



## A Performance Audit of Data Analytics Techniques to Detect SNAP Abuse

*DWS Should Strengthen Proactive Controls to Minimize Abuse of Food Stamps Funds*

Strengthening the use of Supplemental Nutrition Assistance Program (SNAP) recipient and transaction data will help the Department of Workforce Services (DWS) to more proactively identify and prioritize potential abuse. The DWS Investigations Unit should prioritize and investigate recipients with the highest risk of program misuse, leveraging data analytics, rather than simply relying on reactive controls.

Specifically, DWS should use data analytics to identify SNAP recipients who:

- Make the majority of their purchases outside of the state.
- Request excessive electronic benefit transfer (EBT) cards.
- Attempt frequent rapid successive transactions.
- Make large or frequent even dollar transactions.

Focusing investigative efforts on areas of highest risk will help DWS to ensure that SNAP benefits are used only for the intended purpose and only by eligible individuals.

### Finding 1: The Investigations Unit Does Not Effectively Use Data Analytics to Prioritize High Risk Recipient Behavior

---

The current use of data analytics does not appear to identify SNAP recipients with the highest risk of misusing benefits. The monthly fraud alert reports generated for the DWS Investigations Unit do not appear to sufficiently consider historical uses or magnitude of potentially suspicious recipient behavior. Additionally, these alert reports are based on inaccurate and incomplete data.

Reactive controls—such complaints from a neighbor, an eligibility specialist, or another governmental agency—account for more than 96 percent of sources that generate investigation referrals. While these controls are important, the use of data analytics will enable DWS to proactively identify and investigate potential program misuse.

We recommend that DWS:

- Strengthen the use of data analytics to identify and prioritize high-risk recipient behavior.
- Ensure that transaction data is captured, reflected, and analyzed accurately in fraud alert reports.
- Consider the magnitude of transactions and the historical behavior of SNAP recipients when prioritizing cases.

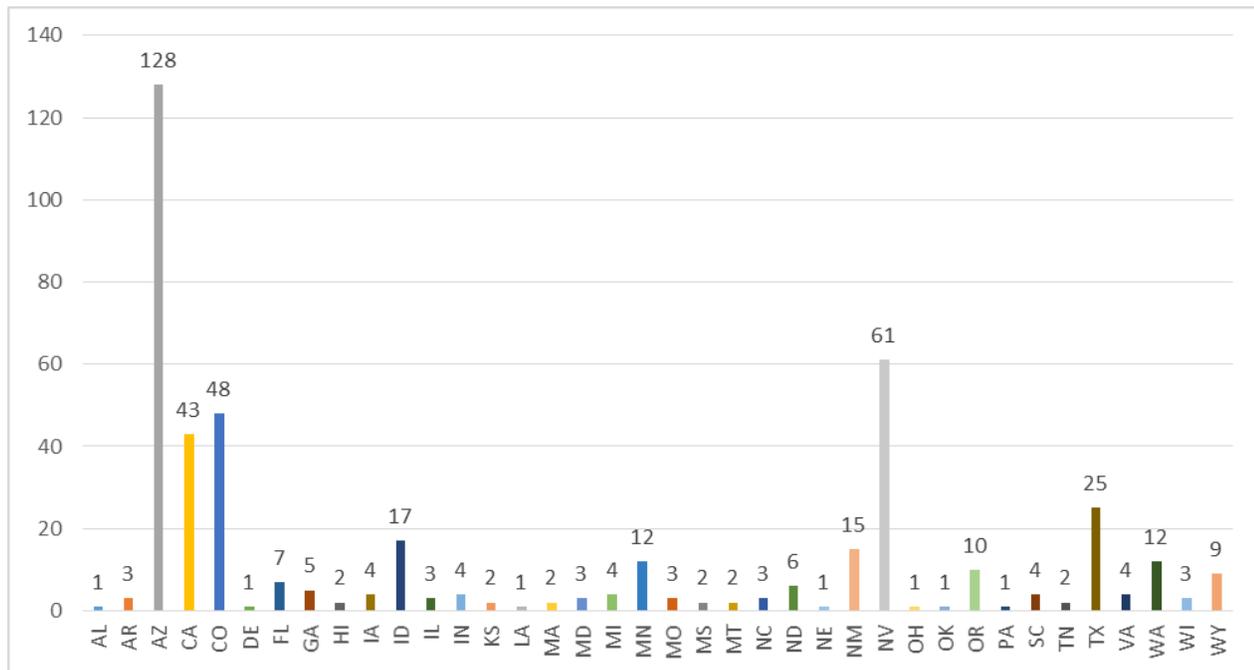
### Utah SNAP Facts (FY 2014)

<b>UT SNAP Households</b>	90,570
% Change Since 2004	87.3%
<b>UT SNAP Issuance</b>	\$317 million
% Change Since 2004	157.2%
<b>DWS Claims Collected</b>	
Intentional Program Violation	\$653,000
Inadvertent Household Error	\$532,000
Agency Error	\$644,000

## Finding 2: Analyzing Out-of-State Transactions Could Identify Ineligible Recipients

Recipients of 636 SNAP cases spent almost \$1.4 million while using their EBT cards exclusively outside of the state for six consecutive months or longer, despite state residency requirements. Using an EBT card exclusively out of the state could indicate a higher risk of program misuse, including receiving simultaneous SNAP benefits from another state. Only 12 of these cases were flagged to be considered for investigation on the DWS fraud alert reports.

The figure below shows the states wherein recipients for 455 Utah SNAP cases used their EBT card for six months or longer exclusively in one other state outside of Utah. Recipients for 181 additional Utah SNAP cases made transactions exclusively in multiple other states, but did not make any transactions in Utah for at least six months. Overall, recipients for the 636 cases did not make any purchases in Utah for at least six months, which calls into question their Utah SNAP eligibility.



Source: OSA Analysis of SNAP Transactions

Recipients in many of these cases exhibit additional abnormal behavior that could indicate potential program misuse. Such behaviors include:

- Receiving SNAP benefits simultaneously in Nevada since 2013.
- Being employed in and using Utah-issued SNAP benefits exclusively in Missouri for three years.
- Making transactions exclusively in Oklahoma for 18 months.
- Using an EBT card exclusively in Florida for at least 17 months.

We recommend that DWS:

- Determine if recipients of the 636 cases identified are simultaneously receiving SNAP benefits from other states.
- Identify and review residency of recipients who make the majority of their purchases outside of the state.
- Upon recertification, ensure that recipients are not receiving SNAP benefits from other states.
- Correct faulty algorithms designed to detect out-of-state purchases.

### Finding 3: DWS Could Limit EBT Card Trafficking by Conforming to Federal Requirements

The Investigations Unit does not identify the magnitude of EBT card replacement requests, overlooking cases in which recipients regularly request excessive replacement cards in a 12-month period. Some recipients continue to receive SNAP benefits despite potentially misusing their EBT cards. Examples of suspicious cases not flagged by DWS for investigation consideration on the alert reports include recipients who:

- Admitted to selling EBT cards for drugs after receiving 18 replacement cards.
- Were sent 22 replacement EBT cards in 18 months.
- Were sent 9 replacement EBT cards in 6 months.

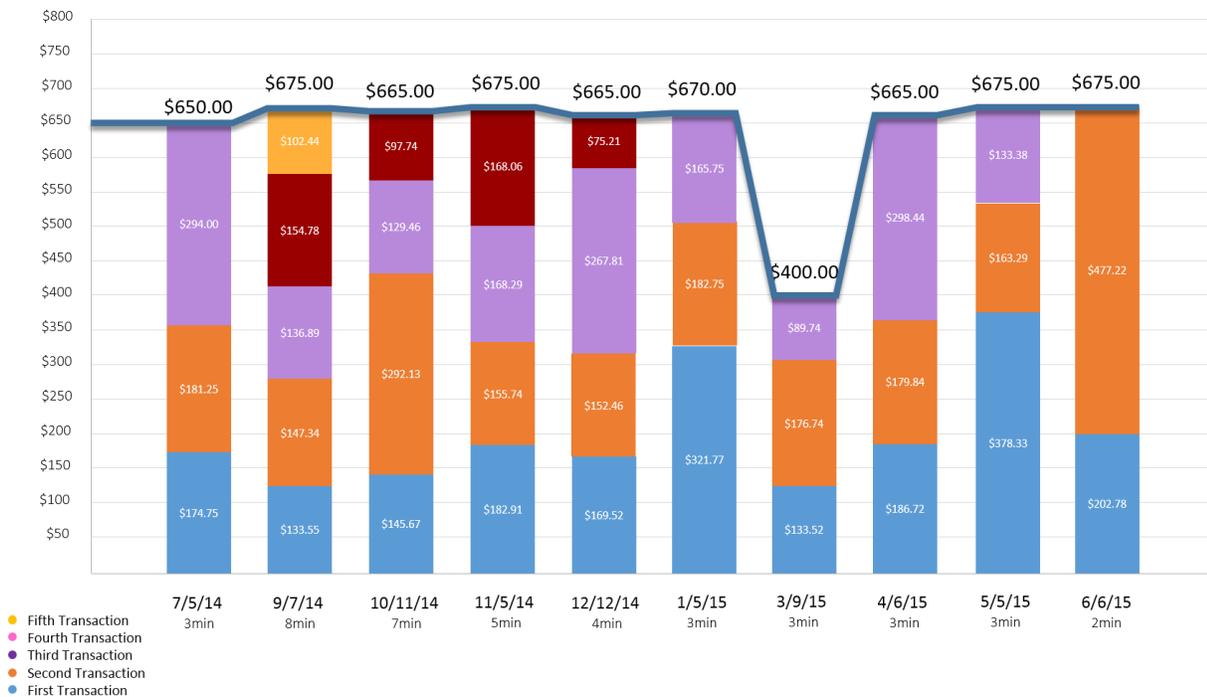
Complying with the federal Food and Nutrition Service (FNS) requirements would help DWS to (1) notify SNAP recipients with questionable behavior that they will be closely monitored, (2) identify recipients who continue to demonstrate behavior consistent with EBT card misuse, and (3) prioritize cases with the highest risk of program abuse.

We recommend that DWS:

- Send required notices to notify recipients that they are being monitored for potential trafficking.
- Consider withholding excessive replacement EBT cards, as allowed by FNS.

### Finding 4: Investigating Rapid Successive Transactions Could Limit SNAP Fraud

Proactively identifying multiple purchases made within five minutes of each other will help DWS to identify SNAP recipient behavior consistent with potential program misuse. DWS should consider the magnitude of transaction amounts and occurrences, transaction locations, and historical EBT card usage patterns when identifying potential benefits misuse. DWS investigated only 15 of the 1,342 cases whose recipients made four or more rapid successive transactions from January 2014 through June 2015. The figure below shows the rapid successive transactions of recipients for one case that DWS did not investigate.



Source: OSA Analysis of SNAP Transactions

Most rapid successive transactions were made with less than two percent of all approved SNAP merchants.

We recommend that DWS:

- Consider the following, with respect to rapid successive transactions, when prioritizing cases to investigate:
  - The number of rapid successive transactions made in short intervals.
  - The amounts of the transactions.
  - The sum total of rapid successive transactions.
  - Abnormal purchase patterns and trends.
- Explore electronic capabilities to detect abnormal recipient behavior in real-time.
- Coordinate with the state’s Office of the Attorney General or the USDA Office of Inspector General to prioritize for investigation merchants who (1) receive excessive rapid successive transactions and (2) receive high transaction totals through rapid successive transactions.

### Finding 5: DWS Does not Identify and Investigate Some High Risk Even Dollar Transactions

DWS does not identify most even dollar transactions that could signify SNAP benefits abuse. Recipients who make frequent or large even dollar transactions are at a higher risk to be working in conjunction with SNAP merchants to defraud the program. The figure below shows 14 months of transactions that one SNAP recipient made with the same merchant.

Purchase Date	Purchase Time	Purchase Amount	Store
3/5/2014	20:23:00	\$ 400.00	B
6/5/2014	19:35:00	\$ 400.00	B
7/5/2014	13:01:00	\$ 400.00	B
8/5/2014	19:24:00	\$ 400.00	B
9/5/2014	19:57:00	\$ 400.00	B
10/5/2014	12:43:00	\$ 480.00	B
11/5/2014	19:30:00	\$ 300.00	B
12/5/2014	19:16:00	\$ 400.00	B
2/5/2015	19:11:00	\$ 480.00	B
3/5/2015	18:06:00	\$ 450.00	B
4/11/2015	17:09:00	\$ 400.00	B

Source: OSA Analysis of SNAP Purchases

DWS does not currently analyze transaction data in a way that would enable investigators to identify and prioritize this type of abnormal behavior.

We recommend that DWS:

- Expand the criteria by which it evaluates even dollar transactions to include recipients who:
  - Make multiple even dollar transactions of any amount.
  - Make even dollar transactions exceeding a given threshold.
  - Have a history of even dollar transactions of any amount.