GAO's report, some erroneous data were accepted by the system. During the development of the system, FNS, to ensure that a large number of valid historical disqualification records could be included, decided to accept potentially erroneous data. FNS did so, however, believing the risk was minimal, the benefits important, and the

Mr. Robert E. Robertson
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opportunities for detection and correction of erroneous data optimal. The system identifies potentially erroneous data and provides States a warning message, including the reason for the warning, in the form of an edit report for the State's review. Therefore, if necessary, States can make the correction.

Further, prior to taking any adverse action against an individual based on information in DRS, States must verify, based on documentation of the disqualification, that the information in DRS is accurate. Verification not only ensures that the data are accurate before action is taken, but also serves as a check on whether records in the database may require correction.

FNS Responses to Recommendations

Recommendation 1 - FNS to collect, analyze and disseminate State agency "best practices" to help ensure timely action on disqualifications.

FNS Response - FNS has committed considerable resources on new and innovative technology (Online Query System (OQS)) that will make DRS data available sooner, more secure, and far easier for State users to access. As additional resources become available, FNS hopes to expand OQS to provide even greater benefits. Given this substantial commitment, FNS is unable to devote the resources that would be needed to conduct a formal "best practices" survey. However, FNS will share informally, through our regional offices, information about any State's DRS operations that we believe will be of benefit to other States.

Recommendation 2 - FNS to require States to use the national database to determine the disqualification status of applicants using the method each deems most appropriate to its circumstances.

FNS Response - As noted on page 13 of this report, FNS plans to publish a proposed regulation by July 1, 2000, to require States to match applicants and/or recipient caseload against the DRS database.

Recommendation 3 - FNS to consider, as part of its study on the feasibility of creating a national database to track participation in Federal means tested public assistance programs, including a process for periodically matching with the disqualification database and disseminating the resulting matches to the States.

FNS Response - Section 2 of Public Law 105-379 directed FNS to conduct a study of States' technical readiness to establish, access, maintain and effectively use a national database system capable of tracking participants in means tested assistance programs. Congress directed a report be submitted no later than November of this year.

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As part of this study FNS is reviewing a number of client databases, including DRS, to assess the qualitative experiences of these systems focusing particularly on technical feasibility, cost factors, privacy and security factors. We recognize that some of these client databases, including DRS, may not correlate exactly to the objectives of the study, however, each of them will provide key information on a particular area required to be covered in the report. The report will expand current knowledge on the capabilities of States to access and share available data, including whether it is feasible in a national database context for States to access and share disqualification data.

Recommendation 4 - FNS to take actions to ensure that States provide disqualification information to the DRS in a consistent and timely manner, that the data in the DRS is accurate, and that sufficient controls are in place to ensure the accuracy of data submitted to the database.

FNS Response - The DRS reports that are available through the Food Stamp Program Integrated Information System (FSPIIS) permit FNS to monitor State transmission of data to DRS and to identify significant instances of data rejections and warnings. FNS will monitor these reports more closely and follow up with States whenever data is not timely transmitted, when the number of records transmitted seems unusually low given a State's normal disqualification activity, or whenever a significant number of records are rejected or accepted with warnings.

Thank you again for giving us an opportunity to comment on this draft report. Please let us know if we may be of assistance in preparing the final report.

Sincerely,

Samuel Chambers, Jr.

GAO Contacts and Staff Acknowledgments

Robert Robertson (202) 512-5138

Keith Oleson (415) 904-2218

Acknowledgments

In addition to those named above, Brad Dobbins, Leo Acosta, Rod Moore, Donald Ficklin, Jerry Hall, Jonathan Silverman, and Oliver Easterwood made key contributions to this report.

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