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Senate Committee on Agriculture,
Nutrition and Forestry

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Thank you, Mr. Chairman, Ranking Member Stabenow, and Members of the Committee for the invitation to be here today to update you on the Supplemental Nutrition Assistance Program (SNAP) Quality Control system.

My name is Brandon Lipps; I currently serve as Acting Deputy Under Secretary, Food, Nutrition, and Consumer Services (FNCS), and as Administrator for the Food and Nutrition Service (FNS). This is a bit of a homecoming for me as I previously worked with many of you during my time as part of the House Agriculture Committee's staff. I know first-hand the importance of the issues that come before this Committee, and the diligence with which you work to support America's farmers, ranchers, foresters, and consumers. I am happy to be back in Washington DC, serving in this new capacity, and I look forward to working with this Committee to ensure that individuals most in need have access to food and that FNS programs are run efficiently, effectively, and with the utmost integrity.

As you know, FNS is responsible for administering America's nutrition assistance programs, which leverage the nation's agricultural abundance to ensure that no American goes hungry, even during difficult times. SNAP is the largest of these programs – serving 41.5 million low-income individuals as of May 2017. Operating in close partnership with State agencies, the goal of the program is to help those most in need get back on their feet by supplementing their food budgets.

While we are here to talk about a specific – and serious – program issue, it is worth recognizing the importance of the SNAP program and the evidence of its success:

- Studies show that receiving SNAP benefits reduces the likelihood of being food insecure – defined by experiencing difficulty accessing adequate food due to a lack of resources. Participating in SNAP for 6 months is associated with a 5 to 10 percentage point decrease

in food insecurity¹.

- Providing benefits that can be spent only on food has been shown to raise food expenditures more than providing an equal amount of cash².
- A key component of SNAP is that it includes work requirements, which ensure the program does not foster a culture of poverty but rather empower individuals to lift themselves out of poverty. Indeed, 44 percent of all participants live in a household in which one or more people work³. FNS will continue to focus on supporting SNAP participants in identifying, seeking, obtaining, and retaining opportunities for employment that lead to self-sufficiency, which would ultimately decrease reliance on the program.

Today, however, I want to speak to you about the importance of accountability and integrity in this vital program. Americans care for their neighbors and want them to have food on the table—but they also want to know that the benefits paid for by their tax dollars are preserved for those truly in need. We owe this to those we serve and to the American taxpayer.

As you know, SNAP operates a quality control, or “QC,” system to measure improper payments, commonly referred to as the payment error rate. The SNAP payment error rate is a measure of the extent to which SNAP benefit amounts are issued in the proper amount to the targeted households. The error rate is the combination of payments to recipients that are too high (overpayments) as well as payments that are too low (underpayments), not the difference between the two.

It is important to note that QC is a measure of errors in *issuing* benefits, not in the *misuse* of benefits. It includes both errors caused by the State agencies and those made by clients. Often errors are due to a failure to properly act on information or incorrectly calculating household income and deductions following SNAP rules. Examples include, failing to apply an earned income deduction to recipients who work or counting a household’s tax refund as income when it should be excluded.

Quality control is a shared responsibility between the States and FNS. States review cases for errors and FNS reviews a sample of those to ensure that States have made the correct determination. As you may know, USDA and the Office of Inspector General (OIG) both found bias in the QC data which impacted our ability to release a national error rate for FY 2015 and FY 2016. What you may not know is how we got to this place.

¹ Mabli, James, Jim Ohls, Lisa Dragoset, Laura Castner, and Betsy Santos. Measuring the Effect of Supplemental Nutrition Assistance Program (SNAP) Participation on Food Security. Prepared by Mathematica Policy Research for the U.S. Department of Agriculture, Food and Nutrition Service, August 2013.

² Tuttle, Charlotte. “The Stimulus Act of 2009 and Its Effect on Food-At-Home Spending by SNAP Participants.” Washington, DC: U.S. Department of Agriculture, Economic Research Service, August 2016.

³ Farson Gray, Kelsey, Sarah Fisher, and Sarah Lauffer. (2016) *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2015*. Prepared by Mathematica Policy Research for the USDA Food and Nutrition Service.

While the agency had no direct evidence initially, USDA had questions about the reliability of State data it reviewed in FY 2014. The error rate reductions appeared to happen too quickly – like falling off a cliff. One might expect reductions resulting from proper operational improvements to have occurred more slowly – like a staircase, a little at a time.

These observations suggested that FNS needed to explore these State-generated datasets in new ways. In late 2014, FNS created four different statistical indicators that our statisticians used to comb through the state data for bias. When they found that seven states showed potential issues under all four of those indicators, FNS promptly took further action. They began reviewing a few States' quality control processes in April 2015 and quickly determined that an in-depth review of all 53 SNAP agencies was warranted.

What they found truly surprised and greatly concerned our experts. Many States were bypassing our data controls. In some cases, these were inadvertent process errors, but more often, States were altering what information and data they reported to FNS so Federal reviewers would not even see many of the errors. Therefore, we could not detect this level of bias until we developed the new statistical measures to catch it.

During this same time, OIG had independently begun an audit of several states for similar problems. Based on the findings of the September 2016 OIG audit as well as the in-depth reviews conducted by FNS, we began an extensive process of working with States to implement corrective actions to dramatically reduce errors.

However, our reviews also showed us that some FNS practices may have contributed to some of these issues. The agency's policies and related documentation were not always clear in all areas, and we needed to make our own federal review processes more robust. So FNS got to work. We issued memos and guidance to States and revised the quality control handbook to reduce the incidence of bias. We provided training to Federal and State staff, developed a new management evaluation guide to strengthen oversight of QC, and made new data sources available to better assess and validate State findings. In addition, FNS now conducts audits of State QC operations annually as part of regular oversight and monitoring activities. FNS is planning to conduct over 20 state audits in FY 2018.

Let me be clear. FNS owns these problems and is taking strong action to solve them. Our mission, and the future of SNAP, depends on it. But the most egregious problems we found in some States do not result from unclear guidance alone. As just one example, we learned that in some States, error reduction committees – which are intended to identify QC errors and take steps to prevent problems in the future – were instead going back and *hiding* the errors they found. This was not a simple misunderstanding. It was an overt attempt to game the system, and it is totally unacceptable. The changes made to the QC system will make those behaviors more difficult, and less likely, but truly eliminating errors will require a commitment of good faith on all sides.

SNAP works best when Federal and State partners work together and there are opportunities for improvement on both sides. FNS remains committed to our relations and

partnerships with the States, but intends to further emphasize measurements and holding States accountable for outcomes.

As mentioned above, we have taken a number of actions to strengthen QC, but we have more work to do. We must continue to ensure that the QC system is functioning at the highest level of integrity and can be trusted by policy makers, including Congress. We take this responsibility very seriously. Because we did not have trust in the data used to report on FY 2015 and because the data still was not sufficiently reliable in 2016, FNS has not released a national error rate since 2014. This may seem drastic, but it speaks to my agency's commitment to the American taxpayer to run an efficient and effective program. I fully expect to release an error rate for FY 2017 in June 2018 once the reforms, training and integrity efforts FNS and States have taken are fully reflected in the data.

FNS is committed to continually improving the QC system and the integrity of SNAP as a whole. We will hold ourselves and our State partners accountable, striving to meet the highest of standards expected by you and the people you represent.

Thank you for the opportunity to provide this background on the SNAP QC system, and I am happy to answer any questions that you may have.