

# Improper Payments: USDA's Oversight of the Supplemental Nutrition Assistance Program

GAO-24-107461 (Accessible Version)

Q&A Report to the Subcommittee on Legislative Branch, Committee on Appropriations, House of Representatives

September 26, 2024

## Why This Matters

Improper payments—those that should not have been made or were made in an incorrect amount, including overpayments and underpayments—are an area of persistent concern in the federal government. Since fiscal year 2003, cumulative executive agency improper payment estimates have totaled almost \$2.7 trillion. In fiscal year 2023 alone, estimates of improper payments totaled almost \$236 billion government-wide. While this total represented a decrease of about \$11 billion from the prior fiscal year, certain federal agencies continue to report high estimated improper payment rates of 10 percent or more for certain programs.

The U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP) is the largest federally funded nutrition assistance program. In June 2024, USDA reported that an estimated 11.7 percent (or about \$10.5 billion of \$90.1 billion in outlays not including disaster benefits, such as emergency allotments from the pandemic) of SNAP benefits paid in fiscal year 2023 were improper. This was an increase from the prior year estimate of 11.5 percent (or about \$8.8 billion of \$76.0 billion in outlays not including disaster benefits, such as emergency allotments from the pandemic) as reported on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov). During the COVID-19 pandemic, Congress granted states the option to suspend certain quality control regulatory requirements, including those used to track and report improper payments. As a result, USDA had incomplete datasets for fiscal years 2020 and 2021 and was unable to estimate and report improper payment rates for SNAP for those years.

House Report 117-389, which accompanied the Legislative Branch Appropriations Act, 2023 (Pub. L. No. 117-328, div. I, 136 Stat. 4459, 4913), includes a provision for GAO to provide quarterly and annual reports through fiscal year 2025 on its ongoing oversight of improper payments and recommendations for legislative action or technical opportunities to improve payment integrity. In this seventh quarterly report, we provide information on USDA's improper payment estimation process for SNAP and the guidance and assistance it provides to state agencies. In addition, we describe oversight that USDA and other entities provide related to states' efforts to reduce improper payments for SNAP.

## Key Takeaways

- Developing and reporting improper payment estimates for SNAP involves a two-tiered process. In the first tier, state agencies review household eligibility determinations and benefit amounts to gather data on improper payments to provide to USDA. In the second tier, USDA's Food and Nutrition Service (FNS) reviews states' data to ensure that quality control regulatory requirements were met.

- FNS has regional offices that play a key role in helping state agencies that administer SNAP address the root causes of deficiencies that led to improper payments.
- Corrective action plans are key tools for addressing the root causes of SNAP improper payments at the state level.
- USDA has made recent efforts to help states reduce improper payments.

### What is SNAP and who administers it?

SNAP is a federal program intended to help low-income individuals and families obtain a more nutritious diet by supplementing their income with benefits to purchase food. According to FNS data, SNAP provided approximately \$107 billion in benefits, including disaster benefits, such as emergency allotments from the pandemic, to about 42 million people across the nation in fiscal year 2023.<sup>1</sup> The federal government pays the full cost of SNAP benefits to states, and state agencies are responsible for administering and monitoring the program within their states. State agencies determine whether individuals and households are eligible to receive SNAP benefits based on program requirements.

USDA's FNS is responsible for overseeing SNAP at the federal level, including reviewing states' administration of the program in accordance with program requirements. FNS is also responsible for reporting required improper payment information to the Office of Management and Budget (OMB).<sup>2</sup> This includes improper payment estimates, the root causes of deficiencies resulting in improper payments, and any actions taken or planned to mitigate those causes.<sup>3</sup> FNS divides the 50 states, the District of Columbia, and two territories that administer SNAP into seven regions, each with its own regional office.<sup>4</sup> These regional offices provide guidance and technical assistance to the states and territories.

### What causes states to make improper payments related to SNAP?

According to information that USDA reported on PaymentAccuracy.gov, in fiscal year 2023 states made improper payments related to SNAP mainly because they did not verify recipients' eligibility for program benefits.<sup>5</sup> For example, states did not always verify certain program eligibility requirements, including:

- **Citizenship.** Recipient is a U.S. citizen through birth or naturalization, or is a lawfully present non-citizen.
- **Education.** Education level or enrollment status of a student recipient.
- **Employment.** Employment status of a recipient.
- **Finances.** Financial position or status of a recipient, applicant, or their family.
- **Household size.** Number of family members in a household.
- **Identity.** Recipient is who they claim to be.
- **Residency.** Status of recipient's living location or arrangement.

### How does FNS develop and report SNAP improper payment estimates?

FNS uses a two-tiered quality control process to develop and report the national SNAP improper payment estimate.<sup>6</sup> The process involves both state and federal reviews to assess the accuracy of household eligibility determinations and benefit amounts nationwide.

First, each state develops a sampling and estimation methodology plan and submits it to FNS for approval in accordance with FNS regulations and

guidance.<sup>7</sup> Second, FNS reviews states' plans and either approves them or returns them for revision in accordance with FNS regulations and guidance.<sup>8</sup>

Once states obtain FNS's final approval of their sampling and estimation methodology plans, they conduct monthly quality control reviews of a statistical sample of households participating in SNAP. States use these reviews to measure the accuracy of their household eligibility determinations and benefit amounts. States conduct quality control reviews throughout the year.

States then use the data collected during the quality control reviews to calculate their SNAP improper payment rates, including rates for (1) overpayments, when households receive more benefits than they are entitled to, and (2) underpayments, when households receive less benefits than they are entitled to.<sup>9</sup> States must submit their improper payment estimates to FNS no later than 115 days after the end of the sampled month. Every year, states select and review a total of about 50,000 SNAP cases of households participating in SNAP nationwide and submit them to FNS for review.

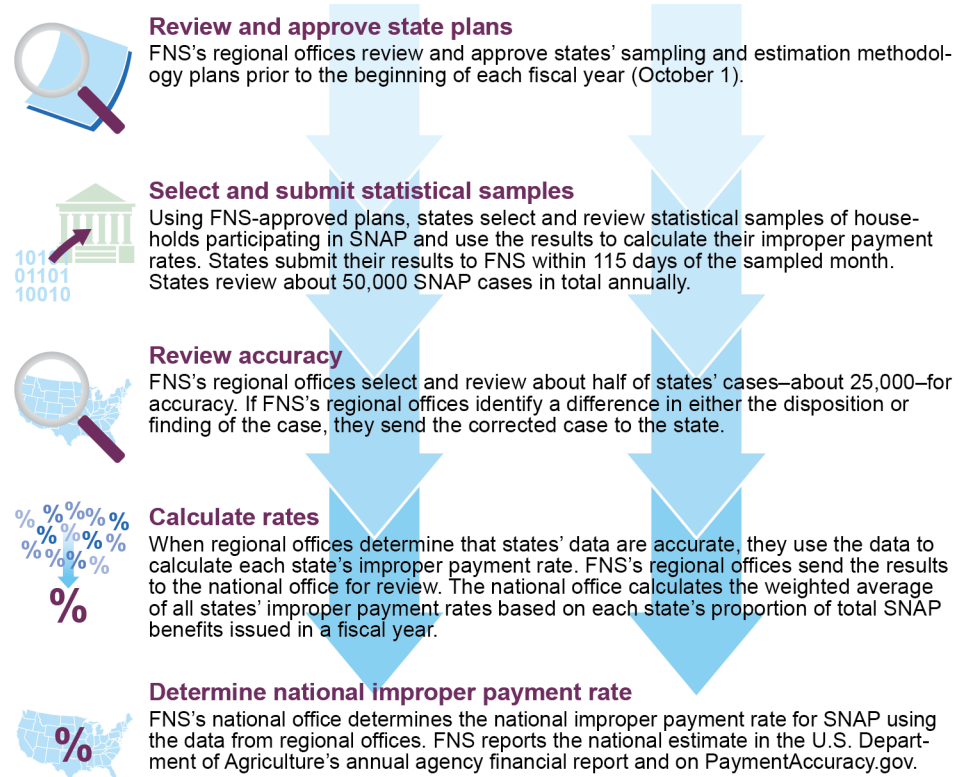
According to FNS officials, FNS's regional offices are responsible for selecting a sub-sample of the SNAP cases sampled by the states and reviewing about half of the cases, or about 25,000 cases each year. To ensure the accuracy of states' data, regional offices conduct independent reviews of state agencies' quality control cases. FNS's regional offices (1) review records submitted for each subsampled case; (2) ensure that states' reviews comply with federal regulations concerning certification processes and all required quality control procedures; and (3) resolve any discrepancies found.

If FNS's regional offices identify a discrepancy in either the disposition or finding of the case, they send the corrected case to the state along with its explanation for the corrected information. The state agency may elect to (1) request informal resolution and discuss disputes directly with regional office staff; (2) request formal arbitration through the USDA-FNS arbitrator, a neutral third party whose decision is final; or (3) do nothing if the state agrees with the revised information and the regional offices' findings will be used as the final determination.<sup>10</sup> If regional offices determine that states' data are accurate and correct, as verified and documented in the case record, the case is validated and used to calculate each state's improper payment rates.<sup>11</sup>

Once FNS's regional offices calculate each state's improper payment rates, they send the result to FNS's national office for review. After this review, FNS determines the national improper payment rate by calculating the average of all state improper payment rates, weighted according to each state's proportion of total SNAP benefits issued in a fiscal year.<sup>12</sup>

FNS reports states' SNAP improper payment rates and the weighted national improper payment rate for the previous year by June 30 of each year.<sup>13</sup> In addition, USDA publishes the national estimate in its annual agency financial report and on [PaymentAccuracy.gov](http://PaymentAccuracy.gov). Figure 1 shows FNS's process for estimating SNAP improper payments.

**Figure 1: Food and Nutrition Service’s (FNS) Process for Estimating Supplemental Nutrition Assistance Program (SNAP) Improper Payments**



Source: GAO analysis of FNS information. | GAO-24-107461

**What are the responsibilities of USDA under the Payment Integrity Information Act of 2019 (PIIA)?**

Each fiscal year, USDA is responsible for estimating improper payments for certain susceptible programs, including SNAP, and reporting those estimates with specified supporting information. Further, if USDA’s Office of Inspector General (OIG) determines that the agency is not in compliance with any applicable PIIA criteria and related OMB guidance, additional reporting and other requirements apply.<sup>14</sup> Figure 2 shows PIIA compliance criteria and related OMB guidance.

**Figure 2: Compliance with Payment Integrity Information Act of 2019 Criteria and Related Office of Management and Budget (OMB) Guidance**

OMB Memorandum M-21-19 provided guidance for the Payment Integrity Information Act of 2019 (PIIA). The updated guidance was first effective for fiscal year 2021

PIIA criteria and OMB M-21-19 guidance



**Publish improper payments information:**

- With annual financial report
- On agency's website with OMB-required accompanying materials



**Conduct risk assessment and conclude on risk assessment adequacy**



**Publish improper payment estimates**



**Publish corrective action plan**



**Develop reduction targets**

- Publish reduction targets
- Demonstrate improvements
- Develop improper payments reduction plan



**Have an improper payment rate <10%**

Source: GAO analysis of Office of Management and Budget information. | GAO-24-107461

Specifically, OMB instructs inspectors general to report on whether their agencies are compliant with the following 10 criteria:

- 1a. publish payment integrity information with their annual financial statements,
- 1b. post their annual financial statements and accompanying materials on their websites,
- 2a. conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last 3 fiscal years,
- 2b. adequately conclude whether each program is likely to make improper payments and unknown payments above or below the statutory threshold (either \$100 million or both 1.5 percent of program outlays and \$10 million),
3. publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statements,
4. publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statements,
- 5a. publish an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statements,

5b. demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate,

5c. develop a plan to meet their improper payment and unknown payment reduction targets,<sup>15</sup> and

6. report improper payment and unknown payment estimates of less than 10 percent for each program for which they published estimates in the accompanying materials to their annual financial statements.

The criteria described above do not apply to all programs or agencies. For example, if an agency determines through its risk assessment that none of its programs or activities are susceptible to significant improper payments, criteria three through six would not be applicable. If an inspector general concludes that any of the agency's programs or activities fail to meet any of the applicable criteria, the agency is considered noncompliant under PIIA for that fiscal year and is required to take additional actions for each year it is noncompliant, such as providing OMB with a description of the actions that the agency will take to come into compliance.

In its fiscal year 2023 agency financial report, USDA reported a SNAP improper payment estimate of 11.5 percent. Since this rate exceeded the 10 percent threshold, the OIG determined that USDA was not compliant with applicable PIIA criteria for SNAP. Because of this, USDA is required to take specific actions, such as submitting an action plan to Congress describing steps it will take to bring SNAP into compliance.<sup>16</sup> OMB guidance directs agencies to provide information describing the actions that the agency will take to come into compliance in the annual OMB data call.<sup>17</sup> According to OMB guidance, the information will be published on PaymentAccuracy.gov and serve as the plan that agencies are required to submit to Congress. FNS commented it would provide a plan describing actions to bring SNAP into compliance as part of the upcoming OMB data call for fiscal year 2024.

### **What are the responsibilities of USDA's OIG under PIIA and OMB guidance?**

Under PIIA and OMB guidance, USDA's OIG is responsible for (1) reviewing the improper payment reporting in the agency's annual financial statements and accompanying materials to determine whether USDA is compliant with PIIA criteria, and (2) issuing an annual report on USDA's compliance with applicable PIIA criteria.<sup>18</sup>

According to OMB guidance, the OIG report must include an evaluation of USDA's efforts to prevent and reduce improper payments. In addition, for programs with estimated improper payment rates of 10 percent or more, such as SNAP, the OIG must include recommendations for actions the agency can take to prevent and reduce improper payments.<sup>19</sup>

USDA's OIG reported in July 2024 that USDA was not compliant with certain PIIA criteria for fiscal year 2023. Specific to SNAP, USDA reported an estimated improper payment rate exceeding 10 percent.<sup>20</sup> USDA OIG recommended that FNS provide information describing the actions the agency will take to come into compliance for SNAP in the annual OMB data call, which is used to update information on PaymentAccuracy.gov.<sup>21</sup> In response, FNS plans to take necessary actions by December 31, 2024.

### **What roles do state audits and single audits have in SNAP oversight?**

In addition to USDA's FNS and OIG, state and independent auditors also play a key role in overseeing SNAP.



## State audits

State auditors are responsible for overseeing how their respective state agencies administer SNAP and for reporting any findings in their state audits of the program. For example, in October 2022, the state auditor of Maryland reported that the Family Investment Administration inadvertently disabled a critical system control, which led to overpayments.<sup>22</sup> Specifically, 86,479 of the 465,038 households that received SNAP benefits had incomes that exceeded the federally established maximum limits, and the state auditor reported that the administration was unable to determine if the 86,479 households were exempt from the SNAP income thresholds. The state auditor recommended that the administration establish sufficient procedures to (1) ensure that critical programming changes are subject to independent review and approval, (2) respond to federal granting agency requests for overpayment information, and (3) collect overpayments unless USDA provides written guidance stating that reimbursement of amounts improperly paid is not required. A subsequent May 2024 report provided no update on the status of these recommendations.<sup>23</sup>

## Single audits

State auditors or independent auditors conduct single audits and publish any findings on their respective state agencies' administration of SNAP in single audit reports.<sup>24</sup> Single audits are an important oversight tool to help ensure that an award recipient has adequate internal controls in place over federal programs and is complying with relevant program requirements.<sup>25</sup> Single audits are required for recipients of certain federal awards, including the 50 states, the District of Columbia, and two territories that administer SNAP. Based on our review of single audit findings, SNAP improper payments were attributed to root causes, such as a state agency's (1) lack of policies and procedures to ensure safeguarding and documentation of benefit card issuance, (2) inability to maintain adequate supporting records due to outdated legacy eligibility systems, and (3) lack of appropriate supervisory oversight, which resulted in unauthorized benefit card issuance.

For example, in September 2023, the District of Columbia's single audit reported that the District's Department of Human Services did not effectively design and operate its automated data processing system for SNAP. This resulted in an estimated \$454,951 of overpayments and an unknown additional amount of over- and underpayments for SNAP.<sup>26</sup> The auditor recommended that the department continue to evaluate and improve its automated data processing system to ensure that it complies with all SNAP administration requirements. In a subsequent June 2024 report, the department noted it plans to take necessary actions by September 30, 2025.<sup>27</sup>

## How does FNS use external audit reports as part of its oversight of SNAP?

FNS uses external audit reports as part of its evaluation of states' management of SNAP to help ensure that state agencies are administering the program in compliance with federal regulations. FNS's regional offices obtain and review relevant OIG reports, GAO reports, and state single audit reports to identify any SNAP deficiencies or issues they need to address.

In addition, FNS's regional offices are responsible for overseeing state actions to address reported single audit findings. Specifically, their responsibilities include:

- ensuring that single audits are completed and reports are received in a timely manner;

- examining the reports and identifying any findings requiring corrective action, including those findings identified as high-risk and recurring;
- working with states to determine appropriate corrective actions and to negotiate management decisions; and
- monitoring the implementation of corrective actions and determining whether they are sufficient prior to the close of the related audit finding.

### What responsibilities do states have to reduce improper payment rates?

FNS requires states with SNAP improper payment rates exceeding certain thresholds to (1) identify the root causes of deficiencies leading to improper payments, and (2) develop corrective action plans (CAP) in accordance with FNS regulations and guidance to address root causes.<sup>28</sup> FNS’s national office issues a memorandum, within 10 days of release of the improper payment rates, that identifies all state agencies exceeding certain improper payment rate thresholds to its regional offices and states.<sup>29</sup> Table 1 shows SNAP improper payment rates for states, the District of Columbia and two territories.

**Table 1: Food and Nutrition Service’s (FNS) Supplemental Nutrition Assistance Program Estimated Improper Payment Rates for States, the District of Columbia, and Territories for Fiscal Year 2023**

State/District of Columbia/Territory	Fiscal year 2023 estimated improper payment rate (percent)
Alabama	7.07
Alaska	60.37
Arizona	11.39
Arkansas	9.57
California	13.40
Colorado	8.61
Connecticut	8.91
Delaware	22.80
District of Columbia	20.26
Florida	12.60
Georgia	12.07
Guam	18.01
Hawaii	20.94
Idaho	3.42
Illinois	9.91
Indiana	10.46
Iowa	5.19
Kansas	12.07
Kentucky	7.27
Louisiana	6.65
Maine	13.48
Maryland	18.98
Massachusetts	9.86
Michigan	10.72
Minnesota	6.40
Mississippi	10.15
Missouri	10.54



State/District of Columbia/Territory	Fiscal year 2023 estimated improper payment rate (percent)
Montana	6.04
Nebraska	7.06
Nevada	6.71
New Hampshire	12.53
New Jersey	35.70
New Mexico	14.40
New York	12.68
North Carolina	9.72
North Dakota	9.51
Ohio	7.01
Oklahoma	10.64
Oregon	16.76
Pennsylvania	16.61
Rhode Island	12.40
South Carolina	22.57
South Dakota	3.27
Tennessee	12.56
Texas	6.70
Utah	5.09
Vermont	3.45
Virgin Islands	10.29
Virginia	9.86
Washington	6.74
West Virginia	10.98
Wisconsin	5.15
Wyoming	5.19

Source: GAO analysis of FNS information. | GAO-24-107461

To develop improper payment CAPs, state agencies follow FNS guidance and conduct root cause analyses. As states do so, FNS encourages them to request technical assistance from FNS's regional offices in interpreting data and identifying root causes.

FNS regulations and guidance require that state CAPs include the following for each deficiency identified:<sup>30</sup>

- A specific description.
- The method of detection.
- The magnitude.
- The causal or contributing factors.
- Any corrective actions already taken.
- An outline of planned actions and the expected outcome of each.
- The target date for each action and the projected dates for eliminating each deficiency.
- A description of the state agency's plan for monitoring and evaluating the effectiveness of corrective actions.

After states develop CAPs, they are required to submit them to FNS's regional offices for review and approval.

### **How does FNS help states develop and implement their CAPs?**

FNS's regional offices play a key role in helping states develop and implement their CAPs, from reviewing and approving plans to monitoring and validating their implementation.

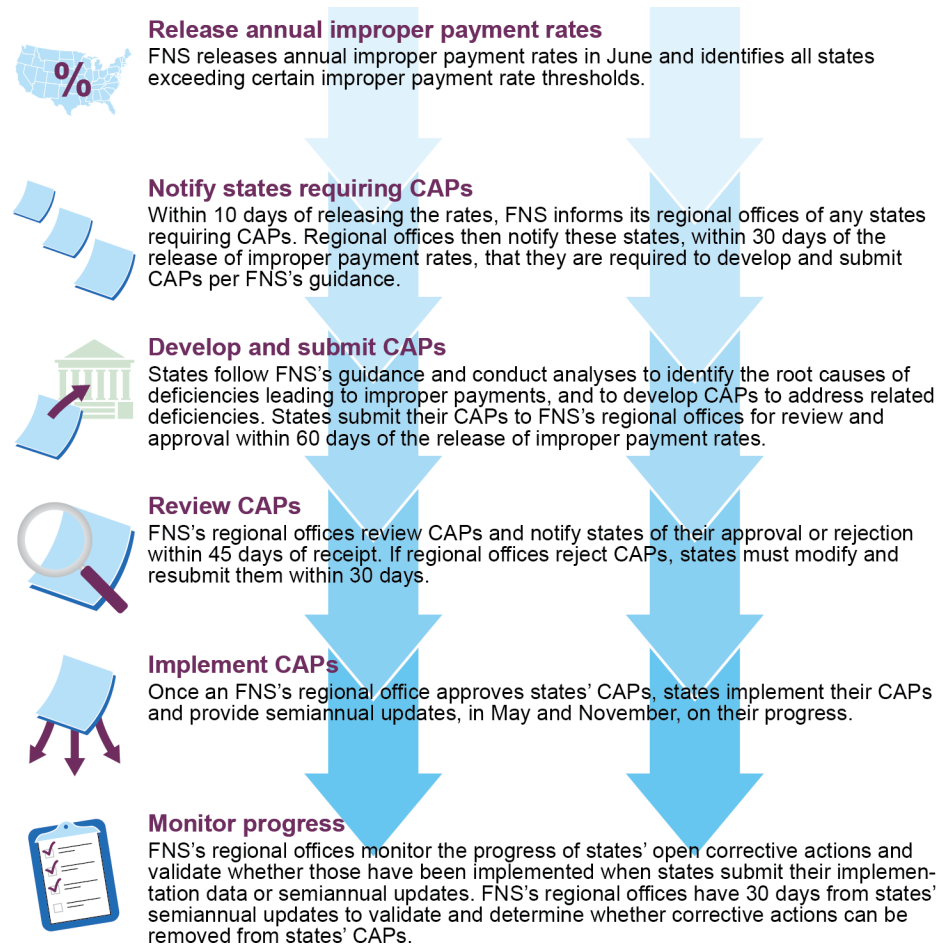
After the regional offices approve states' CAPs, states implement them and provide semiannual updates on corrective actions taken to FNS's regional offices in May and November. These updates include the status of the CAP, any additional deficiencies identified since the previous update, and any changes to the planned corrective actions. FNS's standard operating procedures strongly encourage regional offices to provide technical assistance to states to help them implement their CAPs.<sup>31</sup>

FNS's regional offices monitor states' progress in implementing CAPs and validate whether actions have been implemented when states submit their semiannual updates.

Regional offices send written reminders to state agencies that fail to provide semiannual updates, including all required components, by the deadlines. If a state agency were to fail to respond to the reminder by providing an update, FNS would begin an escalation process, and the state agency would be at risk of suspension or disallowance of federal funds.

Once FNS's regional offices validate and determine that states' corrective actions have been appropriately implemented, they notify states that corrective actions can be removed from the states' CAPs. Figure 3 shows FNS's process for overseeing state CAPs.

**Figure 3: Food and Nutrition Service's (FNS) Oversight of States' Improper Payment Corrective Action Plans (CAP)**



Source: GAO analysis of FNS information. | GAO-24-107461

### **What challenges have states experienced in implementing corrective actions and what has FNS done to address them?**

States may experience challenges in identifying the root causes of improper payments. According to FNS officials, each state's skills and experience with data analysis varies depending on program structure, staff expertise, and state agency priorities. As a result of differences in these factors, some states have limited resources to perform thorough analysis of root causes, according to FNS officials. For example, some states do not employ statisticians. To address this challenge, FNS officials stated that they prioritized providing improved tools and technical assistance to support states in performing these analyses.

### **What recent steps has FNS taken to help states reduce improper payments?**

FNS officials we spoke with reported recent efforts the agency has taken to help states reduce improper payment rates, including the following:

- **New tools.** In June 2024, FNS published two dashboards for states to use to analyze root causes of improper payments and trends over time. According to FNS officials, these dashboards are designed to allow state users to perform in-depth data analysis—using factors such as time periods, types of household characteristics, or error amounts—on root causes of improper payments. The dashboards integrate data daily from the SNAP quality control system, allowing state agencies to perform up-to-date analyses on their root

causes of improper payments. Additionally, FNS indicated in its fiscal year 2023 agency financial report that it issued grants to state agencies to help them verify household earnings and employment via third-party income databases.

- **Guidance.** FNS awarded a contract to update its guidance on key strategies for improving and maintaining payment accuracy, which was released in June 2024. Under this contract, FNS hosted a series of listening sessions with states focused on understanding their successes and challenges in reducing SNAP improper payments.
- **Training.** In May 2024, FNS began holding office hours to train regional office staff on its updated guidance for improving and maintaining payment accuracy. The first office hour session focused on improving states' root cause analysis and corrective action planning through technical assistance. FNS also plans to hold office hours for states to help equip states with the knowledge and resources to conduct individualized root cause analyses and develop appropriate corrective actions. In addition, FNS conducted two training events on the new dashboards for both state and federal users in June 2024.
- **Technical assistance.** FNS provides state-specific technical assistance to ensure states' CAPs meet statutory and regulatory requirements and address the root causes of improper payments. In July 2024, FNS has also updated standard operating procedures for state agencies to use when developing their CAPs.

### **Does FNS plan to change its improper payment estimation process?**

FNS officials told us that there were no significant changes planned for the agency's SNAP improper payment estimation process. In September 2023, USDA proposed a rule aimed at simplifying and improving the quality control system for identifying SNAP improper payments.<sup>32</sup> However, FNS does not have a timeline for finalizing and implementing the rule and anticipates a long-term implementation period for this effort.

### **Agency Comments**

We provided a draft of this report to USDA for review and comment. USDA did not have any comments on the report.

### **How GAO Did This Study**

To describe steps USDA's FNS has taken to develop and report improper payment estimates for SNAP, we obtained and reviewed relevant information from the agency's website, guidance, and agency reports. In addition, we interviewed USDA officials to understand the agency's processes for developing and reporting SNAP improper payment estimates, as well as any plans to change its processes in the future. We also reviewed USDA's instructions to states regarding selecting and reviewing SNAP improper payment samples. We also obtained and reviewed documentation, data, and computer codes supporting USDA's testing and aggregating of state sample results into the national improper payment estimate for SNAP.

To understand USDA's oversight of states' efforts to develop and implement CAPs, we reviewed and summarized applicable laws and OMB guidance, as well as information from the agency's website, internal guidance, and agency reports. We also interviewed FNS officials from the national office to understand their state oversight activities.

To summarize key oversight activities of other entities, including state and independent auditors, we selected states and territories with SNAP improper payment rates of 10 percent or greater in fiscal year 2022. We then selected (1) states' audit reports issued from fiscal year 2018 through fiscal year 2023 and (2) the most recent single audit reports available. We reviewed this information to identify key audit findings related to SNAP improper payments. Additionally, we reviewed USDA OIG reports on the agency's compliance with applicable statutory criteria issued from fiscal year 2016 through fiscal year 2023, and interviewed USDA OIG staff to understand their oversight roles and ongoing activities over SNAP.

To describe the guidance and technical assistance that USDA provides to states to help reduce improper payments, we reviewed and summarized relevant agency documents and interviewed FNS officials from the national office.

We conducted this performance audit from March 2024 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### List of Addressees

The Honorable David Valadao  
Chairman  
The Honorable Adriano Espaillat  
Ranking Member  
Subcommittee on Legislative Branch  
Committee on Appropriations  
House of Representatives

We are sending copies of this report to the appropriate congressional committees and the Secretary of Agriculture. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

### GAO Contact Information

For more information, contact: M. Hannah Padilla, Director, Financial Management and Assurance, [PadillaH@gao.gov](mailto:PadillaH@gao.gov), (202) 512-5683.

Sarah Kaczmarek, Managing Director, Public Affairs, [KaczmarekS@gao.gov](mailto:KaczmarekS@gao.gov), (202) 512-4800.

A. Nicole Clowers, Managing Director, Congressional Relations, [ClowersA@gao.gov](mailto:ClowersA@gao.gov), (202) 512-4400.

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## Endnotes

<sup>1</sup>According to FNS, this benefit amount includes disaster benefits, such as emergency allotments from the pandemic. Thus, it differs from the total SNAP outlays reported on PaymentAccuracy.gov, which only include regular, ongoing SNAP benefits.

<sup>2</sup>For purposes of executive agency reporting, the law defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. 31 U.S.C. § 3351(4). When an executive agency's review is unable to discern whether a payment was proper because of insufficient or lack of documentation, this payment is also considered an improper payment. 31 U.S.C. § 3352(c)(2). Reported improper payment estimates are subject to uncertainty, meaning the actual amounts may differ from the reported estimates. More information on the margins of error associated with these estimates can be found in the annual improper payment data sets available on PaymentAccuracy.gov. For fiscal year 2023, USDA reported a confidence interval of 95 percent to less than 100 percent, and a margin of error of +/-0.49 percentage point for SNAP on PaymentAccuracy.gov. OMB guidance does not prescribe specific margins of error or confidence intervals. Instead, OMB specifies that agencies must work with their statisticians to determine the appropriate confidence interval given program characteristics, available resources, and whether the estimates are reliable. Office of Management and Budget, *Requirements for Payment Integrity Improvement*, Circular No. A-123, Appendix C, OMB M-21-19 (Mar. 5, 2021).

<sup>3</sup>Improper payments and fraud involving federal funds are two distinct concepts that are related, but not interchangeable. FNS officials told us that they track fraud—which involves obtaining something of value through willful misrepresentation or making false or misleading statements in order to obtain benefits—separately from improper payment estimation quality control review. One type of SNAP fraud is retailer trafficking, in which a retailer exchanges recipients' SNAP benefits for cash instead of food. Since 1995, FNS has published periodic reports estimating the extent of trafficking in SNAP as part of its efforts to monitor program integrity. We reported in December 2018 that FNS's estimates of retailer trafficking are uncertain and have limitations, though such estimates suggest trafficking increased to about \$1 billion each year from 2012 to 2014. We also reported that one key limitation of the estimates is FNS has not evaluated the accuracy of its assumption about the percentage of SNAP benefits trafficked. There are options available for evaluating this assumption, such as reviewing SNAP transaction data from stores that are known to have trafficked. FNS has taken steps to include more information about the uncertainty around its retailer trafficking in its latest report on retailer trafficking, but has not conducted the evaluation of its assumptions we recommended. FNS also has not yet implemented our recommendations to assess the benefits and costs of reauthorizing a sample of high-risk stores more frequently than other stores and to move forward with plans to increase penalties for retailer trafficking. See GAO, *Supplemental Nutrition Assistance Program: Actions Needed to Better Measure and Address Retailer Trafficking*, GAO-19-167 (Washington, D.C.: Dec. 14, 2018).

<sup>4</sup>The two territories are Guam, and the U.S. Virgin Islands. The seven regional offices are the (1) Mid-Atlantic Regional Office, (2) Midwest Regional Office, (3) Mountain Plains Regional Office, (4) Northeast Regional Office, (5) Southeast Regional Office, (6) Southwest Regional Office, and (7) Western Regional Office.

<sup>5</sup>PaymentAccuracy.gov is an official U.S. government website that OMB manages. It contains information, including current and historical estimated improper payment rates (i.e., agency-reported improper payment amounts as a percentage of outlays), amounts of estimated improper payments, root causes of monetary loss and improper payments, and monetary-loss recovery efforts.

<sup>6</sup>FNS developed its original quality control process for SNAP in 1977 to track and measure errors in both eligibility and benefit determinations for the program.

<sup>7</sup> C.F.R. § 275.11; FNS's handbooks for states include: FNS Handbook 310, *SNAP Quality Control Review Handbook* (Oct. 2022), and FNS Handbook 311, *Food Stamp Program Quality Control Sampling Handbook* (Oct. 1990).

<sup>8</sup> C.F.R. § 275.11; FNS regional offices use FNS Handbook 315, *SNAP Federal Quality Control Validation Review Handbook* (Sept. 2019).

<sup>9</sup>States calculate the improper payment rate by dividing the estimated improper payment amount by program outlays. USDA refers to this amount as the "improper payment error rate." By law, states are required to correct payment errors—overpayments must be paid back to the state and the state must promptly restore any improperly denied benefits—so that each household gets the correct amount based on its eligibility. (7 U.S.C. §§ 2022(b), 2020(b)).

<sup>10</sup>For fiscal year 2023, there were 244 informal resolution reviews completed and 20 arbitration reviews completed, according to FNS officials.



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<sup>11</sup>On an annual basis, FNS's regional offices estimate the following SNAP improper payment rates for their respective states: official overpayment rate, official underpayment rate, and official combined improper payment rate. FNS provides a comparison of state-reported and official improper payment rates for SNAP in its annual reports on SNAP quality control. The most recent report covers fiscal year 2019. According to the report, the official fiscal year 2019 improper payment rates, which were based on FNS regional office subsamples, exceeded the state-reported rates in all but three cases. USDA, *Supplemental Nutrition Assistance Program Quality Control Annual Report Fiscal Year 2019* (Apr. 2022, revised Mar. 2024).

<sup>12</sup>According to FNS, the national improper payment rate is a weighted average of all states' official improper payment rates, based on each state's total payments issued for the fiscal year.

<sup>13</sup>USDA's reporting of SNAP improper payment data is typically about 6 months after the availability of data. For example, the fiscal year 2023 SNAP improper payment estimate data reported to OMB is based on fiscal year 2022 results. FNS reported the fiscal year 2023 improper payment rates based on the fiscal year 2022 data as of June 30, 2023. Along with data submitted to OMB, the Chief Financial Officer, within FNS's Office of Financial Management, certifies that the agency's sampling and estimation methodology plan produces an improper payment and unknown payment estimate that is accurate and appropriate given program characteristics.

<sup>14</sup>Pub. L. No. 116-117, 134 Stat. 113 (2020) (codified at 31 U.S.C. §§ 3351-58). PIIA includes six criteria for compliance, which OMB M-21-19 expands to 10 by breaking some criteria into subcomponents and, in some cases, adding new elements.

<sup>15</sup>OMB M-21-19's criteria 5a, 5b, and 5c relate to 31 U.S.C. § 3351(2)(E), which states that compliance means that the executive agency publishes improper payments reduction targets prepared under [31 U.S.C. § 3352(d)] that the executive agency may have in the accompanying materials to the annual financial statement for each program or activity assessed to be at risk, and has demonstrated improvements and developed a plan to meet the reduction targets.

<sup>16</sup>Under PIIA, if an executive agency's OIG determines that the agency is not in compliance with the applicable PIIA criteria, the head of the agency must submit to the appropriate authorizing and appropriations committees of Congress a plan describing the actions that the agency will take to come into compliance. The plan should include the following: (1) measurable milestones to be accomplished in order to achieve compliance for each program or activity, (2) the designation of a senior executive agency official who shall be accountable for the progress of the executive agency in coming into compliance for each program or activity, and (3) the establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the official designated in leading the efforts of the executive agency to come into compliance for each program or activity.

<sup>17</sup>Per OMB M-21-19, agencies have annual reporting responsibilities for each year of non-compliance with PIIA criteria. The OMB annual data call requires agencies to provide in-depth payment integrity information to OMB for publication. The data are collected and subsequently published on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov).

<sup>18</sup>OIGs are required to issue compliance reports under PIIA. 31 U.S.C. § 3353. Per OMB M-21-19, OIG review typically begins when the agency's annual financial statements and the accompanying materials to the annual financial statements are published, which typically occurs in mid-November. The OIG compliance report should be published within 180 days after the publication date for the annual financial statements of the agency and the accompanying materials. For example, USDA issued its fiscal year 2023 agency financial report on January 16, 2024, and USDA's OIG issued the compliance report on July 12, 2024.

<sup>19</sup>OMB M-21-19. If The OIG is unable to provide such recommendations, then the OIG must state whether it believes that the program has reached a tolerable improper (and unknown) payment rate.

<sup>20</sup>The fiscal year 2023 reporting, based on fiscal year 2022 results, was the first year that SNAP was not compliant with the applicable PIIA criteria. If the program is not compliant with the applicable PIIA criteria for two consecutive years, the agency must propose to the Director of OMB in its next budget submission additional program integrity proposals that would help the program come into compliance. 31 U.S.C. § 3353(b)(2). In addition, states are subject to financial liabilities if there is a 95 percent statistical probability that their payment error rates exceed 105 percent of the national performance measure for the second or subsequent consecutive fiscal year. 7 C.F.R. § 275.23 (d)(2). Those financial liabilities must be used to invest in activities to improve SNAP administration, designated as "at-risk" for repayment if a liability is established based on the state's payment error rate for the subsequent fiscal year, or some combination of the above. 7 C.F.R. § 275.23 (e)(1).

<sup>21</sup>U.S. Department of Agriculture, Office of Inspector General, *USDA's Compliance with Improper Payment Requirements Fiscal Year 2023*, 50024-0004-24 (Washington, DC.: July 2024).

<sup>22</sup>Maryland General Assembly, Department of Legislative Services. *Department of Human Services Family Investment Administration*. (Oct. 21, 2022).

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<sup>23</sup>Maryland General Assembly, Department of Legislative Services. *Review of the Actions Taken by the Department of Human Services–Family Investment Administration to Resolve Repeat Audit Findings in Response to the April 2023 Joint Chairmen's Report*. (May 14, 2024).

<sup>24</sup>The Single Audit Act is codified, as amended, at 31 U.S.C. §§ 7501-06, and implementing OMB guidance is reprinted in 2 C.F.R. part 200 subpart F. The Single Audit Act requires nonfederal entities that spend a specified amount—currently \$750,000 but rising to \$1,000,000 effective October 1, 2024—or more in federal awards in a year to undergo a single audit, which is an audit of an entity's financial statements and federal awards, or in select cases a program-specific audit, and submit the results to the Federal Audit Clearinghouse (FAC). The FAC is maintained by the General Services Administration.

<sup>25</sup>Single audit reports are to include (1) the award recipient's financial statements and schedule of expenditures of federal awards; (2) a status of all single audit findings included in the prior audit's schedule of findings and questioned costs for federal awards; (3) the auditor's opinions on the award recipient's financial statements and schedule of expenditures of federal awards, compliance with requirements from laws, regulations, and provisions of contracts and grant agreements, and internal control over compliance; (4) when applicable, a schedule of findings and questioned costs; and (5) when applicable, a corrective action plan. We refer to these reports as "single audits" for the purposes of our report.

<sup>26</sup>Government of the District of Columbia. *Schedules of Expenditures of Federal Awards and Reports Required by the Uniform Guidance* (Sept. 29, 2023).

<sup>27</sup>Government of the District of Columbia. *Schedules of Expenditures of Federal Awards and Reports Required by the Uniform Guidance* (June 27, 2024).

<sup>28</sup>7 C.F.R. § 275.17; Food and Nutrition Service, *SNAP Corrective Action Plan: Quality Control Reports State Requirements* (July 2024). State CAPs must include a number of items, including an outline of actions to be taken, the expected outcome of each action, the target date for each action, and a description of how the state will monitor and evaluate the effectiveness of the corrective action.

<sup>29</sup>FNS, *Supplemental Nutrition Assistance Program Fiscal Year 2023 Performance Reporting System Corrective Action Plan Memo* (July 1, 2024). The official improper payment error rates for households that are participating in SNAP (active cases) are based on FNS's final review of state agency subsamples. The code of federal regulations, 7 C.F.R. part 275.16, requires a state agency to implement a CAP in certain circumstances, such as if the error rate for active cases is 6 percent or greater.

<sup>30</sup>The CAP must address prioritization and content requirements described in 7 C.F.R. §§ 275.16(c) and 275.17(b).

<sup>31</sup>FNS, *SNAP Corrective Action Plan: Quality Control Reports Standard Operating Procedures* (July 2024). Federal regulations also state that FNS will provide technical assistance in developing corrective action plans when requested by state agencies. 7 C.F.R. § 275.17(c).

<sup>32</sup>Provisions to Improve the SNAP Quality Control System [88 Fed. Reg. 64756](#) (proposed Sept. 19, 2023) (to be codified at 7 C.F.R. parts 271 and 275). USDA stated that it issued this notice of proposed rulemaking to improve FNS's SNAP quality control system as required in the Agriculture Improvement Act of 2018. Pub. L. No. 115-334, § 4013(b), 132 Stat. 4490, 4642. According to FNS, the proposed changes were intended to strengthen and improve the integrity and accuracy of the SNAP quality control system and to better align SNAP with PIIA requirements.