

REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES



The Food Stamp Program-- Overissued Benefits Not Recovered And Fraud Not Punished

Department of Agriculture

The Government is losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentations, and suspected fraud by recipients, and by errors by local food stamp offices. For every \$100 of the more than \$5 billion in annual benefits issued nationally, overissuances account for about \$12; only about 12 cents of that \$12 has been recovered. The 8 local projects GAO reviewed were doing little to identify and recover the value of these overissuances.

At five of the eight projects, about half of the dollar value of claims established for food stamp overissuances were classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized. The courts are already clogged with more serious criminal cases and most prosecutors are reluctant to prosecute suspected recipient fraud cases. If some semblance of integrity is to be maintained in this program, food stamp recipient fraud cannot be allowed to continue unchecked. Administrative adjudication and penalty assessment could be an effective deterrent.

Also, better financial incentives are needed for States and local projects to devote more effort to identifying and recovering overissuances and punishing recipient fraud.

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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

A-51604

To the President of the Senate and the
Speaker of the House of Representatives

Overissuance of food stamp benefits is a serious problem and a major drain on Federal funds. This report discusses the need for greater efforts and better techniques to identify and recover overissuances of food stamp benefits and to punish fraud by individual food stamp recipients.

We obtained oral comments from the Department of Agriculture and recognized them in the report as appropriate. We did not receive written comments from the Department in time to include them in the report.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Agriculture; and the Attorney General.

A handwritten signature in black ink, reading "Luther B. Stacks".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

THE FOOD STAMP PROGRAM--
OVERISSUED BENEFITS NOT
RECOVERED AND FRAUD NOT
PUNISHED
Food and Nutrition Service
Department of Agriculture

D I G E S T

The Government is losing over half a billion dollars annually in the food stamp program because of overissued benefits resulting from errors and suspected recipient fraud. Of every \$100 in benefits issued nationally, about \$12 resulted from overissued stamps. Only 12 cents of that \$12 has been recovered. (See p. 4.)

Over 17 million low-income people buy food stamp coupons having a face value greater than their purchase price and use them to buy food at participating stores. The difference between the face value of the coupons and their purchase price is called the bonus value, which cost the Government \$5.3 billion in the year ended June 30, 1976.

The problems GAO identified relate to overissuances in general as well as overissuances involving suspected recipient fraud.

OVERISSUANCES IN GENERAL

State and local food stamp offices at the eight projects reviewed were not effectively using available sources of information to identify overissued benefits. This had the obvious result--only a small part of total overissuances were brought to light. (See p. 7.)

Little emphasis was put on recovering money due from the overissuances, and controls were not adequate to guarantee that claims to recover money were established. Overissuance cases were not regularly evaluated

to determine whether collection was appropriate and, even when collection was deemed appropriate, few or no attempts were made to collect. (See p. 13.)

States and local offices have no financial incentive to work harder to identify and recover overissued benefits and to punish offenders for fraud. The Government pays the entire bonus value and keeps all money recovered, while States and local offices must pay half of all administrative costs, including the cost of identifying and recovering over-issuances.

As a result, the State and local offices have given both recovery of overissued food stamp benefits and punishment of recipient fraud very low priorities. (See p. 39.)

Neither the Food and Nutrition Service nor the States have effective systems for monitoring and evaluating local offices' claim and collection activities. Neither the Service nor the States receive information on certain types of food stamp overissuances, and the information they do receive concerns only individual cases. (See p. 18.)

To adequately monitor and evaluate local programs, the Service and the States need to obtain or compile summary information which will give a complete picture of local offices' activities. (See p. 23.)

The Service wastes time and resources trying to keep detailed records on certain individual cases, instead of concentrating on evaluating State and local activities. The records the Service maintains are inaccurate and unusable. (See p. 23.)

SPECIAL PROBLEMS REGARDING SUSPECTED RECIPIENT FRAUD

Food stamp recipient fraud is a serious problem. Complete and accurate nationwide data is not

available on the extent of it but, at five projects visited by GAO, available data showed that about half of the overissuance claims established were classified as suspected fraud. Very few suspected fraud cases have been either prosecuted or adjudicated administratively. (See pp. 25-29.)

The Department of Agriculture is not able to investigate most suspected recipient fraud cases and refer them to the Department of Justice for prosecution. Instead it relies on State and local governments to handle these cases. Agriculture had not given the States adequate guidance and assistance in handling suspected recipient fraud cases, and State and local offices were confused about how these cases could best be handled. Little was being done to identify and punish people who committed fraud, although some States seemed to be doing more than others.

GAO was told that a recent Department effort had been started to give State investigative personnel some training in this area.

Procedures for penalizing fraud by means other than criminal prosecution have been little used. Most prosecutors--Federal, State, and local--put prosecution of suspected recipient fraud cases low on their list of things to do. In the localities reviewed, penalties were generally not considered when recipients agreed to repay the bonus value fraudulently obtained. (See p. 29.)

Food stamp recipient fraud cannot be allowed to continue unchecked, although criminal prosecution does not appear to be the best way to handle many of the cases. The courts are already clogged with more serious criminal cases, and most prosecutors are understandably reluctant to spend time and money to recover small dollar amounts.

To keep some semblance of integrity in this program, there must be effective deterrents.

GAO believes that administrative adjudication of most suspected recipient fraud, especially when the dollar amounts involved are small, is a workable alternative to criminal prosecution. Penalties, such as suspension from the program or warnings of suspension, should be assessed in such cases. (See p. 36.)

RECOMMENDATIONS

The Congress should authorize the Secretary of Agriculture to allow the States to keep some portion of the money recovered from recipients of overissued benefits and to increase from 50 percent to 75 percent the Federal share of the administrative costs associated with processing the suspected fraud cases.

The Congress should authorize Agriculture, in consultation with the Department of Justice, to handle most suspected recipient fraud cases administratively rather than referring them for criminal prosecution. (See p. 44.)

The Department of Agriculture should take a number of steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who commit food stamp fraud. (See p. 45.)

AGENCY COMMENTS

Comments from the Department of Justice are included as appendix I. Oral comments were obtained from the Department of Agriculture and recognized in the report as appropriate. Written comments from the Department of Agriculture were not received in time to be included in the report.

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ABBREVIATION

GAO General Accounting Office

CHAPTER 1

INTRODUCTION

The overissuance of food stamp benefits is a serious problem. Because of administrative errors, misunderstandings as to eligibility requirements, lack of proper or complete information, and/or willful deceptions, some ineligible households receive food stamps and some otherwise eligible households receive improper amounts of food stamps or pay too little for them. According to the Department of Agriculture's Food and Nutrition Service, which administers the program, overissuances account for \$12 of every \$100 in food stamp benefits distributed nationally. Only a small portion of the \$12 has been recovered.

We made this review to assess the efforts of State and local food stamp agencies to identify food stamp overissuances and to establish, report, and collect claims for overissuances. We also evaluated the Service's efforts to review and monitor the claims and collection activities of the State and local agencies.

In this review we did not look into why overissuances occur or how the mistakes that cause them can be reduced or eliminated. We plan to review these matters in the near future.

FOOD STAMP PROGRAM

The food stamp program, authorized by the Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.), is designed to help low-income households obtain nutritionally adequate diets by supplementing their food budgets.

The program is administered nationally by the Service and its regional offices. At the State level overall responsibility for the program rests with the State agency responsible for federally aided public assistance programs. Locally, the program generally is administered by local offices of the State agency or by offices of county or city public welfare agencies. The State, however, remains ultimately responsible and is the unit with which the Service deals. There are more than 3,000 local offices--referred to as food stamp projects--in the United States and its territories.

Under the program, participating households buy food stamps--also called coupons--having a face value greater

than their purchase price. The difference is called bonus value. The coupons are used to buy food at participating stores. The prices participants pay for coupons are based on household size, income, and certain deductible expenses; extremely low-income households get food coupons free. The Federal Government pays the entire bonus value of the coupons and it reimburses the States for 50 percent of the State and local costs of administering the program.

Generally, a participant enters the program by first applying to a local project office where a caseworker determines, on the basis of information supplied by the applicant, whether the applicant is eligible and the amount of food stamps and bonus to which the applicant is entitled. If approved, the participant receives monthly authorization-to-purchase cards. The cards stipulate the purchase price and the total value of food coupons to be received by the household. Participants usually exchange the cards and cash for food coupons at banks, credit unions, State-operated outlets, and other authorized establishments. Program regulations also allow food stamp projects the option of issuing food coupons directly to participants rather than using authorization-to-purchase cards.

In December 1976, 17.3 million people were participating in the food stamp program. Of these about 8.2 million were also receiving public assistance. The Federal Government's cost of the food stamp program for the year ended June 30, 1976, was about \$5.6 billion. This included \$5.3 billion in food stamp bonuses and \$240 million to cost-share the States' administrative costs.

SCOPE OF REVIEW

We made our review at (1) the Service's headquarters in Washington, D.C., (2) three of its regional offices--Chicago, Illinois; Princeton, New Jersey (since moved to Robbinsville, New Jersey); and San Francisco, California, and (3) eight food stamp projects in five States as shown below.

- Alameda County (Oakland), California
- Cook County (Chicago), Illinois
- Cuyahoga County (Cleveland), Ohio
- Luzerne County (Wilkes-Barre), Pennsylvania
- Peoria County (Peoria), Illinois
- Philadelphia County (Philadelphia), Pennsylvania
- San Francisco County (San Francisco), California
- Wayne County (Detroit), Michigan

We reviewed food stamp case files, quality control reports, claims and collections records, Department of

Agriculture audit reports, and data relating to prosecution of food stamp fraud. We interviewed State and local food stamp officials, claims and collections personnel, and Service headquarters and regional officials. We also discussed the prosecution of food stamp fraud cases with Federal and State law enforcement officials.

CHAPTER 2

LIMITED EFFORTS BEING MADE TO IDENTIFY

AND RECOVER FOOD STAMP OVERISSUANCES

The Federal Government is losing millions of dollars annually because State and local food stamp offices make only minimal efforts to identify and recover the value of food coupons they overissue to recipients. According to the Food and Nutrition Service, overissuances account for about \$12 of every \$100 in bonuses distributed nationally. Based on Service data only 12 cents of that \$12 has been recovered.

The local offices were not taking adequate steps to identify overissuances, establish claims, and obtain recoveries and the States were not doing much to monitor and encourage such activities. Also, the Service does not require or receive information adequate for it to effectively monitor and evaluate State and local claims and collection activities. As discussed in chapter 4, States do not have adequate financial incentive to seek out and recover overissuances.

MOST OVERISSUANCES ARE NOT IDENTIFIED

Overissuances occur when an ineligible household receives food coupons or when an eligible household receives more than the proper amount of food coupons or pays too little for the coupons it receives. Overissuances can be due to

- administrative error; for example, when a local office omits or errs in securing or acting on information;
- recipient misunderstanding of eligibility requirements or of the responsibility for providing proper and complete information; or
- willful deception, or fraud, by the recipient.

State and local offices are responsible for identifying overissuances, determining if claims should be established to recover the value of the overissuances, establishing such claims, reporting certain claims to the Service, collecting claims, transmitting monies collected to the Service, and disposing of uncollectible claims. The Service is responsible for insuring that State agencies are properly interpreting

and applying regulations on overissuances, for reviewing all suspected fraud cases as well as nonfraud cases involving overissuances of more than \$400, and for maintaining detailed records on certain claims and collections.

The local food stamp offices we reviewed were not taking adequate steps to identify overissuances of food stamps. As a result they had identified only a small portion of the overissuances which occurred during the periods we reviewed. Various reports and other methods of identifying overissuances were readily available in the local offices, but the Service's instructions do not specifically require that such sources be used to identify overissuances and generally they were not used effectively. Although it may not be practicable for the local offices to identify every overissuance which has occurred, they could dramatically improve their performance in this area by a more effective use of available information.

Magnitude of overissuances
and claims for recovery

Information from the food stamp quality control system shows that, nationwide, 11.8 percent of the food stamp bonus value given to recipients was overissued.^{1/} Since the annual food stamp bonus is approximately \$5 billion, the dollar value of all food stamp overissuances is estimated to be approximately \$590 million per year (11.8 percent of \$5 billion).

The offices in our review identified and established claims for a very small percentage of bonuses they had overissued. To determine the magnitude of these overissuances, we compared the value of the claims the offices established to the results of quality control reviews in their respective States.

During calendar year 1975 quality control reviews for the five States showed overissuance percentages ranging from 11.7 percent to 28 percent. According to information compiled by the Service's quality control system (which applied only to nonpublic assistance cases),

^{1/}This represents gross overissuances. Some households also received less bonus than they were entitled to and this amounted to about 2 percent of the total bonus value issued. Also, some households were improperly denied benefits.

about 12 percent of the food stamp bonuses distributed nationally during the 6 months ended June 30, 1976, represented overissuances. This percentage had declined only slightly from earlier periods. As the following table shows, the eight county offices we reviewed in the five States had established claims amounting to only about one-tenth of 1 percent of the total bonus value they distributed during the periods covered in our review.^{1/}

<u>State and county</u>	<u>Bonus value paid</u>	<u>Claims established</u>		<u>Percent of bonus value paid</u>	<u>State overissuance percentages (note a)</u>
		<u>Number</u>	<u>Amount</u>		
(millions)					
California:					
Alameda	\$ 42.3	1,765	\$245,948	0.58)	11.7 to 12.9
San Francisco	42.1	264	115,365	0.27)	
Illinois:					
Cook	388.1	650	222,007	0.06)	16.7 to 16.9
Peoria	5.2	50	20,677	0.40)	
Michigan:					
Wayne	105.5	189	36,979	0.04	13.2 to 15.5
Ohio:					
Cuyahoga	135.1	853	81,100	0.06	18.5 to 20.1
Pennsylvania:					
Luzerne	12.4	62	25,490	0.20)	27.6 to 28.0
Philadelphia	<u>134.3</u>	<u>443</u>	<u>192,500</u>	0.14)	
Total	<u>\$865.0</u>	<u>4,276</u>	<u>\$940,066</u>	0.11	

a/To arrive at these percentages, we adjusted the overall error rates disclosed by quality control reviews for calendar year 1975 to exclude those errors, such as the recipient's failure to complete a work registration form or to sign the food stamp application card, which could be considered technicalities rather than basic program overissuances. These percentages apply to the non-public assistance part of the caseload.

^{1/}Except for San Francisco County, our review covered the 30-month period ended December 31, 1975. Our review of San Francisco County covered the 18-month period ended December 31, 1975.

While the quality control system, which develops only State-wide data by making projections from statistical samples of cases, does not show the precise amount of overissuances for which the local offices should have established claims, it is apparent from the above table that the offices had identified and established claims representing only a small portion of their respective State's overissuance percentage.

The scope of quality control reviews is beyond what can normally be expected of caseworkers on a day-to-day basis. Thus, while the State overissuance rates shown in the above table accurately depict the overissuances that occurred, they are higher than the identification rates which can be expected as a result of caseworkers' routine efforts.

Information is available to local offices to identify overissuances

Local project administrators have access to various information that could be used to identify food stamp overissuances. These include reports listing all households for which more than one authorization-to-purchase card was redeemed; reports listing all addresses to which more than one authorization-to-purchase card was sent; data obtained in the recertification process, during which caseworkers must review the recipients' program qualifications; reports listing individuals who received overissuances of public assistance funds; reports generated by the quality control system--a management tool designed to locate administrative problems; and, in California only, recipient earnings statements. The local offices, however, were not using these sources effectively.

Duplicate issuance reports

Food stamp households generally receive an authorization-to-purchase card each month which entitles them to purchase food stamp coupons. A household can obtain a replacement authorization-to-purchase card if the original is not received or if it is lost or stolen. At the time of our review, seven of the eight local offices had access to reports that identified cases in which both the original and duplicate cards had been redeemed. The remaining office, Cook County, began getting these reports in April 1976. However, Wayne County was not using such reports at all and the remaining projects were not using them effectively.

In Wayne County, reports on duplicate authorization-to-purchase card redemptions were compiled beginning in

July 1975. From July to December 1975, duplicate redemptions were reported for about 2,700 households, but none of the cases had been reviewed to determine against whom claims should be established. The bonus value of these overissuances amounted to about \$82,000. Although local projects are responsible for reviewing cases to establish claims for overissuances, most of the county's food stamp supervisors said they were not aware of this responsibility.

In Cuyahoga County, duplicate redemption of authorization-to-purchase cards was the leading source of overissuance claims. Of the 853 claims established in that county for the 30-month period we reviewed, 434 resulted from these reports. However, the reports were not fully utilized because officials had not reviewed cases listed in several months' reports.

For example, in January 1976 Cuyahoga County was examining cases shown on the July 1975 report but, because the cases were getting old and the backlog too large, the county decided not to review the reports for the months of August through December 1975. Instead, it decided to concentrate on the January 1976 report. This meant that about 6,200 cases of overissuances amounting to about \$490,000 were not reviewed to determine if claims should be established. A Cuyahoga County official told us that the backlog had developed because of a personnel shortage and a lack of understanding among county departments as to who was to prepare claims and how they were to be processed.

Reports listing addresses to which more than one authorization-to-purchase card was sent were also available in some local offices, but they had not been used to identify overissuances.

Recertification reviews

The Service requires that food stamp recipients' eligibility be reevaluated at regular intervals. Caseworkers usually do this by interviewing recipients. Between interviews, recipients are responsible for informing caseworkers of any significant changes that would affect either program eligibility or the amount of bonus value received. If a change takes place and is not reported, the caseworker could discover this during the recertification process. The food stamps given in excess of the proper amount from the time of the change until the recertification would represent an overissuance.

Each project we reviewed conducted recertification reviews, but at least four of them were not using the results as an effective means to identify overissuances. In addition, in April 1976, Wayne County project officials discovered an administrative error in assigning recertification dates, which resulted in about 42,000 households--including public assistance and nonpublic assistance households--receiving food stamps after the period of their eligibility had expired. Recertifications were at least 6 months overdue in all of these cases; about 60 percent were more than a year overdue. Each of these cases represented a potential overissuance. As of February 1977, local officials could not tell us the status of these cases.

The recertification process often discloses administrative errors by program employees. Such errors are a major cause of the overissuances that are identified in the recertification process. At least six of the local offices, however, did not establish claims for overissuances resulting from such errors.

Overissuance related to
public assistance households

When a household receives public assistance and food stamps, the same caseworker generally handles both program functions for that household. If a household had been declared ineligible or been overpaid on public assistance, a food stamp overissuance is also likely. To determine if such an overissuance did occur, each case has to be individually reviewed.

Two of the projects we reviewed--Philadelphia and San Francisco Counties--were not reviewing public assistance overissuance cases to determine whether food stamp overissuances had also occurred. Wayne County did not begin reviewing such cases until April 1976. In Cuyahoga County, an official told us that food stamp claims were prepared for public assistance households only in definite cases of fraud or in response to quality control reviews or Department of Agriculture audits.

During the period June to December 1975, San Francisco County identified 187 public assistance overpayments, but made no attempt to determine whether food stamp overissuances had also occurred in these cases. To determine the magnitude of potential food stamp overissuances, we reviewed 10 of the cases for which claims had been established to recover the public assistance overpayments.

County officials selected these cases as representative of the total.

Using the data these officials used to determine the recipients' public assistance qualifications, we identified food stamp overissuances amounting to \$6,481 in nine cases. In the tenth case, we could not determine whether an overissuance had occurred because the records were incomplete. The following example is 1 of the 10 cases we reviewed.

--The county investigative unit determined in June 1975 that a public assistance household had received a public assistance overpayment of \$8,378 because the recipient had failed to report the absence of several children from the household for the period September 1972 to August 1974. The household received food stamps on the basis of having between five and six household members when, in fact, only one or two members were present. The income reported by the household exceeded the limits established for households of one to two persons; consequently, the household received \$1,556 in bonus coupons to which it was not entitled.

Personnel responsible for investigating public assistance overpayments in San Francisco County told us that, because of a shortage of staff, they had not attempted to identify food stamp overissuances. However, local officials told us that, during the summer of 1976, personnel who investigate such cases were to receive training in preparing food stamp claims. This was being done in anticipation that they would start preparing claims sometime in the future.

In 1974 a Department of Agriculture audit report cited Philadelphia County's inability to institute controls to insure that food stamps issued to public assistance households were changed or stopped when changes occurred in the welfare grants. This deficiency still existed at the time of our review. We selected 192 inactive public assistance cases and found that 13 households had not been dropped from the food stamp rolls even though they should have been. The lack of controls permitted these households to remain on the food stamp rolls without being recertified. Neither the Service nor the State had tried to determine the extent of this problem.

Before April 1976 Wayne County did not attempt to identify food stamp overissuances related to public assistance households. When such an effort was undertaken, the county identified about 3,500 households that had received food stamps because they were public assistance recipients after their public assistance cases had been terminated. These households may or may not have been eligible for food stamps as nonpublic assistance cases.

Quality control reviews

The food stamp quality control system is a management tool to measure the extent to which households receiving food stamps are eligible and are paying for and receiving food stamps in the proper amounts. To do this, continuous reviews are made of statistically reliable State-wide samples of participating households. While quality control's focus is on overall administrative problems needing correction, errors identified in individual cases are referred to local officials for correction and possible recovery of overissuances. When overissuances are specifically identified through quality control reviews, they are required to be reported to the local food stamp certifying office for disposition.

To determine whether claims had been prepared for overissuances identified through quality control reviews, we reviewed 13 cases in Alameda County and 19 cases in San Francisco County. In 17 of the 19 San Francisco cases, claims were required but had not been prepared. In Alameda County, 12 of the 13 cases required claims but only 5 had been prepared. The person who made the quality control reviews of the Alameda County cases said that, until January 1976, no system existed to insure that claim determinations were prepared when required. According to county procedures, when the quality control review disclosed an error in the certification process, it was reported on a form to the food stamp eligibility worker. On the back of the form was space for the eligibility worker to show what action was taken. However, if the eligibility worker did not return the form to quality control, there was no system to disclose this failure.

In Wayne County, 39, or 21 percent, of the 189 claims established between July 1973 and December 1975 resulted from quality control reviews. Before May 1975, there was no followup by the county's food stamp offices on deficiencies reported by quality control. In May 1975, when a food stamp technician was assigned responsibility for followup, there were 464 quality control deficiencies

awaiting resolution, many of which were from 1973 and 1974. As of April 1976, 316 of the 464 cases had been reviewed and it was determined that at least 98 cases involved overissuances. The food stamp technician told us that there had been no emphasis on preparing claims until November 1975. Until that time, the emphasis had been on determining whether quality control report findings were correct.

Of the other projects in our review, only Cuyahoga County appeared to be using quality control reviews effectively to identify overissuances.

Earnings clearance statement

This document, which was unique to California, is prepared upon request and reports all income received by individuals during a particular period. The information is compiled by the State Health and Welfare Agency from State income tax files. It can be used by the caseworker to substantiate the income reported by the recipient at the time of food stamp certification. This appeared to be the source for most of the identified overissuances in San Francisco and Alameda Counties. San Francisco County, however, was not using this source effectively.

During July 1975 San Francisco County obtained earnings clearance statements from the State for all non-public assistance cases that were active during December 1974. These statements reported the recipients' incomes for five calendar quarters, from October 1973 to December 1974. Because of limited staff, the county examined only those cases that were active at the time the county received the statements.

We selected for review earnings clearance statements applicable to 23 recipients which showed incomes in excess of \$1,000 for the quarter ended December 31, 1974. These were cases which had been active during the quarter but which were inactive as of July 1975. They had not been examined by county food stamp personnel. A comparison of the incomes shown on the earnings statements with the incomes reported on the food stamp applications disclosed nine cases of unreported income. These nine recipients received about \$5,000 in food stamps for the quarter for which they may not have been entitled if the correct earnings were considered.

CLAIMS ARE NOT ALWAYS ESTABLISHED
FOR IDENTIFIED OVERISSUANCES

After an overissuance is identified, a claim must be established before recovery action can be started. At the time of our review, Service instructions did not specifically require that claims be established for all identified overissuances. Subsequent instructions have added this requirement. The local offices had not instituted adequate controls to insure that claims were established for identified overissuances and were not placing much emphasis on establishing claims.

Three of the eight counties--Cook, Peoria, and San Francisco--did not establish claims for certain types of overissuances. Cook County generally did not establish claims except in cases of fraud. Peoria County did not always establish a claim if the overissuance was nonfraud and less than \$400. In San Francisco County no attempt was made before June 1975 to identify overissuances and, under procedures in effect since June 1975, only claims involving suspected fraud have been established. If an overissuance is found, corrective action is to be taken to stop the overpayment, but no claim is to be prepared unless fraud is suspected. San Francisco County officials said that lack of enough staff prevented them from preparing claims for nonfraud cases.

The local offices also did not place enough emphasis on food stamp claim establishment, as illustrated by the following examples.

In San Francisco and Alameda Counties, we randomly selected 65 of the approximately 500 cases in which potential overissuances had been identified by local officials during the period June through December 1975. Overissuances had occurred in 48 of the 65 cases; however, not a single claim for recovery had been established. Because of the condition of the files, we could determine the dollar value of the overissuances in only 32 of the 48 cases--these amounted to \$14,786. The overissuances ranged from \$48 to \$1,556.

For Cook and Peoria Counties, we reviewed 204 randomly selected food stamp cases from a total of about 2,200 that county officials identified as being potential overissuances that occurred during the 30 months ended December 31, 1975. Of the 204 cases, overissuances

had occurred in 61; however, only one claim was established-- for \$96 in Peoria County. We determined that the amount of overissuances for 43 of the remaining 60 cases was about \$9,100. The files did not have enough information for us to calculate the amount of the overissuances for the other 17 cases.

The reasons given by Cook County food stamp officials for not establishing claims were a lack of training in claims preparation procedures; insufficient time to prepare claims; and a need to perform higher priority work, such as recertifying recipients.

Caseworkers and supervisors in Philadelphia County told us that they sometimes did not prepare claims for overissuances because they either forgot or were not told to do so by their managers. We could not determine how many overissuances occurred in the county during the period covered by our review but, as shown in the table on page 6, the total value of claims established was less than two-tenths of 1 percent of the total bonus value of food stamp coupons distributed by the county during that period.

ONLY A SMALL PERCENTAGE OF
ESTABLISHED CLAIMS ARE RECOVERED

As of the time of our review, the local offices included in our review had recovered a very small percentage--7.9 percent--of the dollar value of the claims they established during the periods we reviewed. This was primarily because they had not attempted to collect from most recipients against whom claims had been established.

State agencies may decline collection action on nonfraud cases involving coupon values of less than \$400 if (1) gross negligence is not involved, (2) it is determined collection of any significant sum cannot be made, or (3) the cost of collection will likely exceed the amount to be recovered. However, some counties were automatically writing off certain categories of claims as uncollectible without consideration of the above factors. The State agencies may also decline collection on fraud cases and nonfraud cases involving overissuances of \$400 or more, but only with the Service's concurrence.

It is difficult to determine a reasonable percentage of established claims that local offices should be expected to collect, but it is obvious that very few

overissuances will be recovered if the minimal effort local offices were expending continues.

As the following table shows, the offices we reviewed collected only \$73,852--or 7.9 percent--of the \$940,066 in claims established during the periods covered by our review.

Office (note a)	Amount of claims established	Collections	
		Amount	Percent of claims established
Alameda County	\$245,948	\$10,769	4.4
Cook County	222,007	12,722	5.7
Cuyahoga County	81,100	22,140	27.3
Luzerne County	25,490	4,047	15.9
Peoria County	20,677	1,768	8.5
Philadelphia County	192,500	4,778	2.5
San Francisco County	115,365	11,882	10.3
Wayne County	<u>36,979</u>	<u>5,746</u>	15.5
Total	<u>\$940,066</u>	<u>\$73,852</u>	7.9

a/San Francisco data is for the 18 months ended December 31, 1975. Data for the other counties is for the 30-month period ended December 31, 1975.

The primary reason for the low collections was that the offices had not attempted to collect most of the established claims. In those cases where collection action was initiated, the amounts collected were usually minimal because the offices did not actively pursue and effectively monitor the collection activities.

In Wayne County, claims cases in which recipients had agreed to pay were referred to the collections unit of the county social services department. The caseworkers notified recipients of overissuances and asked them to contact the collections unit to arrange repayments. A collections unit official, whose responsibilities were never set forth in writing, described the collection program as a "hit and miss" operation. The official said that clients sometimes called him, or he would call the clients if he could locate them. Of the almost \$37,000 in claims established during the 30-month period ended December 31, 1975, about \$29,000--or 78 percent--was still outstanding as of January 1976.

The Cook County office automatically wrote off claims resulting from administrative error or recipient misunderstanding. During the 30-month period ended December 31, 1975, the office wrote off 491 claims valued at \$173,714 because of this practice. Neither Cook nor Peoria caseworkers followed up on collections because they were busy providing other social services. (In Illinois, the caseworkers are responsible for collecting monies from food stamp overissuances but do not have collection responsibilities for public assistance programs.) According to local officials, another reason for the limited recovery of overissuances in these counties was the failure of the Service and the Illinois Bureau of Food Stamps to provide current listings of delinquent claims. (See p. 21.) This failure to provide the listings is significant in Illinois because the claims recordkeeping function was centralized, and local offices did not maintain such information.

In Philadelphia County, claims established and approved by local offices are sent to the county's claims settlement office for collection action. The settlement office had on hand 392 claims established during the 30-month period ended December 31, 1975, valued at nearly \$150,000 on which no collection attempts had been made. A settlement official told us that collection action had not been initiated on these claims because of a personnel shortage. He said that he was able to assign only one person on a part-time basis to food stamp claims cases.

In Alameda County, no collection attempts were made prior to our review in March 1976 on 1,201 claims totaling \$90,099--about one-third of the total value of claims established during the period July 1, 1973, to March 31, 1976. Of the total, \$39,927 had been established in fiscal year 1974, \$42,234 in fiscal year 1975, and \$7,938 in the first 9 months of fiscal year 1976. The office's policy to consider all nonfraud claims under \$400 as categorically uncollectible caused this situation. During our review Alameda County changed its policy to require its employees to determine collectibility on a case-by-case basis. It was also converting its collection activity to a computer system. Local officials believed the computerization would result in more timely followup.

Cuyahoga County officials also automatically wrote off certain claims--those resulting from administrative error or recipient misunderstanding--similar to the practices in Alameda and Cook Counties. During the 30-month period ended December 31, 1975, 655 claims valued at \$45,915 were written off. To improve collection activities, county

officials established a food stamp investigative unit in December 1974 to handle claims and collections. Since establishing this unit, collections had increased. Of the eight offices we reviewed, Cuyahoga had collected the highest percentage (27.3) of its established claims. However, as shown in the table on page 6, the dollar value of claims it established represented less than one-tenth of 1 percent of the value of bonus dollars it distributed.

The offices also were not always following Service instructions relating to collections. For example, Service instructions, as well as those issued by the States, require local offices to make written demands for repayment at no greater than 30-day intervals. At a minimum, the offices are required to send one letter for debts up to \$50, two letters for debts between \$50 and \$100, and three letters for all debts over \$100. The offices generally did not send the required number of written payment demands.

The Service's instructions also provide that the cost of collecting overissuances be considered in deciding on collection actions to be taken. Generally the offices overlooked this when they made followup demand requests. Collection officials knew very little about the cost of collecting a claim. One office had a policy that a claim be at least \$25 before attempting to collect, but no one knew why or how this amount was established.

Service instructions also state that repayments should be made in full whenever possible, but that repayment schedules could be arranged if they were sufficient to liquidate the debt within 3 years. The instructions indicated that the payments should rarely be for amounts less than \$5 a month. Of the established claims being repaid that we could identify at the offices, restitution frequently involved numerous payments of small amounts--many of them for less than \$5.

The Service's instructions also require the local offices to consider the household's ability to repay an overissuance; however, the offices did not do this effectively. A household's financial situation was not a factor in deciding the extent to which recovery should have been pursued. The deciding factor was the offices' available time and staff resources. The offices overlooked recipients' bank accounts or other assets, as well as their current or potential income sources. For example, in Cuyahoga County, evaluation of the recipients' ability to repay generally was limited to asking the recipients for

the money. If the recipients claimed they did not have the money, their word was usually accepted and collection efforts were stopped.

Collection officials at the offices said that more staff was needed to effectively pursue collection activities.

Department of Agriculture officials said that recoveries of claims established nationwide were higher than in the locations we visited. They cited a range of 36 to 39 percent of the dollar value of claims established, rather than the 7.9 percent applicable to the locations we visited.

As discussed in detail in the following section of this report, the Service's records on claims established grossly understated the claims established by States and local offices because the Service does not require all claims to be reported and the States are not reporting all the claims that are required to be reported. Recoveries, on the other hand, appear to have been reported accurately because all money recovered must be sent to the Service. The effect of this situation is that the relationship of claims established to amounts recovered is significantly distorted and considerably lower than the Service's records indicated. Department officials agreed that the Service's figure of 36 to 39 percent is too high.

MONITORING AND EVALUATION OF
CLAIMS AND COLLECTION ACTIVITIES
ARE INEFFECTIVE

Neither the Service nor the States have effective systems for monitoring and evaluating claims and collection activities. Some information is available on individual claims but summary information on States' and local offices' claims and collection activities is neither required nor compiled. To effectively carry out their management responsibilities, the Service and the States need more complete information.

The Service receives limited
information on claims

The Service receives some information from the States on claims against food stamp recipients, but it does not require the States to report information on the majority of claims cases nor do the States always report those cases they are required to report. As a result, the Service does not have the information necessary for it to adequately

monitor and evaluate State and local office efforts to identify and recover overissuances.

Program instructions require the States to report to the Service (1) all fraud claims, (2) nonfraud claims in excess of \$400 each, and (3) any claims on which collections are made. The States are to report the first two types of claims to the appropriate Service regional office which reviews the specifics of each claim to determine if the State's decision in establishing it was proper. If it concurs in the decision, the regional office is to forward the report to Service headquarters. On claims on which collections have been made, the States are to submit reports, along with the money collected, directly to Service headquarters.

Because nonfraud claims for less than \$400 are not reported to the Service unless there are collections, the Service's information on the amount of claims outstanding at any one time is understated by the value of such claims. We could not determine the number or value of such claims, but Service officials believe that such claims far outnumber any other type.

To determine the extent of reporting by the States, we reviewed Service files for 65 of the approximately 3,000 food stamp offices in the United States and its territories. Each of the offices selected served more than 100,000 food stamp participants or was the largest office in a State.

The Service had no claim cards on file for 15, or 23 percent, of the 65 offices. The absence of any cards on file for a particular office could be the result of no claims being established by the office, or simply a failure to report them. We found that the latter was true in many instances.

For example, San Francisco County prepared 264 suspected fraud claims during the period June to December 1975, but only 36 cases had been forwarded to the Service. County food stamp officials told us that sending the claims to the Service delayed processing because of the time it takes for the Service to review them. These officials, therefore, decided to forward copies of only those claims which had been repaid in full. The failure to report the 228 claims resulted in a \$108,575 understatement of claims reported as established during that period.

In Pennsylvania, we reviewed a sample of 98 established claims of \$400 or more that were awaiting collection action at two of the State's four area collection offices as of December 31, 1975. The total value of the 98 claims was \$85,122. As of June 1976, the Service had no claims cards on file for 97 of the 98 claims. On the one case for which there was a card, the amount of the claim shown on the card was less than the amount shown on the determination report. State and Service regional officials were aware of the instruction to report claims of \$400 or more, but regional officials said they did not require offices in the region--including Philadelphia and Luzerne Counties--to comply with the instruction because they believed it delayed the collection process and increased the paper flow coming to the region. They preferred to have the offices initiate the collection process as soon as possible. Three of the other counties--Cuyahoga, San Francisco, and Wayne--also had not complied with the instruction. Among the reasons for noncompliance were:

--State and local officials wanted to avoid delays in processing claims.

--Compliance was no longer practical because of the increased volume of claims.

The Service's records on reported claims are inaccurate and inappropriate

The Service attempts to maintain records on those claims that are reported, but the records are so inaccurate and out of date that they are useless. Even if the records were accurate, individual claims information is not the type of information the Service needs to monitor claims and collection activities.

According to Service procedures, a separate control card is to be maintained for each claim the States report. Each card is to contain the recipient's name, the total amount of the claim, the date and amount of payments received, and the balance due. The cards are the Service's primary record of individual claims. From the cards, the Service is to prepare listings of claims accounts for which no recent payments have been received and send

them, through the appropriate regional office, to the States so that they can check the status of the accounts.

As of June 1976, the Service was 6 months behind in posting payments to the individual claim cards and, as a result, was not preparing the delinquent account listings.

As of April 1976, the Service had not submitted to its Chicago regional office a listing of delinquent accounts in Illinois since November 1974; the regional office had not forwarded that listing to Illinois until April 1975.

On January 27, 1976, Pennsylvania sent the Service \$2,063 that it had collected on 99 individual claims. As of June 1976, when we checked the files, the Service had not established claim cards for 48 of the 99 claims. Of the other 51 claims, the January payments had been posted for only 20.

As of February 1976, the Service had on hand almost 68,000 food stamp claim cards. Service officials told us that the volume of claims had increased without a corresponding increase in staff. Consequently, it had not maintained these records in a current status.

The Service and the States maintain
claims information in the wrong format

The Service's headquarters and the individual States maintain the overissuance claims information they do receive only on an individual case basis. They do not summarize the information so the State and local offices' claims identification and recovery activities can be monitored and evaluated. The situation in the State of Michigan and Wayne County, which is representative of what we found in the other States and local food stamp offices we reviewed, shows how summary information could help in monitoring and evaluating claims activities.

Individual claims information available at the Wayne County office showed that the county had established 189 claims valued at \$36,979 during the period July 1973 to December 1975. The information, however, had not been summarized. Our analysis showed that 105 claims--56 percent--had been established by one of the smallest of the county's seven district offices while offices two to three times as large in terms of food stamp households served had not prepared any claims. Had a similar analysis been made by State or county officials, it

might have raised questions as to why certain district offices were not establishing claims.

We also determined by actual count that, as of February 1976, Michigan had 1,010 food stamp claims on file pending collection by the State's 83 counties. In addition, the State had files on another 441 cases on which collections had been received, but for which no claim determination reports had been received from the local offices. The State had not analyzed the data or obtained summary information from the offices. If summary information had been available and analyzed, State officials might have been alerted to the fact that the Wayne County office--which handles about 38 percent of the State's food stamp program--had initiated only 189 claims during a 2-1/2-year period. State officials told us that, although the Service did not require summary reports, they recognized the need for summary information on the number and value of claims established and they planned to develop such reports.

The Service's regional food stamp director also was not aware that Wayne County had established only 189 claims between July 1973 and December 1975. He told us that summarizing claims information would be a good idea and said his staff would develop such data. He said that such State reports would be helpful in monitoring the program, but the regional office could not require summary reporting by the States without Service headquarters' approval.

We also identified over 2,840 claims valued at more than \$400,000 that had been established by eight counties in southeastern Pennsylvania during the period July 1, 1973, to December 31, 1975, but on which no collection action had been initiated. These claims, which represented about 88 percent of the claims established in the eight counties during that period, had not been reported to either the State or the Service. When we brought this matter to the attention of regional officials, they said they were not aware of the existence of the large number of claims.

The Service did not require States to monitor overissuance activity

Before September 1976 the Service's instructions contained no requirement that States monitor and evaluate overissuance identification and recovery in the local food stamp offices.

A 1974 amendment to the Food Stamp Act (Public Law 93-347, 88 Stat. 341, July 12, 1974) required the Service to evaluate the effectiveness of State food stamp operations. The Service issued instructions to the States for these evaluations in July 1975; however, it did not specifically require monitoring of overissuance claims. In September 1976, after we completed our field work, the Service issued updated instructions that required the States to monitor the local offices' activity in this area.

According to the instructions, State agencies must review at least once annually all local offices that issue bonuses in excess of \$500,000 a month. All other offices must be reviewed at least once every 2 years. The instructions contain a general requirement that the States say whether the local offices are complying with the Service's overissuance claims requirements, but they do not require the States to measure the degree of that compliance; i.e., whether the local offices are actively seeking to identify and recover overissuances or if they are doing only the minimum necessary to satisfy program requirements.

Because the instructions were implemented after we completed our field work, we did not assess their effectiveness. However, we believe the reviews could be more beneficial if the effectiveness of the local offices' overissuance identification efforts and the degree of compliance with Service claims requirements were measured and reported to the Service.

CONCLUSIONS

The cost of food stamp overissuances in terms of lost money and program integrity is too high for the Federal Government and the State and local food stamp offices to treat lightly. The Service, however, has not provided the leadership necessary to increase the number of overissuances being identified and the amount of money being recovered by the State and local offices. The States and local offices, which are responsible for identifying and recovering overissuances, are not expending the effort necessary to effectively carry out this responsibility. They are not taking appropriate steps to identify and recover program benefits to which recipients are not entitled.

The information the Service gathers on State and local office efforts to recover overissuances serves little purpose. The Service should not try to maintain detailed information on individual overissuance claims;

such information should be maintained at the operating level--at local offices. The Service should instead be obtaining summary information through the States that would permit it to comparatively evaluate State and local efforts. This information should cover all over-issuances, claims, and collections, including those for less than \$400 each. Without this information the Service cannot determine the full magnitude and impact of food stamp overissuances and related corrective measures.

The Service should require the States to summarize overissuance claims and collection data in such a way that local offices' efforts can be comparatively evaluated. Such comparison would provide the States the opportunity to discover which local offices, if any, are not effectively identifying and recovering overissuances.

The Service should also issue specific instructions on what the States must do to identify overissuances, and insure that State and local offices do not establish criteria under which every claim of a certain type is automatically written off without considering their collectibility. Each claim should be individually evaluated as to the appropriateness of pursuing its collection.

Also, the Service should evaluate, for cases where collection is appropriate, the merit of more aggressive collection techniques, such as confessions of judgment by those who receive overissuances and various types of repayment plans using adjustments to the purchase price paid for, and/or the amount of coupons received by, the recipients. If any of these techniques appear promising, steps should be taken to implement them, including proposing any legislative changes needed.

CHAPTER 3

MOST SUSPECTED FOOD STAMP RECIPIENT FRAUD

IS BEING IGNORED

Most suspected perpetrators of food stamp recipient fraud are not investigated or punished. Federal, State, and local prosecutors have other higher priority cases to handle and administrative procedures for penalizing suspected recipient fraud have not been adequately implemented. In the projects included in our review, penalties were generally not considered when recipients agreed to repay the bonus value fraudulently obtained.

As discussed in chapter 2, many sources of information indicating food stamp overissuances, including suspected recipient fraud, are available to local food stamp personnel, but the sources are not effectively used to identify cases for investigation and prosecution or other penalties. In the areas included in our review, local food stamp offices classified as suspected recipient fraud more than half of the dollar value of all overissuances they identified and set up as claims, but even these suspected fraud cases were seldom investigated and the perpetrators punished.

The Department of Agriculture is not able to accept for investigation, and possible Department of Justice prosecution, cases involving the most common type of suspected food stamp fraud--fraud by individual recipients. The Department of Agriculture relies instead on State and local governments to handle these cases. It has not provided adequate guidance and assistance in finding and penalizing recipient fraud, however, and has not adequately monitored and evaluated State activities in this regard. As discussed in chapter 4, States do not have an adequate incentive to investigate and penalize food stamp recipient fraud.

FOOD STAMP RECIPIENT FRAUD IS A SERIOUS PROBLEM

The Department of Agriculture has not gathered hard nationwide data showing what proportion of the estimated \$590 million of annual Federal losses caused by overissuances of program benefits (see p. 5) result from suspected food stamp recipient fraud and misrepresentation. The Department agrees, however, that such fraud and misrepresentation is a serious problem. Information available at 5 of the projects we visited showed that, based on food stamp office classifications of individual overissuance

claims cases, about 55 percent of the dollar value of all the claims they had established during the 30-months covered by our review involved suspected recipient fraud. The following table provides the details of our analysis.

Office	Total value of claims established (7/73 to 12/75)		Claims believed to involve fraud		Percentage of value of suspected fraud claims to total claims established
	Number	Value	Number	Value	
Alameda County	1,765	\$245,948	451	\$136,803	55.6
Cuyahoga County	853	81,100	163	34,581	42.6
Luzerne County	62	25,490	25	12,491	49.0
Philadelphia County	443	192,500	278	117,503	61.0
Wayne County	<u>189</u>	<u>36,979</u>	<u>67</u>	<u>20,891</u>	56.5
Total	<u>3,312</u>	<u>\$582,017</u>	<u>984</u>	<u>\$322,269</u>	55.4

The above table does not include three other projects that did not have records providing the information needed.

Department officials argued that the 55 percent suspected fraud figure cited above should not be construed as being representative of the overall program because most of the projects included in our review were large urban areas with high crime rates and were therefore not typical of all projects in the program. The Department did not have hard information to show what the overall suspected fraud situation is. It should be noted, however, that it is the large urban areas of the Nation where the bulk of food stamp program benefits are dispensed.

Department officials also said that the claims classifications made by project offices should not be accepted as presenting a reasonable picture of the suspected fraud problem. They said that it was likely that almost all of the claims established involved over-issuances attributable to problems with recipient-furnished information, rather than to project office

error, because this would avoid criticisms of project operations. Department officials gave us no facts to support this contention.

The claims data we obtained at the projects did not indicate that overissuances due to project office error were underreported and that overissuances due to recipient-furnished information were overreported. On the contrary, we found that about 38 percent of the over-issuance claims at four projects (for which we had data on this matter) resulted from project office error.

Further, there were indications that in cases of overissuance claims attributable to problems with recipient-furnished information, the project offices gave recognition to the possibilities of recipient misunderstandings or other circumstances that seemed to negate suspicions of fraud or deliberate misrepresentations. For example, every case of income or asset understatement by a recipient was not arbitrarily classified as suspected fraud. Many were classified as simple misunderstandings or omissions. It may be that some misclassifications occurred; however, we have no reason to suspect that the records at the project offices were grossly in error.

FOOD STAMP RECIPIENT FRAUD IS NOT BEING ADEQUATELY IDENTIFIED AND PUNISHED

As discussed in chapter 2, local food stamp personnel are not adequately using available sources to identify food stamp overissuances--more than half of which may involve suspected recipient fraud. Some sources, such as lists of duplicate authorization-to-purchase cards redeemed (see p. 7), seem especially likely to contain a large proportion of potential fraud cases. In this type of situation, either the original card was stolen or the intended recipient obtained duplicate benefits. Either situation may likely involve some kind of illegal activity.

Even when suspected recipient fraud was identified, it was not being punished. When recipients repaid the overissuance resulting from suspected fraud, prosecution or other penalties against the recipient were not considered in the locations we visited. Even when restitution is not made, few recipients are prosecuted. Service procedures for penalties other than criminal prosecution, such as termination from the program (withholding future benefits), have generally not been adequately implemented.

Nationwide statistics on suspected recipient fraud cases referred to prosecutors and on prosecutions undertaken are not available, but the following Service data shows the number of cases successfully prosecuted by Federal, State, and local prosecutors in the last 2 fiscal years.

<u>Federal prosecutions</u>	<u>Fiscal year</u>	
	<u>1975</u>	<u>1976</u>
Number	6	20
Dollar value	\$4,014	\$73,596
 <u>State and local prosecutions</u>		
Number	633	1,780
Dollar value	\$487,550	\$1,339,368

During the nine months ended March 31, 1977, 5 Federal cases valued at \$6,127 and 2,060 State and local cases valued at \$1,197,510 were successfully prosecuted.

Four of the eight counties included in our review-- Luzerne, Peoria, Philadelphia, and Wayne--had never referred a case of suspected recipient fraud for prosecution. The other four counties, as discussed below, had referred a few such cases.

Before March 1976, Cuyahoga County followed a practice of referring suspected food stamp recipient fraud cases for prosecution only in conjunction with cases of suspected welfare fraud. The county's records did not show how many such cases had been referred. In March 1976, the county referred two nonwelfare-related cases for prosecution.

The Alameda County office also referred suspected food stamp recipient fraud cases for prosecution in conjunction with welfare fraud cases; however, information on the number of such referrals was not available. With regard to nonwelfare cases, the office referred 37 cases to the local prosecutor in calendar year 1975, but recommended against prosecution in 35 of them. The reasons for recommending against prosecution included insufficient evidence, small dollar value, and expiration of the statute of limitations. The prosecutor's office agreed with the recommendations, and did not prosecute. Of the other two cases, one was returned by the district attorney and the other was still pending in the district attorney's office at the time of our field work.

The San Francisco County office referred nine cases of suspected recipient fraud to the local prosecutor during September 1975 through April 1976. As of April 1976 no action had been taken on any of these cases. A representative of the prosecutor's office told us that a new district attorney's policy was to prosecute only "hard" cases, such as murder and robbery. The new prosecutor intended to expand the scope of prosecution, including food stamp recipient fraud, if additional staff could be hired.

The Cook County office referred only 18 cases of suspected food stamp recipient fraud for prosecution during the 30-month period ended December 31, 1975. We could not determine why so few cases were referred in the County.

Service regulations and instructions state that recipients determined by the State to have fraudulently obtained food stamp benefits may be disqualified from further participation in the program for such period of time as the State determines is appropriate. No guidance is included, however, as to how or when this provision should be applied. None of the projects included in our review had implemented procedures to disqualify perpetrators of fraud from participation, although Department of Agriculture officials told us that such disqualifications are being made in other locations. As discussed later in this chapter, implementation of this provision could be a viable alternative to criminal prosecution in many cases.

In the four projects we visited where some food stamp recipient fraud cases were referred for prosecution, only cases in which the recipient failed to repay the overissued bonus value were considered for prosecution. It would seem that for prosecution or other penalties to have the desired deterrent effect, both recovery of the overissuance and application of penalties should be actively pursued. Otherwise, what do potential wrongdoers have to lose? If they are caught, the most that will happen is that they will be asked to repay what they have illegally taken.

WHY FOOD STAMP RECIPIENT FRAUD IS NOT BEING PUNISHED

The Department of Agriculture relies primarily on State and local governments to penalize most food stamp recipients who obtain benefits fraudulently; the Department is highly selective in accepting recipient fraud cases for investigation and possible Department of Justice prosecution. However,

most State and local governments have given the investigation and punishment of food stamp recipient fraud a very low priority. Also, several State and local officials told us they did not think food stamp recipient fraud could be prosecuted under State laws because only Federal funds are involved; the Department of Agriculture has not provided the States with adequate guidance and assistance in handling such cases of suspected fraud. As discussed in chapter 4, State and local projects do not have adequate incentives to identify and act on food stamp overissuances--whether fraud or nonfraud.

Also, as discussed earlier in chapter 2, the Service has not adequately monitored and evaluated State efforts to identify and recover overissuances, including those suspected as being fraudulent. Service instructions require all claims involving suspected fraud to be reported to the Service, but they do not specifically provide that suspected fraud cases be identified as such. Because States frequently do not distinguish between fraud cases and others the Service does not have complete information on the number and value of suspected fraud cases the States and local projects are identifying or what they are doing to punish perpetrators of program fraud. Also, in the locations we visited, the Service had not provided State and local personnel with meaningful guidance or assistance beyond that provided by the formal regulations and instructions on the identification and punishment of program fraud.

Confusion exists about which authorities have jurisdiction to prosecute

Agriculture has a policy of encouraging food stamp recipient fraud prosecution at the State level, and Justice has ruled that the Food Stamp Act permits State prosecutions. However, some State and local officials believe that, since the cases involve only Federal money, prosecutions should be handled by the Federal Government. One local prosecutor expressed some concern that, if a civil suit was brought against a recipient, State courts would disallow the case because the State did not suffer any loss. The following example illustrates the problems caused by this confusion.

A recipient was overissued food stamps with a bonus value of \$202 during the period October 1974 to April 1975, because of what appeared to be misrepresentation. In completing an application for program participation, the recipient claimed to have no resources. In fact, however, the recipient had

two bank accounts with a combined balance of nearly \$40,000 and was therefore ineligible for participation. These accounts were discovered during a State quality control review.

Local program officials requested restitution but, as of January 1976, no payments had been received. This case was not referred for prosecution because the State does not have a specific food stamp fraud statute. State authorities would not attach the bank accounts because they believed that, because only Federal funds were involved, it would be illegal for the State to interfere with the operation of the Federal program. They said that it is the Federal Government's responsibility to initiate action to attach the accounts.

A September 1976 staff report of the House Committee on Agriculture 1/ said that there was confusion among the States it surveyed regarding statutory authority to prosecute food stamp fraud cases. The staff report also said that many States indicated a general reluctance to prosecute violations because of overlapping Federal and State jurisdiction. Also, the report said that there was no systematic method or coordinated effort used at the Federal, State, and local levels to prevent and detect illegal abuses in the food stamp program.

The Service's guidance to States
on recipient fraud prosecution
is inadequate

Even though the Service primarily relies on States to prosecute food stamp recipient fraud, it has not provided the States with meaningful guidance as to which cases should be referred for investigation.

The Food Stamp Act makes recipient fraud a criminal offense and Service instructions to the States say that, in any case in which a household has fraudulently obtained food stamps, it is likely that there have been violations of either State or Federal criminal laws. The instructions have encouraged States to prosecute at the State or local

1/Committee Print, 94th Cong., 2nd Sess., Food Stamp Program, Staff Study by the Committee on Agriculture, House of Representatives, Sept. 1976.

level, and further provide that, in such cases, the State must administratively determine whether the facts warrant referral of the matter for prosecution. They also are told to determine the appropriate legal authorities to whom the case should be referred. However, the Service has not provided the States with (1) guidance for determining the nature or scope of evidence necessary to warrant referral for investigation and prosecution nor (2) the criteria to be used for determining whether cases should be referred to State or Federal authorities.

According to information in the House Committee on Agriculture's September 1976 staff report, 84 percent of the States responding to a survey questionnaire on fraud in the program reported that "* * * little Federal assistance was given the States in the area of technical guidance in the prevention, detection and control of program abuse."

A Department official told us that an effort has been recently started to give State investigative personnel some training in this area.

Few recipient fraud cases meet criteria
for Federal prosecution

Very few cases of suspected fraud by recipients of food stamps are being prosecuted by Federal authorities. Federal prosecution is handled by the Department of Justice based on referrals by the Department of Agriculture. In fiscal years 1975 and 1976 combined, only 26 cases of recipient fraud were successfully prosecuted at the Federal level.

The number of prosecutions is small because Agriculture and Justice have determined that it is not feasible or cost effective for them to become involved in most individual recipient fraud cases. Agriculture and Justice have determined that Federal investigations and prosecution should be considered only when

- the recipient is suspected of being part of an organized ring engaged in fraudulently acquiring food stamps,
- the fraud is flagrant and State and local authorities have no capability or inclination to investigate or prosecute,

- possible collusion between recipient(s) and issuing/certifying agency employee(s) is suspected, or
- the recipient has fraudulently acquired food coupons of a high monetary value (over \$1,000) while not a resident of the issuing State or has moved from the State to avoid prosecution.

Prosecution of recipient fraud is a low priority with prosecutors

Most prosecutors told us that food stamp recipient fraud cases have a very low priority and that they, along with State food stamp officials, prefer to keep such cases out of the formal judicial system. They believe that some type of administrative adjudication is needed since the court systems are already overburdened and more food stamp recipient fraud cases would only aggravate the situation.

The policy of the previous district attorney in San Francisco County (see p. 29) to prosecute only "hard cases", such as murder and robbery, is representative of the positions of other prosecutors we interviewed.

Other reasons why recipient fraud is not prosecuted

Prosecution was also hampered because of legal technicalities and difficulties in obtaining evidence. For example, physical evidence is necessary to prove that a recipient redeemed more than one authorization-to-purchase card during a given period. Both the original and duplicate cards must be matched to show that food stamps were issued to the same person more than once. Matching entails a determination that the name, address, case number, and signature on both cards are identical. If they do not match, it is assumed that the original card was lost or stolen, and subsequently redeemed by someone other than the recipient. Additionally, we were told that it was difficult to establish intent by the recipient to fraudulently obtain food stamps and to find witnesses who could testify that the recipient obtained the food stamps.

Also, the statute of limitations can restrict prosecution, as the following example illustrates.

A mother receiving public assistance and food stamps failed to report that her children's father was living in the household and was employed. The local agency obtained this information from an anonymous phone call. A claim was established in June 1975 for \$816 covering food stamp overissuances from July 1971 to January 1973. A welfare overpayment claim of \$6,572 was also established. Because the statute of limitations had elapsed before the claim was established, the prosecutor could not file criminal charges.

SUGGESTIONS OF VARIOUS OFFICIALS FOR REDUCING RECIPIENT FRAUD

Federal, State, and local officials we interviewed did not think that prosecution (Federal or State) by itself would significantly reduce the incidence of fraud. They saw prosecution as one of several solutions to the problem and said that more money and personnel were needed to aggressively pursue claims and collection activities. Some of these officials also believed that recipients who fraudulently obtain food stamps and refuse to make restitution should be denied future benefits. Also, as part of an aggressive collection effort, they believed liens should be placed against a recipient's bank account or other assets.

Some offices have tried to resolve more fraud cases by having recipients who fraudulently obtained food stamps sign a "confession of judgment." In this document, the recipient admits that the overissuance was received and that a valid debt is owed. When filed with the county court, it becomes a legal document which extends the statute of limitations for collection and can be used as a basis for placing a lien against a recipient's assets.

Officials also believe that, because of limited numbers of staff and the large court backlogs, it is impractical to prosecute every suspected fraud case. They believe that there is a need for some kind of administrative adjudication of these cases. Prosecutors in Pennsylvania, who would like to keep food stamp fraud cases out of the formal judicial process, suggested the accelerated rehabilitation development program as one possible solution. Under this program, a recipient meets with a representative of the district attorney's office, consents to making restitution, and is placed on probation for 6 to 24 months. The district attorney agrees to withhold prosecution during

the probation period. If probation is not broken and restitution is made, no further action would be taken and the recipient's record would be cleared.

According to representatives of Justice's Criminal and Civil Divisions, a Justice-wide committee is studying fraud crimes in several federally funded programs, including the food stamp program. A number of Federal agencies, including Agriculture, are cooperating in the effort. A major goal of the committee is to develop models for preventing, detecting, and prosecuting fraud for each of the many Federal programs in which instances of fraud involve relatively small amounts individually, but substantial amounts in total. For this reason the food stamp program has been chosen for this effort.

Justice recognizes that individual recipient fraud is a lower priority in the food stamp program than other fraud, such as rings organized for trafficking in food stamps or fraud by retailers and wholesalers. Among the reasons cited for the low priority were (1) the relatively small amount of Federal money lost in individual cases, (2) an inadequate number of Agriculture investigators to develop evidence, and (3) too few U.S. attorneys to prosecute the cases. Also, Justice believes that the court systems are already overburdened and other ways are needed to deal with small cases.

Justice believes that Agriculture should be allowed to administratively adjudicate the vast majority of these cases, but that information necessary to monitor the trends and degree of food stamp fraud must be accumulated and referred to Justice. Also, Justice believes that better program controls designed to eliminate opportunities to commit fraud are the long-term answer to eliminating food stamp recipient fraud.

The Department of Agriculture's October 20, 1975, report in response to Senate Resolution 58 suggested (and bills were subsequently introduced to implement the suggestion) that the Federal penalty for misdemeanor food stamp fraud (improperly obtained benefits of less than \$100) be reduced so that such cases could be tried in Federal Magistrates Courts instead of U.S. District Courts. As discussed in this report, however, most cases of suspected food stamp fraud are not being seriously considered for Federal prosecution. Accordingly, such a change might not have much beneficial impact on the overall problem of individual recipient fraud. We think a better

approach would be for the States and local projects to handle such cases administratively and not undertake criminal prosecution for most of them.

CONCLUSIONS

People are fraudulently acquiring food stamps, but the Department of Agriculture has not gathered hard nationwide data showing what proportion of the more than half billion dollars of annual program benefit overissuances is caused by suspected recipient fraud and misrepresentation. The Department agrees, however, that such fraud and misrepresentation is a serious problem.

The fact that such fraud exists is common knowledge to the Departments of Agriculture and Justice, State and local food stamp officials, law enforcement agencies and prosecutors at all levels of government, and the general public. Relatively few persons, however, have been prosecuted for fraudulently acquiring food stamps.

The Federal Government and the States cannot continue to ignore this problem. Besides the huge cost, this type of fraud undermines the integrity of the food stamp program and the agencies which administer it. We recognize that there are no easy solutions and many obstacles must be overcome. Some new approaches to this problem are needed and experimentation with novel ideas might produce rewarding results.

Until now, food stamp recipient fraud has been a low priority with program personnel and with members of the criminal justice system. Program personnel who are charged with discovering such fraud usually are also responsible for administering a variety of social welfare programs and carrying out other aspects of the food stamp program. Faced with a shortage of time and money, the lack of any financial incentive for the States to investigate and punish food stamp fraud, and pressures from numerous sources, they must make priority decisions that usually put other duties ahead of identifying and pursuing recipient fraud.

Prosecutors face similar decisions. The vast majority of these cases involve small amounts of money, and their investigation and prosecution is costly. Coupled with the backlog of more serious crimes, it becomes illogical as well as politically infeasible in many areas to devote scarce resources to a seemingly minor crime.

The Food and Nutrition Service should assume a leadership role in helping States identify and eliminate recipient fraud. It must make the States recognize the benefits of reducing this fraud. The Service should provide guidance designed to help States recognize and investigate instances of fraud when they occur. This guidance should include instructions on the type of evidence needed to prove that fraud occurred, and how to record and preserve such evidence. For example, guidance to caseworkers on how to take notes on recipients' explanations of discrepancies in information affecting benefits or of circumstances surrounding alleged loss of authorization cards. It should also set out explicit criteria States should use to determine whether prosecution should be pursued and in which courts.

States should be provided greater financial incentive to pursue food stamp fraud. As discussed in chapter 4, States are put in a position of spending their money to recover funds that are returned to the Federal Government. Under the present program structure, States suffer no financial loss from recipient fraud until they attempt to investigate it and recover the money involved. It is doubtful that most States will ever actively pursue such fraud until they have a financial incentive to do so.

Recipient fraud must not be allowed to continue unchecked, even though there are difficulties involved with its prosecution. While the ultimate solution lies in prevention, not detection and prosecution, some recipient fraud will probably always exist in the program.

To help deal with those suspected of fraud, adjudication must be made easier and quicker. Cases of minor dollar value should not be referred to the regular criminal justice system, but instead should be handled administratively. The courts are already overburdened and food stamp recipient fraud cases would just increase this burden. Punishment for minor violations must be reasonable--but fair. Penalties, such as suspension from the program or warnings of suspension, should be considered.

The food stamp regulations and instructions should be revised to make the imposition of penalties by the States mandatory rather than discretionary. Currently perpetrators of fraud are often being allowed to repay the overissued bonus without penalty. The lack of penalties in these cases invites additional attempts to perpetrate fraud since the worst thing that will happen to perpetrators is that they will be required to repay the amounts they obtained fraudulently.

The Service must also improve its monitoring and evaluation of State activities in identifying and punishing food stamp fraud. This is especially true regarding the revised procedures we are recommending in this report. As part of this improved monitoring, the Service must regularly obtain overall information from the States on the numbers and value of the fraud cases they have identified and their disposition of these cases. This type of information is also needed by the Department of Justice so that it can follow overall trends in fraud and by the Congress so that it can consider the need for changes in legislation.

CHAPTER 4

LACK OF FINANCIAL INCENTIVES

Although certain administrative actions can be taken to improve claims and collection activities, the underlying cause of the State and local offices' poor performance is the lack of any financial incentive to encourage them to devote more effort to such activities. Currently they receive Federal reimbursement for only half of the administrative costs they incur in identifying and pursuing recovery of overissuances and any monies that are recovered must be returned to the Federal Government.

The Congress has recognized the need to increase overissuance recovery, and bills introduced in both the present and past Congress have included provisions to increase the State's financial incentive to pursue recovery of food stamp overissuances.

STATES LACK THE FINANCIAL INCENTIVE TO IMPROVE CLAIMS AND COLLECTION ACTIVITIES

The Food Stamp Act of 1964, as amended, does not provide any financial incentive to the State and local food stamp offices to aggressively seek recovery of food stamp overissuances. The Federal Government provides 100 percent of the bonus value paid to recipients plus 50 percent of the States' administrative costs. Because claims and collection activities are administrative functions, the States must expend their own funds--50 percent of the cost--to identify, investigate, and recover overissuances and punish food stamp fraud. Any monies recovered must be returned to the Federal Government. Thus, little if any discernible benefits accrue to State and local governments from such expenditures and efforts.

Officials in almost all the local offices we visited said that claims and collection activities were a low priority because they were faced with spending money from their organizations' budgets to recover funds that would be returned to the Federal Government. Other social welfare programs, in some of which the States shared in the program costs, and other responsibilities under the food stamp program usually were given a higher priority than claims against food stamp recipients. These officials believed that increasing the Federal share of the administrative costs of identifying and collecting overissuances and allowing States to retain a portion of the monies recovered would act as incentives for the States and their local

offices to expend more effort in food stamp claims and collection activities.

The lack of a financial incentive has also limited the prosecution of persons suspected of fraudulently obtaining food stamps. (See ch. 3.) Local prosecutors told us that they would expend more effort to prosecute food stamp recipient fraud if the States could retain a portion of the funds that are recovered and if the Federal Government would pay a larger share of the administrative costs associated with the prosecutions.

The prosecutors said that States are not motivated to actively pursue such fraud except in the most obvious cases because only the Federal Government suffers a financial loss when food stamps are acquired fraudulently. State governments incur no costs until they initiate action to investigate and prosecute food stamp fraud.

Some Department of Agriculture officials believe that by giving financial incentives to collect overissuances, States and local projects will have less incentive to improve program controls to prevent future overissuances. To prevent this possibility, the Department will need to closely monitor the results of the quality control program and take prompt action to look into and reverse any increasing trends in program errors resulting in overissuances. The Department is currently authorized to withhold program administrative funds from States found not to be administering the program efficiently and effectively.

RESULTS OF CONGRESSIONAL STUDY

The results of the House Committee on Agriculture staff study (see p. 31 of this report) generally coincided with our findings. Among the study's findings were the following:

- The majority of the respondents cited, as a significant disincentive to pursuing food stamp abuses, the cost to the States for recovering Federal monies in which they share no reimbursement, and which results in a 50-percent net loss of their expended resources.
- States are more diligent in their efforts to prosecute illegal abuses in the aid to families with dependent children program than in the food stamp program because the State shares in the cost of the former program. When a case in the aid to families with dependent children

program is successfully prosecuted, the State retains its full investment. However, the State sustains no direct loss of State funds in the case of abuse in the food stamp program until the abuse is discovered and pursued. At that time, the State is guaranteed to spend, without reimbursement, 50 percent of the cost of corrective procedures.

CONGRESSIONAL ACTION TO
INCREASE OVERISSUANCE RECOVERY

The Congress has recognized the need for legislative amendments to the Food Stamp Act that would increase over-issuance recovery. During the 94th Congress, the Senate passed S. 3136 (Apr. 8, 1976) and the House Committee on Agriculture reported out H.R. 13613 (Sept. 1, 1976). Both bills included sections designed to have an impact on overissuances. The full House did not act on either bill and both died at the close of the 94th Congress.

Both bills would have increased from 50 percent to 75 percent the Federal reimbursement for the States' costs directly related to investigating and recovering over-issuances, except that the Senate bill would have excluded cases where all members of a household received public assistance. H.R. 13613 would also have allowed the States to retain 50 percent of all funds recovered as a result of such investigation and prosecution.

Other provisions of the bills would have

- required that households fraudulently obtaining food stamps be disqualified from the program for up to 1 year;
- reduced the penalty for violations involving less than \$100 from \$5,000 to \$1,000;
- in the case of the House bill only, required the States to pay 2 percent of the cost of the food stamp bonus. Proponents of this provision believed it would encourage the States to avoid overissuing food stamps and would help to control program abuse; and
- in the case of the Senate bill only, clarified the Secretary of Agriculture's authority to adopt such procedures as he deemed necessary to effectively

handle claims against recipients without being limited to those generally applicable to claims of the Federal Government.

Bills have been passed by the Senate (S. 275) or reported by the House Committee on Agriculture (H.R. 7940) that would amend the present legislation to increase from 50 to 75 percent, the Federal share of administrative costs associated with the investigations, prosecutions, and other State activities related to recovering losses sustained under the program. These bills do not include provisions for State sharing in the cost of the bonus or retaining a portion of overissuances they recover.

The bill reported out by the House Agriculture Committee contains provisions for suspending individuals from program participation for 90 days if the State agency finds that they obtained benefits fraudulently. This is similar to what we believe is needed, but we believe the State agencies should be authorized to suspend participants for longer periods (one or two years), that the length of the time period should be discretionary rather than a mandatory 90 days, and that the Service should be authorized to prescribe, after consultation with the Department of Justice, specific guidelines for the suspension periods to be applied depending on the type and dollar amount of the suspected fraud involved. The bill which passed the Senate provides the kind of flexibility we believe is needed regarding the length of the suspension.

The Department of Agriculture's legislative proposal for this year included many of the same provisions.

CONCLUSIONS

The basic reason why State and local food stamp offices have not aggressively pursued overissuance recovery or punishment of recipients who acquired food stamps fraudulently is a lack of financial incentive to do so. The Federal Government bears the total loss when food stamps are over-issued; the States and local offices suffer no loss until recovery is pursued.

The States and local offices are in a better position than the Federal Government to recover food stamp over-issuances and punish fraud, and should be relied on to pursue these activities. While State and local offices should not benefit from recovery of overissuances they caused by inefficiently operating the program, neither can they be

expected to spend their own funds to perform functions from which they get no benefit. The States would do a more effective job if the Federal Government would share a greater percentage of the administrative costs associated with these activities, and if the States were permitted to retain a portion of the money they recover.

CHAPTER 5

RECOMMENDATIONS

RECOMMENDATIONS TO THE CONGRESS

We believe that States need an increased financial incentive to pursue the recovery of food stamp over-issuances. To attain this end, the Congress should authorize the Secretary of Agriculture to allow States to retain some percentage of the money recovered from recipients of overissuances. (As noted on p. 41, some congressional consideration was given during the 94th Congress to allowing States to retain half of all recoveries.)

Over and above the recovery of overissuances, increased incentive is needed for the States to investigate and punish food stamp fraud. Allowing the States to retain a portion of the money they recover would not seem to provide adequate incentive for punishing fraud because fraud should be punished regardless of whether any money is recovered. In addition to allowing States to retain some portion of any money recovered, authorizing the Secretary to reimburse a higher percentage of State administrative costs for the investigation and adjudication of fraud would seem to provide the additional incentive needed. Some bills introduced in the Congress (see p. 42) call for increasing the reimbursement rate from 50 percent to 75 percent.

The Congress has historically increased cost sharing rates as an incentive for States to improve program administration. However, the resulting multiplicity of rates in income security programs administered by the Department of Health, Education, and Welfare has caused some problems in determining the Federal share of program costs under those programs. Because the food stamp program is operated by the same State and local agencies that operate the Department of Health, Education, and Welfare programs, a change in the cost sharing formula for certain activities could result in increased difficulties in the allocation of State and local costs because some operating costs would be reimbursed at a higher rate than others. Consequently, arrangements would need to be worked out in advance to minimize any difficulties associated with different reimbursement rates for different activities.

To increase the possibility that persons suspected of fraudulently acquiring food stamps have their cases reviewed

to determine if they have, in fact, violated the law or program regulations, we recommend that the Congress authorize the Secretary of Agriculture, in consultation with the Attorney General, to develop within each State, administrative procedures to handle the majority of food stamp recipient fraud cases. These procedures should be administratively simple and be able to handle numerous cases in a relatively short time. Implementation of the procedures would result in determinations as to whether fraud occurred and what penalties should be assessed. Penalties should generally consist of disqualification from the program for meaningful periods of time and/or warnings of suspension.

RECOMMENDATIONS TO THE
SECRETARY OF AGRICULTURE

We believe that a number of opportunities are available to improve the administrative operations of the Food and Nutrition Service that would increase the effectiveness of States' efforts to recover overissuances and punish recipient fraud in the food stamp program. We recommend that the Secretary of Agriculture direct the Service to:

- Issue instructions describing the steps to be taken to identify food stamp overissuances, including specific reference to the various available information sources, such as duplicate issuance reports, recertification reviews, public assistance overissuance reports, quality control reviews, and earnings clearance statements.
- Evaluate the States' collection activities to insure that a determination of collectibility is made on each claim and that, for those cases where collection is deemed appropriate, the States are making reasonable attempts to collect. Also, evaluate the feasibility of more aggressive collection techniques, such as confessions of judgment and purchase price and/or coupon allotment adjustments. If any of these techniques appear promising, steps should be taken to implement them, including proposing any legislative changes needed.
- Issue instructions describing the specific management information States and local projects should compile on claims activities and how this information should be used to monitor and evaluate these activities.

- Revise the requirements for reporting claims to the Service so that detailed information on individual claims would be maintained only at the local level and summary information on all claims would be reported to the State and Service.
- Improve its monitoring of the identification and recovery of food stamp overissuances, including the evaluation of the summary data we are recommending the States be required to provide.
- Provide more guidance to States concerning prosecution of food stamp recipient fraud. Information should be disseminated that clearly explains the jurisdictional criteria for prosecution in various courts, the types of evidence needed to secure conviction, and the best ways in which to acquire such evidence.
- Require States to report overall information on the incidence, magnitude, and causes of recipient fraud identified, and the dispositions of all such cases. This information should be disseminated to the States, the Department of Justice, and the Congress.
- Improve its monitoring and followup regarding activities to identify and punish food stamp fraud, including the evaluation of the information we recommend be collected and take vigorous action against States that are not adequately identifying and punishing food stamp fraud.
- Revise the food stamp regulations and instructions to require that, generally, food stamp fraud be punished, even if the perpetrator repays the amount fraudulently obtained.

We also recommend that, if legislation is enacted authorizing the Secretary to develop procedures for administratively handling most suspected recipient fraud cases, the Secretary, in consultation with the Attorney General, develop criteria and guidelines for handling cases under these procedures (as distinguished from referral for criminal prosecution) and establish penalties for persons determined to have committed fraud. These criteria, guidelines, and penalties should be firmly established and clearly stated and deviation from them should be allowed only for highly exceptional reasons and only upon approval of the Service. Appeals of

administrative determinations regarding fraud could be processed under the same procedures as already exist for appealing other administrative determinations.

DEPARTMENT OF JUSTICE COMMENTS

In commenting on a draft of this report, the Department of Justice said that the types of problems illustrated in the report are not unique to the food stamp program but are indicative of problems occurring in many Federal spending programs. Initial legislation and regulations often do not affirmatively address such issues as (1) fraud and abuse possibilities, (2) mechanisms to deal with these possibilities, and (3) their impact on prosecutorial and judicial resources.

The Department of Justice said the recommendation that the majority of food stamp recipient cases be handled administratively reflects a realistic assessment of the current judicial structure and its limited resources at both the State and Federal levels. The Department concurs wholeheartedly with the recommendation that States need to take more aggressive efforts to recover food stamp overissuances and that the program must provide some financial incentive to the States for doing so rather than the current financial disincentive.

A copy of the Department's written comments is included as appendix I.

DEPARTMENT OF AGRICULTURE COMMENTS

Oral comments were obtained from the Department of Agriculture and are recognized in the report as appropriate. Written comments from the Department were not received in time to be included in the report.

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, DC 20530

JUL 19 1977

Address Reply to
Division, Bureau, Office
and Reference Number

Mr. Victor L. Lowe
Director
General Government Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Lowe:

This letter is in response to your request for comments on the draft report entitled "The Food Stamp Program-- Overissuances Not Recovered and Fraud Not Punished."

The types of problems illustrated in this report are not unique to the food stamp program but are indicative of problems occurring in many Federal spending programs. Initial legislation and regulations often do not affirmatively address such issues as (1) fraud and abuse possibilities, (2) mechanisms to deal with these possibilities, and (3) their impact on prosecutorial and judicial resources.

The recommendation that the majority of food stamp recipient cases be handled administratively reflects a realistic assessment of the current judicial structure and its limited resources at both the State and Federal levels. Further, we concur wholeheartedly with the recommendation that States need to take more aggressive efforts to recover food stamp overissuances and the program must provide some financial incentive to the States for doing so rather than the current financial disincentive.

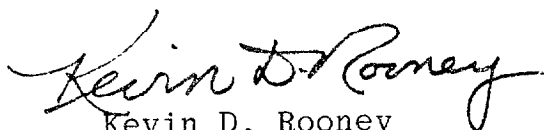
[See GAO note, p. 49.]

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[See GAO note below.]

We appreciate the opportunity given us to comment on the draft report. Should you have any further questions, please feel free to contact us.

Sincerely,



Kevin D. Rooney
Assistant Attorney General
for Administration

GAO note: The deleted comments relate to matters discussed in our draft report but omitted from or modified in this final report.

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	<u>From</u>	<u>To</u>
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Bob Bergland	Jan. 1977	Present
ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES:		
Carol Tucker Foreman	Mar. 1977	Present
ADMINISTRATOR, FOOD AND NUTRITION SERVICE		
Lewis B. Straus	May 1977	Present

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