



U.S. Department of Agriculture  
Office of Inspector General



## **IMPORTANT NOTICE**

This report contains sensitive information that is being withheld from public release due to concerns about the risk of circumvention of law.

# FNS SNAP: Disbursement of SNAP Benefits Using the EBT System

## Inspection Report 27801-0002-23

This report provides information about the processes that the Food and Nutrition Service uses to disburse Supplemental Nutrition Assistance Program benefits using the EBT system, as well as the related oversight activities.

### OBJECTIVE

Our objective was to share information about the processes that FNS uses to disburse SNAP benefits using the EBT system. We identified and illustrated general information on the program, the flow of SNAP funds using EBT, and the oversight of SNAP.

### REVIEWED

We obtained relevant historical information, management requirements, and oversight information about SNAP and the EBT system through publicly available sources and previous OIG oversight work and interviews with FNS national officials. We also reviewed laws, regulations, and other documents relating to SNAP and the EBT system.

### RECOMMENDS

We performed this inspection to provide a foundation for OIG's oversight work involving FNS' SNAP and EBT operations and oversight. Future engagements will evaluate and test the SNAP and EBT process, providing recommendations for FNS.

### WHAT OIG FOUND

In this report, we provide information about the processes the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) uses to disburse Supplemental Nutrition Assistance Program (SNAP) benefits using the Electronic Benefits Transfer (EBT) system. The EBT system is the electronic payment system that distributes SNAP benefits to eligible households. As part of this overview, the report provides the history of SNAP; the roles and responsibilities of Federal and State agency officials, retailers, and Third-Party Processors; as well as the electronic systems used to support the EBT infrastructure.

We also outline the Office of Inspector General's (OIG) SNAP oversight activities from fiscal year (FY) 2015 through FY 2024, which included 26 engagements with 80 reportable findings and 157 recommendations. In addition, we explore OIG's investigative work, which resulted in over 1,800 indictments and 2,000 retailer fraud convictions. As noted in OIG's 2024 Top Management Challenges [report](#), USDA loses millions of dollars each year to fraud and other crimes associated with SNAP, making the need for FNS to strengthen its oversight of SNAP to remain vigilant against fraud, waste, and abuse.

This is the first in a series of reports that lays the foundation for OIG's oversight work of SNAP and the EBT system. Future oversight work will include reviews of FNS' fraud risk assessment process for SNAP using EBT, a particular State's controls over replacement benefit claims, and the oversight of information technology hardware to effectively prevent SNAP benefit theft.





## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** April 14, 2025

**INSPECTION**

**NUMBER:** 27801-0002-23

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Administrator  
Food and Nutrition Service

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**SUBJECT:** FNS SNAP: Disbursement of SNAP Benefits Using the EBT System

This report presents the results of our inspection of FNS SNAP: Disbursement of SNAP Benefits Using the EBT System. We did not issue FNS any recommendations and FNS did not provide a written response to this report. No further response is necessary.

We appreciate the courtesies and cooperation extended to us by members of your staff during our fieldwork and subsequent discussions. This report contains publicly available information and only publicly available information will be posted in its entirety to our website (<https://usdaoig.oversight.gov>) in the near future.

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# Background and Objective

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## Background

In this inspection,<sup>1</sup> we provide details about the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) and the Electronic Benefits Transfer (EBT) system used to disburse its funds, to include:

- roles and responsibilities of the various parties involved with SNAP and EBT and other general information about the program;
- flow of funds using the EBT system;
- oversight of the program; and
- the requirements for implementation of EBT system.

This is the first in a series of reports that lays the foundation for OIG's oversight work of SNAP and its use of the EBT system. With this report we provide a streamlined resource, based on historical information, data and statistics and oversight results, that outlines the complex, multilayered interaction between the Federal Government, State agencies, retailers, and households.

With our future work, we will evaluate the FNS fraud risk assessment process for SNAP using the EBT system and a particular State's controls that validate and calculate replacement benefit claims.<sup>2</sup> In addition, we will determine whether FNS has taken actions to secure information technology (IT) hardware to effectively prevent SNAP benefit theft.

## Objective

Our objective was to share information about the processes that FNS uses to disburse SNAP benefits using the EBT system. We identified and illustrated general information about the program, the flow of SNAP funds using EBT, and the oversight of SNAP.

### EBT System

An electronic payment system under which household benefits are issued from and stored in a central databank, maintained and managed by a State agency or its contractor. The EBT system uses electronic funds transfer technology for the delivery and control of food and other public assistance benefits.

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<sup>1</sup> An Inspection is an evaluation, inquiry, or similar type of review that do not constitute an audit, a criminal investigation or a non-audit service. This inspection followed the applicable standards set forth in the Council of the Inspectors General on Integrity and Efficiency's, Quality Standards for Inspection and Evaluation, (Dec. 2020).

<sup>2</sup> The State of Maryland was selected for this review for multiple reasons including, but not limited to, the fact that it was the first State to have its reimbursement plan approved by FNS to reimburse victims of food benefit fraud and interest expressed by a member of Congress.

## Section 1: Background of SNAP and EBT

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The Food Stamp Program was permanently authorized in 1964<sup>3</sup> and began operating nationwide on July 1, 1974. The program was established to provide food benefits to low-income families to supplement their grocery budgets so that they could afford the nutritious food that is essential to health and well-being. The Food Stamp Program provided benefits to households via paper food stamp coupons. See Figure 1.



**Figure 1:** This photo shows USDA’s paper food stamp coupons and one of the first EBT cards issued in the State of Maryland. USDA photo courtesy of the National Archives and Records Administration. It does not depict any particular review, inspection, audit, or investigation.

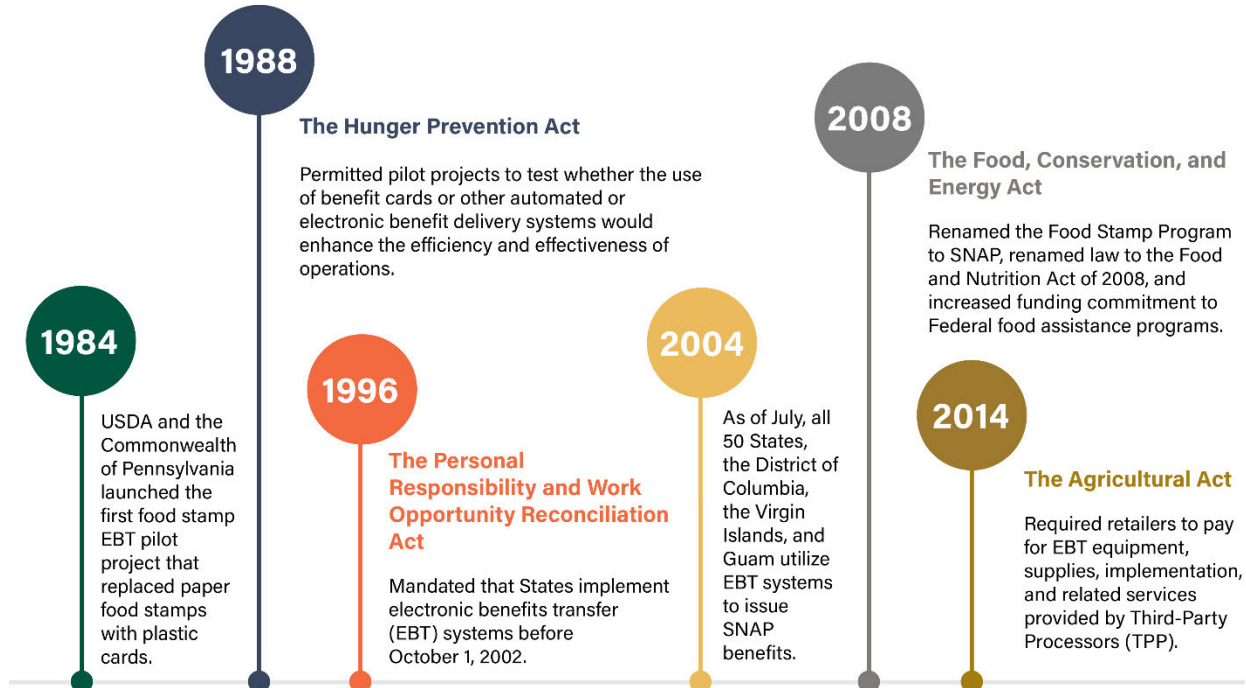
Over the years since the Food Stamp Act of 1964, there have been several major legislative changes to the program, including changing the name of the Food Stamp Program to SNAP.<sup>4</sup> Figure 2 details the history of SNAP and EBT timeline.

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<sup>3</sup> The Food Stamp Act of 1964, Pub. L. No. 88-525, 78 Stat. 703. The name of the act was changed in 2008 from “The Food Stamp Act of 1977” to “The Food and Nutrition Act of 2008.” Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-234, § 4001, 122 Stat. 923, 1092.

<sup>4</sup> Hunger Prevention Act of 1988, Pub. L. No. 100-435, 102 Stat. 1645 (1988); Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. No. 104-193, 110 Stat. 2105; Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-234, 122 Stat. 923; Agriculture Act of 2014, Pub. L. No. 113-79, 128 Stat. 649.

## History of SNAP and EBT Timeline



**Figure 2: The diagram above illustrates the major legislative changes to SNAP in implementing the EBT system nationwide. Figure by OIG.**

For a list of historical and legislative changes over the years, see [Exhibit A: Laws and Regulations](#).

From 1964 to 1984,<sup>5</sup> paper food stamp coupons were printed and distributed to State agencies,<sup>6</sup> then to local offices, and finally eligible households. This process was functional but inefficient and susceptible to fraud.

Over time, legislative changes led to the introduction of the EBT system which uses a card reader similar to the



**Figure 3: This photo depicts an electronic card reader that allows consumers to use EBT cards for SNAP benefits. USDA photo by Lance Cheung. It does not depict any particular review, inspection, audit, or investigation.**

<sup>5</sup> Paper coupons were still used by some State agencies until the Food and Nutrition Act of 2008 specified that paper coupons shall no longer be valid as of 2009.

<sup>6</sup> FNS coordinates with the 50 States, the District of Columbia, Guam, and the Virgin Islands (a State, the District of Columbia, and a territory are hereafter referred to as a “State agency”) to implement SNAP. In Puerto Rico, the Food Stamp Program was replaced in 1982 by a block grant program, called the Nutrition Assistance Program. USDA FNS, *A Short History of SNAP* (July 9, 2024), <https://www.fns.usda.gov/snap/short-history-snap> (last visited on Oct. 25, 2024).



ones that read debit cards to process SNAP transactions. See Figure 3.

According to FNS, the EBT system reduces food stamp fraud by providing an electronic record of transactions, which makes it easier to identify violations. The trafficking rate (mainly the exchange of food stamps for cash) dropped from nearly 4 percent in the 1990s to around 1 percent<sup>7</sup> after full implementation of EBT systems nationwide in June 2004.<sup>8</sup> Additionally, many States use an EBT system to distribute benefits for the Temporary Assistance to Needy Families program, as well as other State programs. SNAP is FNS' largest domestic food assistance program.

### Trafficking

The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits issued and accessed via EBT cards, card numbers and personal identification numbers, or manual vouchers with signatures for cash.

A State agency provides SNAP benefits to an eligible household via an EBT card (similar to a debit card) (see Figure 4). A household member or authorized representative uses the EBT card



**Figure 4:** This photo shows EBT cards from several States USDA Photo. It does not depict any particular review, inspection, audit, or investigation.

to access benefits through the EBT system to purchase food. All State agencies use an EBT card with an online magnetic stripe, but new technologies, including chip cards and contactless digital wallets,<sup>9</sup> are being used or tested in five States.

Before a household member or authorized representative can purchase food using the EBT system, the State agency must elect to operate SNAP and administer SNAP in accordance with the Food and Nutrition Act of 2008, as amended. See [Section 2](#) for more detailed information.

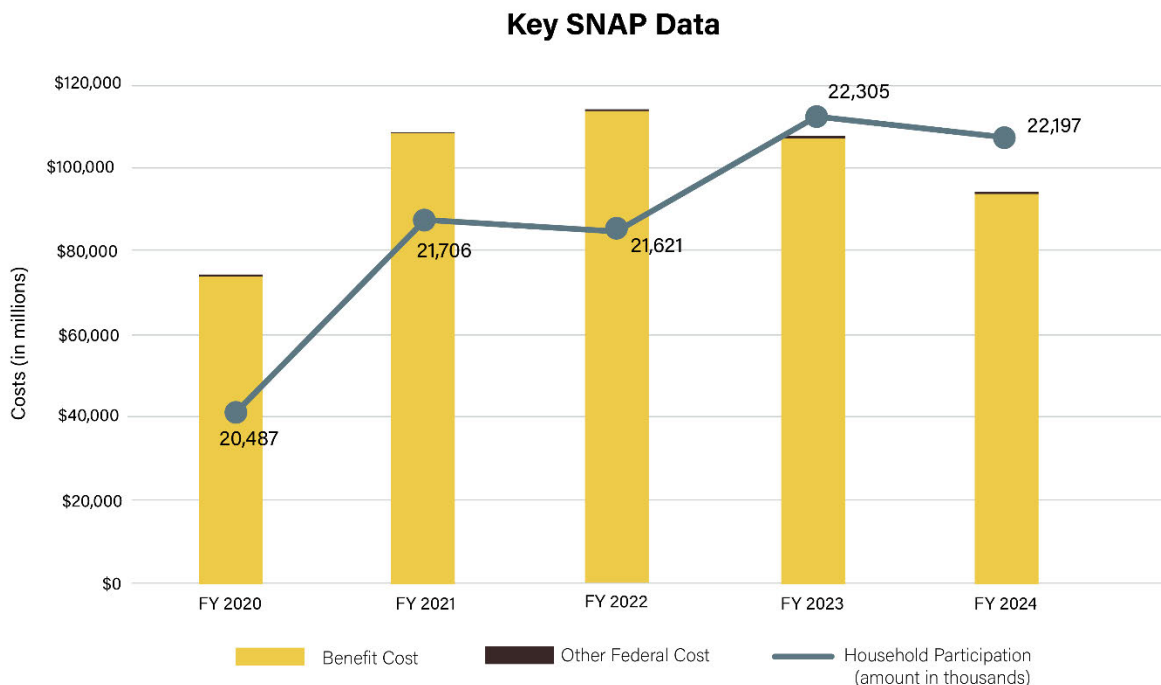
<sup>7</sup> FNS' last reported trafficking rate for 2015–2017 was estimated at 1.6 percent. USDA, *The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2015–2017* (Sept. 2021).

<sup>8</sup> EBT was the sole method of SNAP issuance in all States as of June 2004.

<sup>9</sup> According to FNS, California, Maryland, and Oklahoma are working toward chip card implementation in 2025. Three State agencies, Illinois, Massachusetts, and Oklahoma are part of a mobile payment pilot program with FNS and are currently in the early implementation stages, with the pilot program's rollout to be determined.

## SNAP Data

In fiscal year (FY) 2024, 53 State agencies participated in SNAP which provided more than \$93 billion in program benefits through an EBT system to SNAP households.<sup>10</sup> In addition, FNS authorized more than 260,000 retailers to accept SNAP benefits in exchange for eligible grocery items purchased by more than 22 million households in FY 2024. SNAP benefit costs and household participation have fluctuated since FY 2020, as depicted in Figure 5 below.<sup>11</sup>

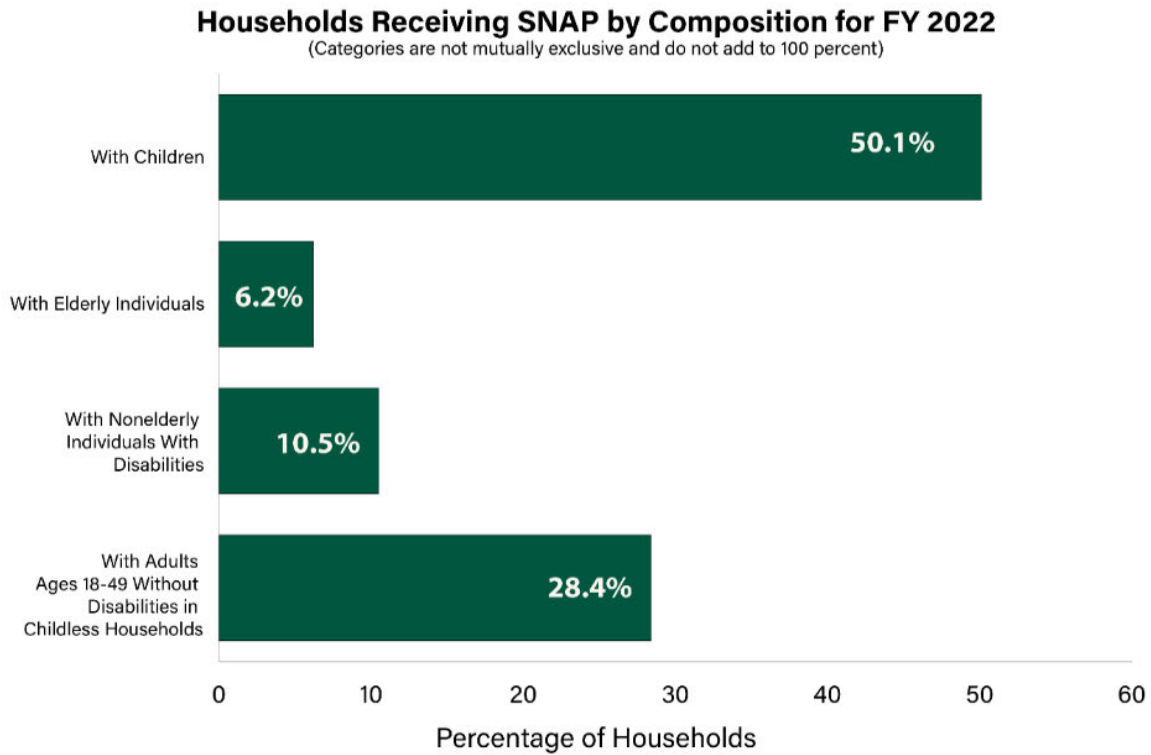


**Figure 5: This bar chart depicts the Federal costs in benefits and other costs for and the average number of households that participate in SNAP for each FY from 2020 through 2024. This figure does not include pandemic SNAP emergency allotments, which ended in March 2023. Figure by OIG, based on FNS FY 2020-2024 benefit costs and household participation data provided on January 22, 2025.**

Figure 6 depicts the family members included in the participating households that received SNAP benefits from October 2021 through September 2022.

<sup>10</sup> The average monthly SNAP benefit per household depends on the number of household members and the income levels of those members. The average SNAP benefit received per person for FY 2023 was \$211. USDA FNS, *Program Information Report (Keydata)* (last updated Nov. 8, 2024), <https://www.fns.usda.gov/data/August-2024-keydata-report>.

<sup>11</sup> Other costs include retailer monitoring, program evaluation and modernization, and health and nutrition pilot projects, as well as other administrative costs.



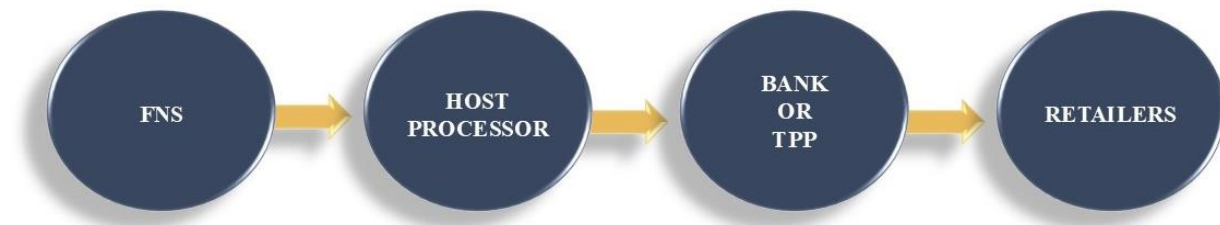
**Figure 6:** This bar chart lists the composition of SNAP households from October 2021 through September 2022. The figure is based on FNS data listed on its website at: <https://fns-prod.azureedge.us/sites/default/files/resource-files/ops-snap-fy22characteristics-summary.pdf>. This link contains the full report of household characteristics for FY 2022. (June 2024, last visited Oct. 16, 2024).

## Section 2: Roles and Flow of Funds in SNAP Using EBT

FNS and State agencies play major roles in the delivery of SNAP benefits to households nationwide. Through Federal- and State-level authorizations, both levels establish rules and requirements of SNAP. For example:

- FNS authorizes eligible retailers for SNAP participation.
- State agencies ensure households are eligible for SNAP benefits.
- State agencies also contract<sup>12</sup> with host processors to procure and implement the EBT system for processing SNAP transactions.

FNS also manages the transfer and recording of Federal SNAP benefit funds that flow as shown in Figure 7.



**Figure 7: This flowchart depicts how Federal SNAP benefit funds move from FNS to retailers. Figure by OIG.**

While an EBT system handles the exchange of benefits for food, other IT systems are in use before, during, and after that exchange. Those IT systems are used to document that:

- retailers are properly authorized,
- households meet eligibility requirements, and
- Federal SNAP benefit funds flow properly.

### TPP

Private company with which a retailer contracts to send transactions to be authorized by the EBT host processor to authorize and settle retailer reimbursement requests.

A State agency signs a legal agreement with FNS in which the State agency elects to operate SNAP and administer the program in accordance with the Food and Nutrition Act of 2008, as amended.<sup>13</sup> The FNS' national office reviews and approves the State agencies' contracting with the host processors that implement and maintains the State agency's EBT systems and processes reimbursements to retailers.

<sup>12</sup> The contracts typically last 3 to 5 years. The State agency may either stay with the incumbent or contract with a new host processor. FNS Handbook 901, *The Advance Planning Document Process: A State Systems Guide to America's Food Programs* (Jan. 2020).

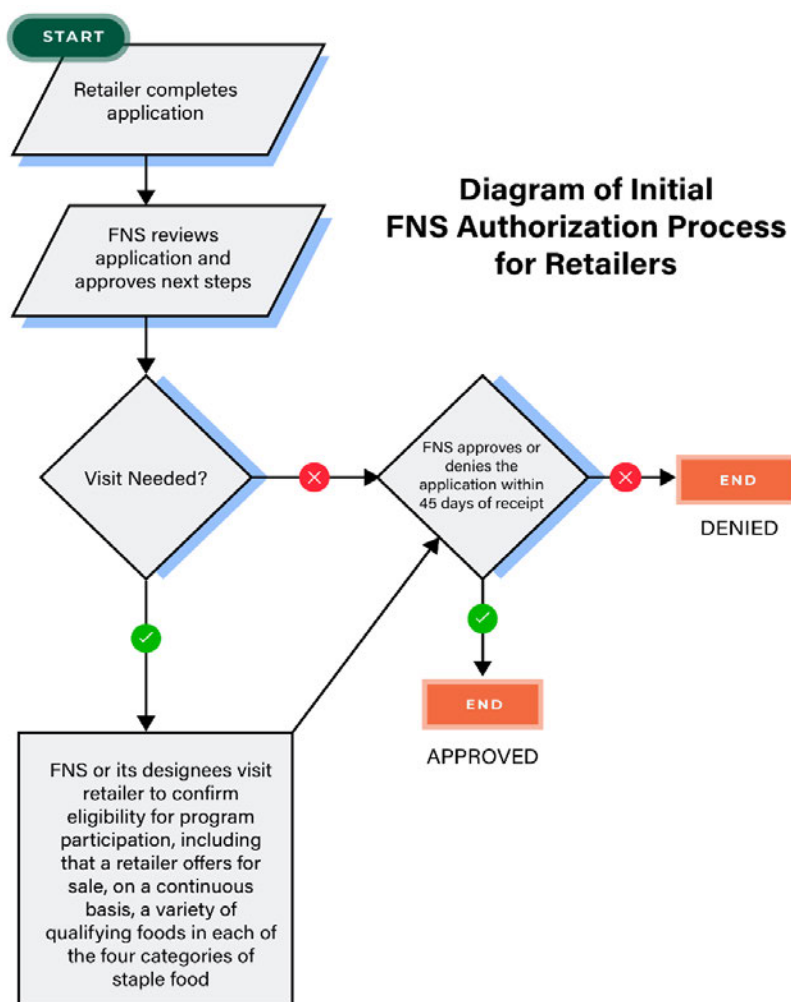
<sup>13</sup> 7 C.F.R. § 272.2.

## FNS Authorization of Retailers

FNS determines whether a retailer meets the Federal requirements to be approved as a SNAP authorized retailer. Because of those requirements, SNAP retailers play a vital role in ensuring access to nutritious food for SNAP-eligible recipients. SNAP retailers range from local grocers to large supermarket chains. FNS bases its determination on criteria such as the applicant's operation of a retail food store and its business integrity, and reputation.

The retailer must complete an application and receive an approval to participate in SNAP.<sup>14</sup> The retailer will submit a hard-copy or online application requesting FNS authorization to accept SNAP benefits. Figure 8 depicts the initial FNS authorization process for retailers.

The Retailer Operations Branch within FNS' Office of Retailer Operations and Compliance approves or denies an application for authorization to participate in SNAP within 45 days of receiving it from a retailer. All retailers must be reauthorized at a minimum once every 5 years.<sup>15</sup> The Retailer Operations Branch manages all SNAP retailer initial authorizations and reauthorizations to ensure that retailers participating in SNAP are thoroughly screened, meet eligibility guidelines, and serve the needs of SNAP households.



**Figure 8: This diagram depicts FNS' authorization process for SNAP retailers. Figure by OIG.**

<sup>14</sup> 7 C.F.R. § 278.1(a), (b).

<sup>15</sup> 7 C.F.R. § 278.1(a), (b). While the requirement is that retailers be reauthorized every 5 years, FNS regulations allow for more frequent reauthorizations as needed. 7 C.F.R. § 278.1(j).

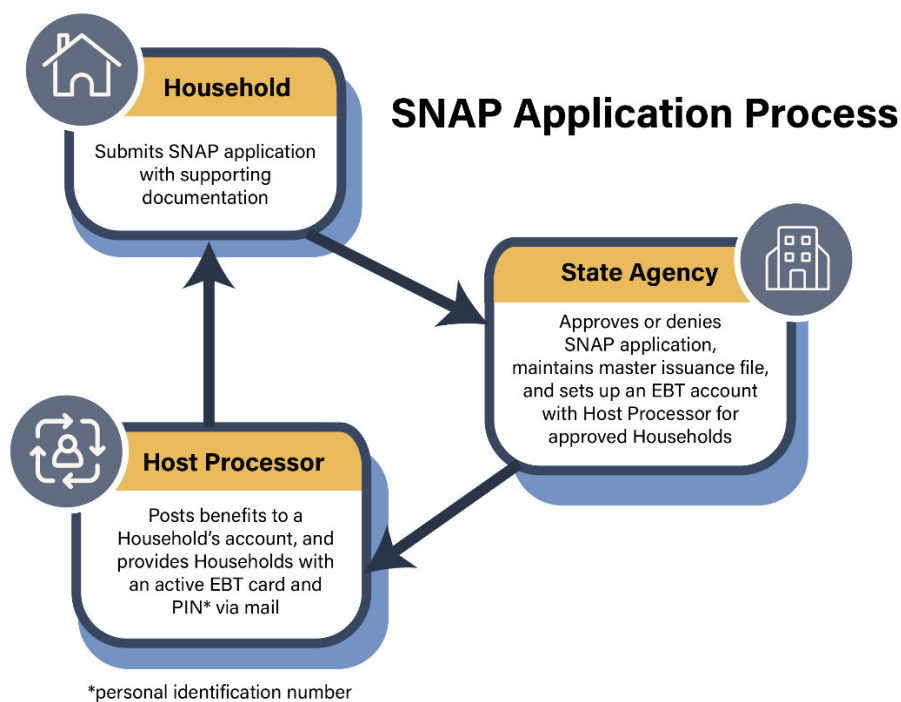


## State Agency Authorization of Household Eligibility and Host Processors

The State agency's roles include, but are not limited to, determining a household's eligibility for SNAP<sup>16</sup> benefits and maintaining the EBT system.<sup>17</sup>

### Household Eligibility for SNAP Benefits

State agencies are responsible for establishing issuance and accountability systems that ensure only certified eligible households receive SNAP benefits. State agencies may exchange information intrastate with entities that administer certain other programs (for example, Medicaid) when determining household eligibility. State agencies must also check Federal systems to verify the immigration status of all non-citizens applying for SNAP benefits and to identify incarcerated and deceased individuals.<sup>18</sup> The SNAP application process begins with a household member completing an application.<sup>19</sup> After a State agency confirms a household's eligibility and level of SNAP benefits, it enters that household eligibility information in its EBT system. Figure 9 below depicts the SNAP application process between the household, State agency, and host processor.



**Figure 9: This diagram depicts the SNAP application process by a State agency and the posting of household benefits and the issuance of EBT cards by a host processor. Figure by OIG.**

<sup>16</sup> 7 C.F.R. § 274.2.

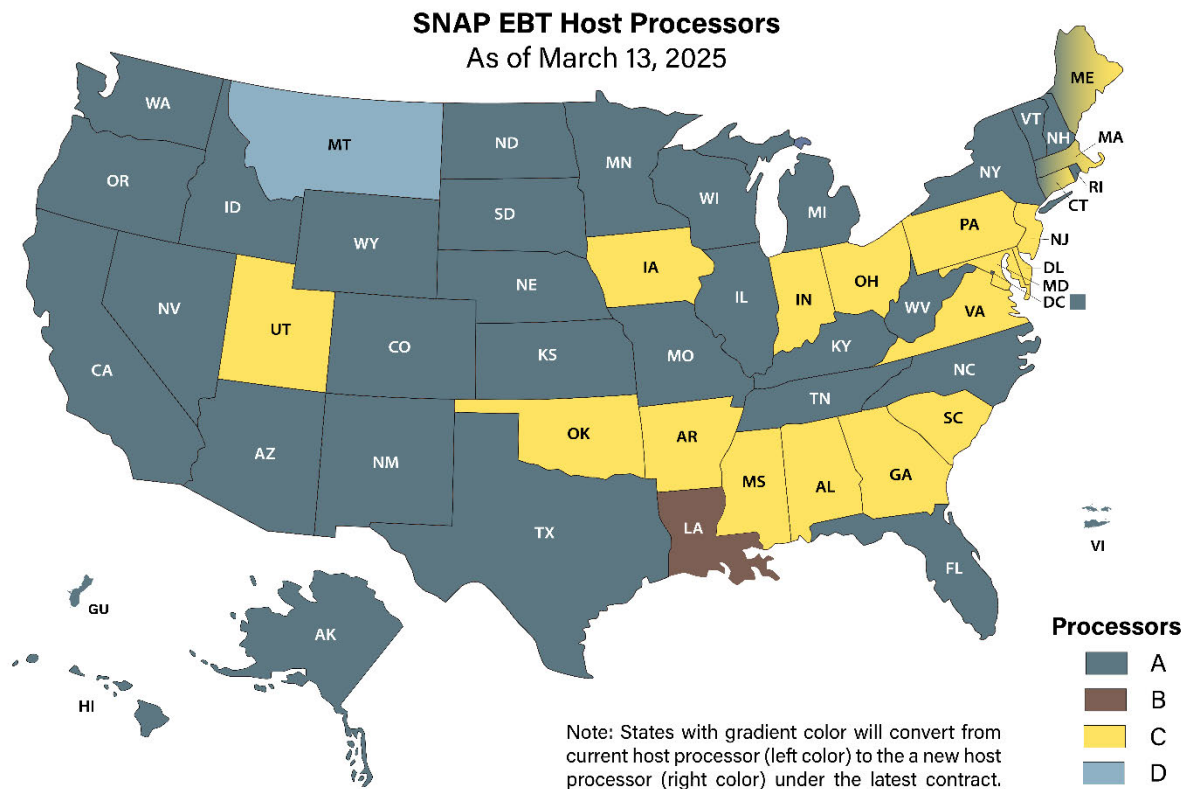
<sup>17</sup> 7 C.F.R. § 274.1.

<sup>18</sup> 7 C.F.R. § 272.11, 13, 14.

<sup>19</sup> A new application is required for initial certification and recertification (not to exceed 12 months). (7 C.F.R. § 273.10 (f)).

## State Agency EBT System—Host Processors

A State agency's EBT system is typically implemented and maintained by a host processor. In FY 2023, there were four host processors for SNAP EBT systems (see Figure 10).



**Figure 10: A map of the United States showing all 50 States, the District of Columbia, Guam, and the Virgin Islands. The map is color-coded to depict a different color for each of the four host processors and indicates which of the 53 State agencies' EBT systems they operate. Figure by FNS (edited by OIG to remove host processors' names and non-SNAP locations).**

A State agency's contract with a host processor must include specific responsibilities. The host processors responsibilities include various tasks for not only the State agency but for FNS, the retailers and households. Figure 11 lists the host processor's responsibility to provide information and support to FNS, as well as the State agency, retailers, and households.

FNS	State Agency	Retailer	Household
Reports fund obligations, retailer redemptions, <sup>20</sup> and transaction activity	Creates accounts for new households	Provides customer support through a call center	Provides customer support through a call center
Tracks unused benefits and returns funds to FNS at appropriate point	Activates household accounts and cards	Approves and denies transactions	Posts new benefits to household accounts
Performs daily reconciliation (balances funds coming into, going out of, and remaining in the system)	Reports to State agency EBT system activity, including status of administrative, management, and financial operations	Pays daily for net value of approved purchases and draws reimbursement from FNS	Issues new and replacement EBT cards

**Figure 11: This table lists the host processor's responsibility to provide information and support to FNS, the State agency, retailer, and household. Figure by OIG.**

### State Agency EBT System: Retailers and TPPs

According to FNS, the State agency's contract ensures that the host processor adds, removes, or modifies authorized retailers via the FNS provided daily Retailer EBT Data Exchange file. The State agency is also responsible for ensuring that only authorized retailers can access the system, per regulatory requirements.<sup>21</sup> State agencies must act within 2 business days of receipt of information concerning any action to disqualify or withdraw an authorized retailer from SNAP.<sup>22</sup>

State agencies shall afford retailers the opportunity to use a TPP and provide that TPP access to the EBT system. The State agency shall ensure that TPPs and retailers maintain their terminals and comply with all applicable Federal regulations.

<sup>20</sup> The amount of SNAP household benefits exchanged for payment of food. 7 C.F.R. § 274.7(b).

<sup>21</sup> 7 C.F.R. § 274.3(e)(4).

<sup>22</sup> 7 C.F.R. § 274.3(e)(2).

## SNAP Authorized Retailers

Once a retailer is authorized to accept SNAP benefits, the retailer must follow SNAP's rules. FNS sends a retailer a SNAP permit that contains a [REDACTED] authorization number.<sup>23</sup> Retailers must obtain a SNAP permit for each store location. Before an authorized retailer can exchange food for SNAP benefits, the retailer must purchase IT equipment. This equipment is called a point-of-sale (POS) device, and it can communicate with the State agency's host processor.<sup>24</sup> The POS device, cash register, and scanning system are often connected to speed up the transactions and minimize errors.<sup>25</sup>

Retailers are responsible for ensuring that store employees know the SNAP rules and can operate a POS device to accept household SNAP benefits for food.<sup>26</sup> Retailers' employees should ensure that SNAP households do not use SNAP benefits to purchase alcoholic beverages; tobacco products; foods that are hot at the point of sale; vitamins or medicines; pet foods; or nonfood items, such as tissue, soap, cosmetics, and other household goods.<sup>27</sup>

## TPP

Since 2014,<sup>28</sup> retailers have obtained POS devices and related services from a TPP to access the State agency's EBT system. TPPs can be financial institutions or cardholder authorization processors that are capable of relaying SNAP transaction data using EBT to the State agency's host processor.<sup>29</sup>

Each TPP loads information, such as the retailer's FNS authorization and bank account numbers, into its system to process household SNAP transactions and the retailer receives redemption payments for the food purchased. TPPs must meet American National Standards Institute system interface specifications and certification standards to access the host processor's database.

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<sup>23</sup> The permit is valid only for the address and owners listed on the permit. The retailer is required to keep the permit in their store. FNS uses the authorization number to identify retailers' stores and the owners of these stores.

<sup>24</sup> 7 C.F.R. § 274.3(a)(1)(ii) and (a)(2).

<sup>25</sup> Retailers pay 100 percent of the costs of acquiring and arranging for the implementation of EBT point-of-sale equipment and supplies, including related services. See 7 U.S.C. § 2016(f)(2)(A). There is no requirement on the number or location of those devices within the retailers' stores.

<sup>26</sup> FNS provides retailers with guidance for SNAP transactions and employees with training before accepting SNAP benefits. 7 C.F.R. § 274.3(e)(7).

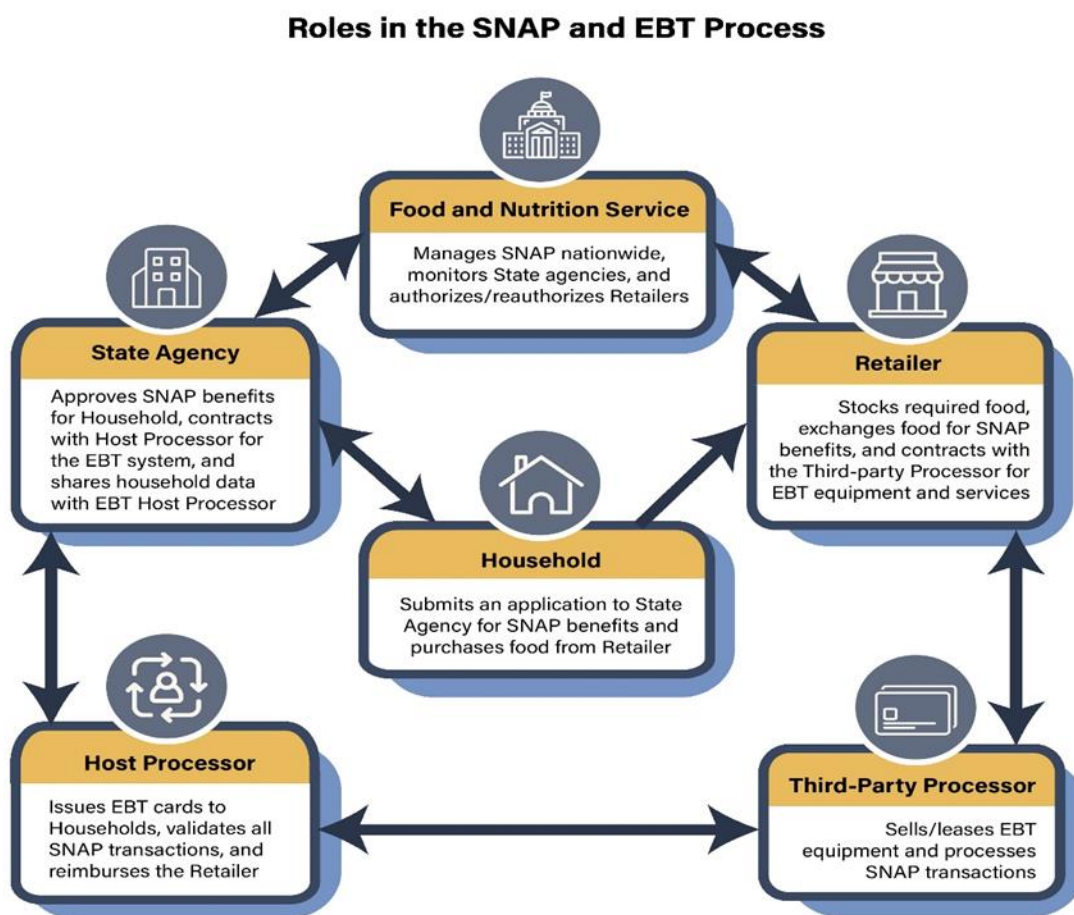
<sup>27</sup> USDA FNS, *The USDA Supplemental Nutrition Assistance Program: Training Guide For Retailers*, FNS-330 (Jan. 2019).

<sup>28</sup> The Agricultural Act of 2014 (2014 Farm Bill) required nonexempt SNAP authorized retailers to pay for their POS device and related services.

<sup>29</sup> According to FNS guidance for retailers, FNS does not endorse any one company. USDA FNS, *The USDA Supplemental Nutrition Assistance Program: Training Guide For Retailers*, FNS-330 (Jan. 2019). The SNAP authorized retailers need to conduct their own research and use due diligence when selecting a TPP.

## Summary of Roles in SNAP Using EBT

FNS works closely with the State agencies to fulfill its mission to address food insecurity, provide access to affordable food. Its leadership collaborates with stakeholders to ensure SNAP is administered seamlessly. FNS also authorizes retailers to accept SNAP benefits from eligible households. State agencies approve eligible households' SNAP benefits, as well as the host processor contract to implement and maintain an EBT system to process SNAP transactions. Figure 12 outlines the roles and responsibilities of FNS and State agencies in implementing SNAP and overseeing retailers, households, host processors and TPPs.

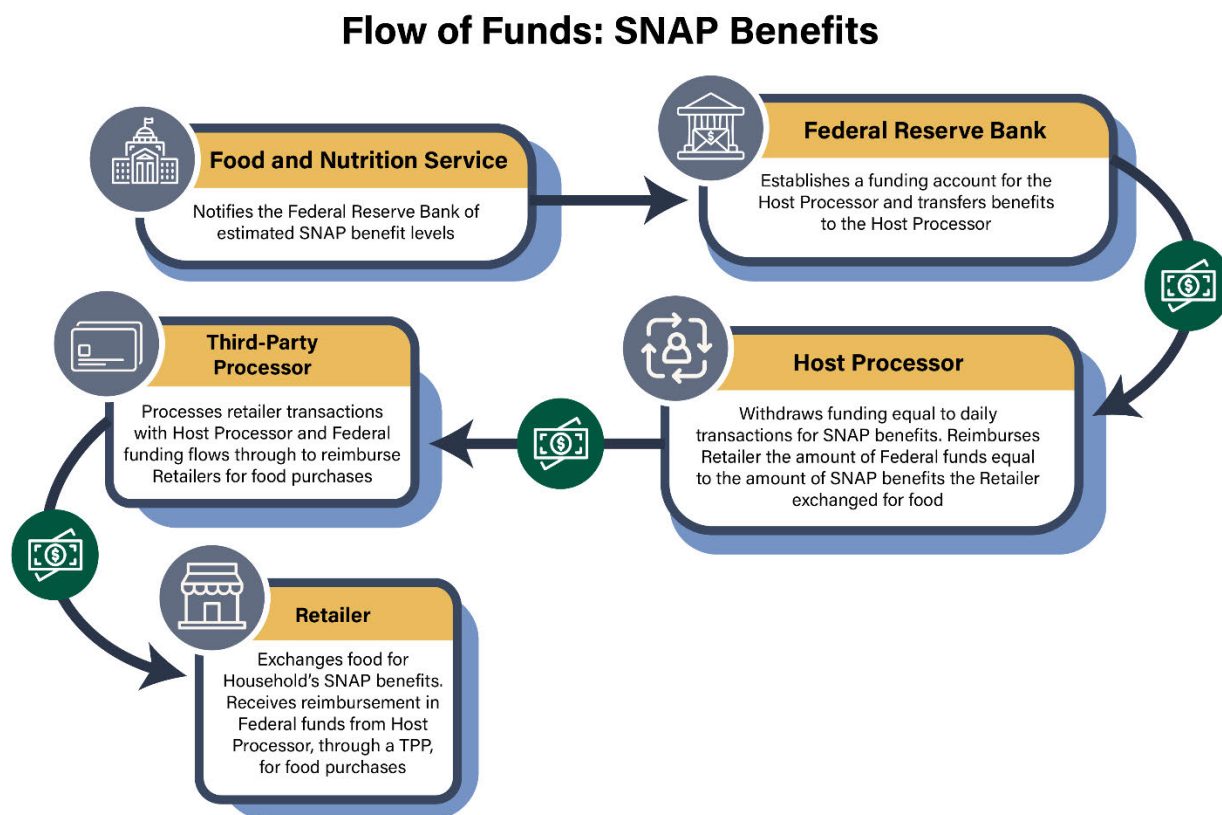


**Figure 12: The roles and interactions between the main components of SNAP and the EBT system. Figure by OIG, based on FNS data provided on December 18, 2023.**



## Flow of Funds

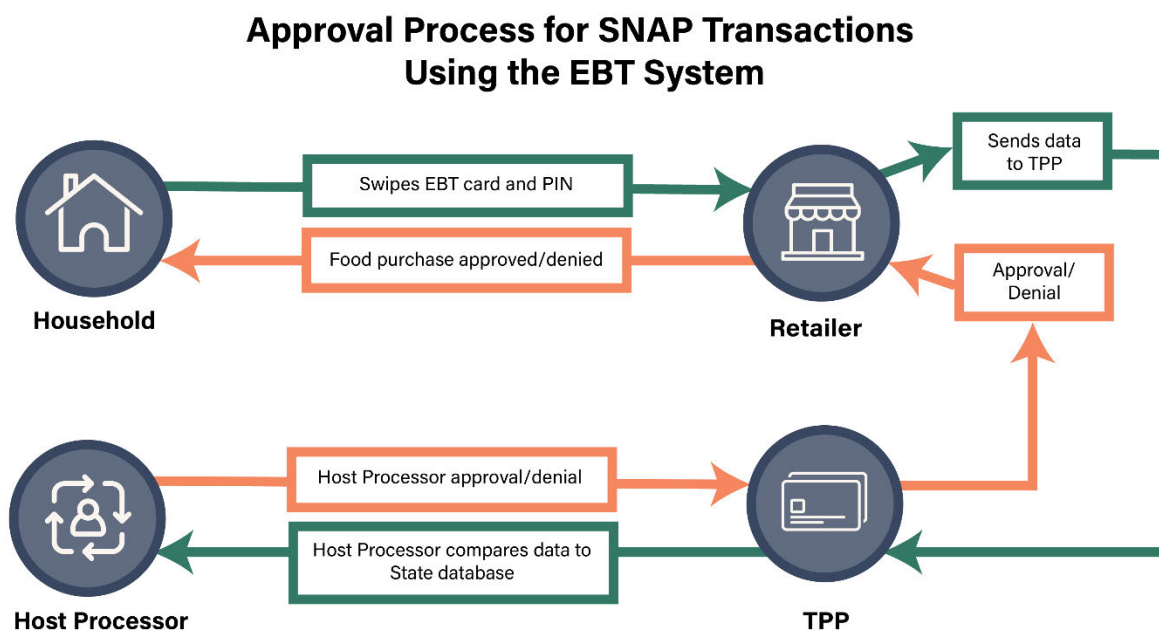
According to FNS, its Financial Management Division manages the transfer and recording of Federal SNAP benefit funds to State agencies and the States' host processors. Funds for Federal SNAP are appropriated to FNS. FNS establishes a SNAP benefits account (letter of credit) for each State with the Federal Reserve Bank. The Federal Reserve Bank transfers the SNAP benefits to the host processor. The host processor releases SNAP funds to the TPP, which reimburses the authorized retailer's bank account. Figure 13 outlines the flow of Federal funds from FNS, to the Federal Reserve Bank, the State agency, the host processor, TPP, and the retailer.



**Figure 13: This diagram depicts the flow of funds from FNS to the host processor to reimburse retailers for daily SNAP benefit transactions. Figure by OIG.**

## SNAP Benefit Transaction Process Through an EBT System

When a SNAP household purchases eligible staple food items at a retailer, it sets off a multilayered, real-time process. The host processor's approval or denial is based on information about the retailer and benefit level available to the household. The State agency's EBT system verifies the household's EBT card personal identification number (PIN), the retailer's FNS number, and additional transaction information to determine whether a transaction should be approved or denied.<sup>30</sup> If the retailer's FNS number is no longer active (for example, the retailer has withdrawn or was disqualified from the program), the SNAP transaction is denied and passed back through the TPP to the retailer's POS device. The retailer can track its SNAP transactions at the end of each day. A retailer receives the redemptions of SNAP transactions through a TPP, and the funds are in the retailer's bank account within 2 business days (see Figure 14 below).



**Figure 14: The diagram above shows the SNAP transaction process that involves the SNAP household, retailer, TPP, and host processor. Figure by OIG.**

## Information Systems for SNAP and EBT

While an EBT system handles the exchange of benefits, other IT systems are in use before, during, and after the exchange of SNAP benefits. For example, FNS uses systems to maintain retailer information, analyze retailer SNAP transactions, and record the flow of SNAP funds. In addition, State agencies use systems to determine household eligibility and benefit levels, as well as to prevent approving disqualified households or those receiving benefits from another State.

<sup>30</sup> According to ALERT User Manual, transaction tracking ensures that the State has a full accounting of all SNAP transactions attempted by its cardholders. All SNAP transactions for every State agency are also sent to FNS for use in the ALERT (Anti-fraud Locator using EBT Retailer Transactions) system.

## FNS Systems

### Retailer Authorization, Reauthorization, and Suspicious Activity



**STARS:** FNS uses its Store Tracking and Redemption System, called STARS, to maintain retailer identification information and data used to monitor retailer activity.<sup>31</sup> STARS users can find the status of retailer redemptions, authorizations, sanctions, and other compliances activity on more than 260,000 authorized retailers. According to FNS,

STARS receives daily summaries of SNAP redemptions for each authorized retailer from States' host processors.

**ALERT:** Information from STARS is incorporated into the FNS Antifraud Locator using EBT Retailer Transactions system, called ALERT.<sup>32</sup> According to FNS, the ALERT system receives daily SNAP transaction records for each authorized retailer from States' host processors and analyzes patterns in the data for potentially fraudulent activity by retailers. Retailer characteristics, e.g., retailer name and location, are provided from STARS to the ALERT system. FNS investigators and compliance offices use various ALERT system reports to distinguish between retailers whose ALERT data are strongly suggestive of violations, as opposed to suspicious data that could be explained through legitimate business practices. If FNS' Office of Retailer Operations and Compliance determines that suspicious SNAP transaction activity warrants further review, it initiates a case and determines whether a program violation occurred. When a program violation is confirmed, the FNS Office of Retailer Operations and Compliance sends the retailer a letter of charges<sup>33</sup> that specifies the violations or actions that FNS believes constitute a basis for disqualification or imposition of a civil money penalty, or fine. FNS transfers charge letter information to the STARS system.

### Processing of SNAP Funds



FNS uses USDA's Financial Management Modernization Initiative (FMMI) to record Federal funds used for FNS' administration of SNAP. FNS uses the Automated Standard Application for Payment (ASAP) and Account Management Assistance (AMA) systems that interact with FMMI for the SNAP benefit issuance and redemption processes. ASAP is the U.S. Department of the Treasury-administered letter-of-credit system from which State agencies and host processors can make withdrawals. AMA is a SNAP-specific

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<sup>31</sup> USDA, *Privacy Impact Assessment for the Store Tracking and Redemption System (STARS)* (July 16, 2020), <https://www.usda.gov/sites/default/files/documents/fncs-stars-pia.pdf>.

<sup>32</sup> USDA, *Privacy Impact Assessment for the Anti-Fraud Locator using EBT Retailer Transactions (ALERT)*, <https://www.usda.gov/sites/default/files/documents/fncs-alert-pia.pdf>.

<sup>33</sup> 7 C.F.R. § 278.6(b)(1). The letter shall inform the retailer that it may respond either orally or in writing to the charges contained in the letter within 10 days of receiving the letter.

system managed by the Federal Reserve Bank of Richmond, which aggregates SNAP benefit issuance and redemption data and supplies information to FNS and Treasury systems, including FMFI and ASAP.

## Household Disqualification and Duplication Prevention

**eDRS:** FNS uses the Electronic Disqualified Recipient System (eDRS) to maintain information about individual participants who have been disqualified from receiving SNAP benefits because of a finding of an intentional program violation.<sup>34</sup> State agencies use eDRS to establish and verify the eligibility of individuals for SNAP benefits.<sup>35</sup>



**NAC:** FNS is in the process of implementing an interstate data system called the National Accuracy Clearinghouse (NAC).<sup>36</sup> NAC is a data-matching system designed to prevent the issuance of SNAP benefits



to a recipient by more than one State agency simultaneously.<sup>37</sup> According to FNS, by reducing duplicate SNAP participation, NAC implementation is expected to reduce Federal SNAP spending by \$463 million over 5 years.



## State Agency EBT-Related Systems

Each State agency operates its own EBT system that processes SNAP benefits and reconciles EBT activities.<sup>38</sup> In addition, each State agency maintains its own system for determining SNAP household eligibility. The State agency verifies a household's information (size, income, etc.) to ensure that it meets SNAP eligibility requirements.<sup>39</sup> If the State agency approves the household, it sets the household's eligibility status into the EBT host processor system. The host processor uses this data to approve or deny benefits at a SNAP authorized retailer. A State agency's EBT system supports SNAP and other Federal and State programs.

<sup>34</sup> Per Federal regulations, intentional program violations consist of having intentionally (1) made a false or misleading statement or misrepresented, concealed, or withheld facts or (2) committed any act that constitutes a violation of SNAP, SNAP regulations, or any State statute for the purpose of using, presenting, transferring, acquiring, receiving, possessing or trafficking of SNAP benefits or EBT cards. 7 C.F.R. § 273.16(c).

<sup>35</sup> *Privacy Act of 1974; Computer Matching Program*, 86 Fed. Reg. 54 (Jan. 4, 2021).

<sup>36</sup> FNS issued a memorandum on October 5, 2022, to notify State agencies of NAC. All State agencies must participate in the NAC data-matching system no later than October 4, 2027. USDA FNS, *SNAP - Implementation of the National Accuracy Clearinghouse (NAC) Interim Final Rule* (Oct. 2022).

<sup>37</sup> As of Dec. 12, 2024, FNS have commitments from all SNAP State agencies to implement the NAC ahead of the October 2027 regulatory deadline.

<sup>38</sup> FNS will review and approve a State agency's EBT system contract entered into with a selected host processor. FNS Handbook 901, *The Advance Planning Document Process: A State Systems Guide to America's Food Programs* (Jan. 2020).

<sup>39</sup> A household's information is also shared with other State-operated Federal programs to determine SNAP and other Federally supported programs' household eligibility. (7 C.F.R. § 272.8(a)(1)-(2)).

## Section 3: Oversight of SNAP

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FNS is responsible for the effective oversight of SNAP. Effective oversight ensures the integrity of the program, as well as the receipt of benefits by those the program intends to help. While most people use SNAP benefits as intended, some still attempt to commit fraud using SNAP benefits. Thus, FNS works closely with State and Federal partners, law enforcement, SNAP retailers, EBT processors, and industry experts to minimize fraud and ensure those who commit it are held accountable.<sup>40</sup> In addition, USDA OIG works with FNS to review SNAP operations and investigate criminal activity to safeguard the administration of SNAP and enforcement of SNAP rules and requirements.

### FNS Oversight

Several divisions within FNS' national office perform oversight and monitor SNAP, such as Program Administration and Nutrition, Program Development, Issuance Policy and Innovation, and Retailer Policy. FNS also maintains an Office of Employment and Training, and an Office of Retailer Operations and Compliance. [See Exhibit B: Organizational Chart for SNAP](#) for more detailed information.

The FNS national office is solely responsible for monitoring more than 260,000 retailers nationwide. The FNS Office of Retailer Operations and Compliance monitors, investigates, and sanctions retailers to ensure proper stewardship of SNAP funds. [See Exhibit C: Retailer Types and Definitions](#) for more detailed information on retailers. Figure 15 shows the types of retailers, by percentage of the total redemptions, and the amount of dollars redeemed in SNAP benefits, and total number of authorized retailers.

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<sup>40</sup> USDA FNS, *SNAP Fraud Prevention* (Sept. 15, 2023), <https://www.fns.usda.gov/snap/fraud>.



### Retailers Authorized and Benefits Redeemed, by Retailer Type, FY 2023<sup>41</sup>

FY 2023 Retailer Redemptions (rounded)		FY 2023 Authorized Retailers (rounded)	
Top 5 Retailer Types	Redemptions (in billions)	Top 5 Retailer Types	Number Authorized
Super Store	\$62	Convenience Store	115,709
Supermarket	\$31	Combination Grocery/Other	63,369
Internet Retailer	\$10	Super Store	19,743
Convenience Store	\$6	Supermarket	19,085
Combination Grocery/Other	\$6	Medium Grocery Store	11,539
Total (94 percent of All Redemptions)	\$117	Total (87 percent of All Retailers)	229,445
Total Amount of Redemptions	\$124	Total Number of Retailers	261,700

**Figure 15:** These tables list the top five retailers types based on dollars redeemed in SNAP benefits and number of retailer locations. [Click here](#) for the full list of retailer types and FNS' definitions. Tables by OIG.

Per Federal regulations, FNS can withdraw a retailer's authorization if the retailer fails to meet SNAP requirements or has not paid any FNS assessed fines or claims for noncompliance.<sup>42</sup> According to regulations,<sup>43</sup> FNS has the authority to enforce administrative sanctions or to disqualify any authorized retailer that violates program requirements.<sup>44</sup> A retailer may be disqualified: for 6 months to 5 years for its first sanction and for 12 months to 10 years for its second sanction. FNS will permanently disqualify a retailer if the retailer or its personnel trafficks SNAP benefits, has two previous sanctions, or knowingly submits false information on an application.

Any disqualified retailer that wishes to be reinstated at the end of the disqualification period, or at a later time, must file a new application so that FNS may determine whether reauthorization is appropriate.<sup>45</sup> According to FNS policy, debarment can occur when OIG Investigations makes FNS aware of a felony conviction for SNAP violations and provides detailed information that the convicted person is a SNAP retailer.<sup>46, 47</sup>

<sup>41</sup> USDA FNS, *SNAP Retailer Management Year End Summary FY 2023* (Dec. 09, 2024), <https://www.fns.usda.gov/data-research/data-visualization/snap-retailer-management-dashboard> (last visited Jan. 16, 2025).

<sup>42</sup> 7 C.F.R. § 278.1(l).

<sup>43</sup> 7 C.F.R. § 278.6(a).

<sup>44</sup> 7 U.S.C. § 2021(h) provides that USDA can immediately suspend a retail food store or wholesale food concern in the event of flagrant violations of SNAP. This suspension may be taken before an administrative action to disqualify.

<sup>45</sup> 7 C.F.R. § 278.6(a).

<sup>46</sup> FNS, Policy Memorandum 2018-06; Rev. 1 (May 20, 2020).

<sup>47</sup> In accordance with 2 CFR § 180.865(a), the period of debarment is based on the seriousness of the cause(s) upon which the debarment is based. Generally, debarment should not exceed 3 years. However, if circumstances warrant, a longer period of debarment may be imposed. In addition, 2 CFR § 417.865(d) generally requires that a firm that is convicted of a felony for knowingly defrauding the United States in connection with any program administered by USDA be permanently debarred from participating in any USDA program.

## FNS Regional Office

FNS maintains seven regional offices. Each regional office is a liaison for the applicable State agencies to answer program questions and to elevate issues that require FNS national office approval.

FNS regional officials monitor and examine a State agency's efforts related to EBT to specifically:

- determine compliance with Federal regulations,
- ensure functionality of the EBT system, and
- review compliance with reporting requirements.<sup>48</sup>

FNS regional officials also perform a management evaluation of SNAP that includes:

- a determination of the State agency's compliance with FNS regulations,
- an assessment of the State agency's system for conducting reviews, and
- an assessment of the data collected by the State agency in conducting those reviews.<sup>49</sup>

The FNS management evaluation for SNAP includes interviews of State agency SNAP officials and reviews of SNAP case files.<sup>50</sup> FNS notifies the State agency of any findings, and the State agency must respond within 60 days with appropriate corrective actions and timelines. According to 7 C.F.R. § 275.17, the corrective action plan is open ended. States must provide semiannual updates until the identified deficiency is reduced substantially or eliminated.

## State Agency Monitoring

By law, each State agency is responsible for monitoring and improving its administration of SNAP.<sup>51</sup> To this end, it is the State agency that is responsible for conducting quality-control reviews and management evaluations of its SNAP operations.<sup>52</sup> The State agency performs quality-control reviews monthly on a sample of cases in which SNAP eligibility was determined.<sup>53</sup> It performs management evaluations annually.

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<sup>48</sup> FNS, *EBT Management Evaluation Guidance* (updated July 2018).

<sup>49</sup> 7 C.F.R. § 275.3(b).

<sup>50</sup> State agencies are required to maintain the case files (e.g., the application, the supporting files for benefit determinations, the telephone interviews with the participant, and so on) for each household that applies for SNAP benefits. (7 C.F.R. § 272.1(f)).

<sup>51</sup> 7 U.S.C. § 2020.

<sup>52</sup> FNS and State agencies perform separate management evaluations to ensure State compliance with program requirements.

<sup>53</sup> 7 C.F.R. § 275.21.

## FNS Reported Fraud Issues

FNS reported that using the EBT system has helped to reduce SNAP fraud by creating an electronic record of each food stamp transaction, making it easier to identify violations.<sup>54</sup> However, some people have found ways to circumvent EBT system controls. Consequently, FNS and several State agencies employ staff to identify and curb SNAP benefit trafficking and

### Card Skimming

Occurs when individuals place an illegal device on an automatic teller machine or a retailer's card-swiping machine to copy EBT card information.

electronic benefit theft. To assist FNS with its efforts, OIG and State law enforcement agencies are authorized to investigate allegations of retailer misconduct. Trafficking, card skimming, card cloning, and misuse of EBT equipment by retailers are some examples of SNAP EBT fraud.

## FNS' Efforts to Mitigate SNAP Fraud

From 2014 through 2017, FNS partnered with 10 State agencies to pilot new strategies and improve the use of analytics to proactively detect potential fraud, improve administration, and increase oversight of SNAP. FNS used the lessons learned and ideas tested to develop a grant program to improve State agencies' recipient fraud prevention, detection, and investigation efforts.<sup>55</sup>



Per Federal regulations, FNS also requires State agencies to establish SNAP fraud-detection units. These units are responsible for detecting, investigating, and assisting in the prosecution of SNAP fraud by household participants. The State agency can hire non-State employees to perform fraud-detection functions.<sup>56</sup>

## Cloning SNAP EBT Cards

Individuals can use the information skimmed from an EBT card to make fake EBT cards (called card cloning). Individuals then use the fake cards to purchase food and beverages from SNAP authorized retailers using stolen SNAP benefits.<sup>57</sup>

<sup>54</sup> USDA FNS, A Short History of SNAP (July 9, 2024), <https://www.fns.usda.gov/snap/short-history-snap> (last visited on Oct. 25, 2024).

<sup>55</sup> In FY 2024, FNS awarded 10 States (Florida, Illinois, Kentucky, Maine, Michigan, Minnesota, Mississippi, Montana, Texas, and West Virginia) grant funding to improve and expand recipient fraud prevention, detection, and investigation efforts.

<sup>56</sup> 7 C.F.R. § 272.4(g).

<sup>57</sup> According to the Federal Bureau of Investigation (FBI), "skimming occurs when devices illegally installed on or inside ATMs, POS terminals, or fuel pumps capture card data and record cardholders' PIN entries. Criminals use the data to create fake payment cards and then make unauthorized purchases or steal from victims' accounts." See Skimming — FBI, <https://www.fbi.gov/how-we-can-help-you/scams-and-safety/common-frauds-and-scams/skimming> (last visited May 16, 2024).

In October 2022, FNS issued a memorandum on SNAP card-skimming prevention tools and resources.<sup>58</sup> As a result, FNS has encouraged State agencies to prioritize adding card security options, such as blocking common PINs, freezing or locking cards, issuing SNAP transaction and PIN change alerts, and blocking specific SNAP transactions, to protect SNAP households from card-skimming schemes. In addition, State agencies have initiated outreach campaigns to educate SNAP households on EBT card safety and practices to protect their benefits. FNS continues to work with stakeholders, including States, EBT processors, and law enforcement agencies, to explore various strategies for addressing benefit theft.



## OIG Oversight

OIG oversight work focuses on promoting economy, efficiency, and integrity in USDA programs and operations. OIG annually reports on USDA's management challenges with SNAP administration and enforcement being a frequent topic of such reports. Through its audits, investigations, data analytics, and reviews, OIG recommends operational improvements and identifies fraud and other crimes. OIG works with FNS management to collect evidence that supports recommended program changes and ensures successful indictments and convictions. OIG and FNS also collaborate to identify new fraud schemes and to safeguard the administration and enforcement of SNAP.

## Management Challenges

Since the Reports Consolidation Act of 2000, OIG annually reports on the Department's progress in addressing its most critical management challenges.<sup>59</sup> OIG's goal is to develop a more forward-looking approach for identifying and reporting these challenges, one that will emphasize challenges on the horizon. SNAP has been listed as a management challenge for 4 of the 5 last years. In FYs 2020 and 2021, we identified challenges with SNAP's management controls and program oversight and accountability. For FYs 2023 and 2024, we identified challenges with FNS' administration and oversight when providing SNAP benefits. OIG used these management challenges to focus its oversight work.

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<sup>58</sup> USDA FNS, *Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) Electronic Benefit Transfer (EBT) Card Skimming Prevention – Tools and Resources* (Oct. 31, 2022).

<sup>59</sup> Pub. L. No. 106-531, 114 Stat. 2537.

## Audit Work

From 2015 through 2024, OIG performed 26 oversight reviews of SNAP to include inspections, audits, and attestation engagements.<sup>60</sup> These reviews resulted in reports that included a total of 80 findings, 157 recommendations, and more than \$211 million in questioned costs. Over that same time, OIG performed annual reviews of USDA's compliance with improper payment requirements. During compliance reviews, we found noncompliance issues related to SNAP in 4 of the 10 reviews. OIG's recommendations have improved FNS' and State agencies' management oversight and recovered millions in Federal funds. However, FNS' issuance of SNAP benefits through EBT systems is a complex, multilayered interaction, and OIG's oversight work will likely continue to identify issues and recommend program improvements.

## Investigative Work

OIG's investigative work also identified that USDA loses millions of dollars every year to fraud and crime associated with SNAP. From 2015 through 2024, OIG closed 1,181 cases resulting in 2,192 convictions, and 1,857 indictments, and monetary results of \$514.7 million in retailer fraud.

In 2018, amended in 2020, OIG and FNS signed a memorandum of understanding (MOU) in which the agencies agree to work together to identify situations that may warrant criminal investigations to safeguard the administration and enforcement of SNAP. Based on the MOU, FNS will communicate with OIG about cases (such as trafficking) that require an investigation when the average monthly redemptions reach a specific threshold amount. Once OIG completes its work, a legal action memorandum or a report of investigation is sent to FNS for any administrative action that may be applied.

The OIG [website](#) maintains a list of press releases issued by the U.S. Department of Justice related to OIG Investigative work. In FY 2024, OIG Investigations published eight press releases related to SNAP investigations and associated outcomes. Some examples of such press releases from FY 2024 include:

- Press Release, U.S. Attorney's Office, Southern District of Illinois, Swansea Man Sentenced to 5 Years' Imprisonment for Taking \$1.2 Million in SNAP Benefits (Mar. 1, 2024), <https://www.justice.gov/usao-sdil/pr/swansea-man-sentenced-5-years-imprisonment-taking-12-million-snap-benefits>.
- Press Release, U.S. Attorney's Office, Northern District of Georgia, Atlanta Meat Market Owner Sentenced to Federal Prison in \$10 Million Food Stamp Fraud Scheme (Mar. 19, 2024), <https://www.justice.gov/usao-ndga/pr/atlanta-meat-market-owner-sentenced-federal-prison-10-million-food-stamp-fraud-scheme>.

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<sup>60</sup> Audits are either a financial audit or performance audit conducted in accordance with generally accepted government auditing standards. Inspections are evaluations, inquiries, and similar types of reviews that do not constitute an audit, criminal investigation, or non-audit service and follow Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. An attestation engagement is an examination, review, or agreed upon procedures performed in accordance with generally accepted government auditing standards, and other standards.



- Press Release, U.S. Attorney's Office, Northern District of Texas, Liberian Man Sentenced to 20 Years For Stealing \$2.6M in SNAP Benefits From Needy (Mar. 20, 2024), <https://www.justice.gov/usao-ndtx/pr/liberian-man-sentenced-20-years-stealing-26m-snap-benefits-needy>.
- Press Release, U.S. Attorney's Office, Western District of Tennessee, Memphis Man Sentenced for SNAP Fraud and Identity Theft (July 22, 2024), <https://www.justice.gov/usao-wdtn/pr/memphis-man-sentenced-snap-fraud-and-identity-theft>.

### **New Scheme: Misuse of EBT Equipment by Authorized and Unauthorized Retailers**

OIG identified a systemic vulnerability that puts Federal funds intended for authorized SNAP households at risk for fraud.<sup>61</sup> Since 2021, OIG has seen a steady increase in the misuse of EBT system POS terminals and SNAP retailer authorization numbers. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] OIG Investigations averaged 51 indictments, and 60 convictions related to this scheme from FY 2015 through FY 2024. OIG is also conducting oversight reviews that may recommend program improvements to FNS that will help prevent fraudulent activity.

Overall, our work from 2015 through 2024 has determined that FNS needs to strengthen its oversight of State agencies' administration of SNAP. OIG acknowledges that SNAP administration is exceptionally complex since FNS must authorize and oversee hundreds of thousands of SNAP retailers in every State and territory. In addition, the statutes and regulations for delivering SNAP benefits to households are intricate. As millions of Americans rely on SNAP benefits for nutrition assistance, successful program performance is critical. It is important that FNS strengthen management controls to ensure effective and efficient delivery of services to SNAP households.<sup>62</sup>

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<sup>61</sup> USDA OIG Investigations issued a memorandum on May 28, 2021, to FNS entitled *OIG Fraud Alert FY2021-04: Third-Party Payment Processor Fraud* as a result of ongoing and completed investigations.

<sup>62</sup> USDA OIG, *USDA Top Management Challenges* (Sept. 2024).

## Conclusion

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In summary, we found that the SNAP benefits issued through the EBT system have evolved over nearly 40 years, from the first pilot programs to the system used today. Federal and State partners interact with private companies to provide the more than 22 million SNAP households with more than \$100 billion in SNAP benefits.<sup>63</sup> Federal funds flow from FNS through the Federal Reserve system to the SNAP retailers to reimburse them for the cost of food provided to SNAP households. The Federal and State levels have their own authorization and oversight requirements for SNAP retailers and program households, respectively. In this report, we have described multiple Federal- and State-level information systems that are used to approve retailers and households, to provide Federal reimbursements, and to perform oversight functions. These systems' purpose is to ensure SNAP benefits are only provided to eligible households and used by them only to purchase eligible food at authorized retailer locations.

We also found that the oversight of SNAP using an EBT system presents unique management challenges. FNS and OIG have identified ways in which individuals circumvent EBT system controls to traffic SNAP benefits and to steal such benefits from eligible households. Consequently, FNS and several State agencies maintain staff to identify and curb SNAP benefit trafficking. In addition, OIG Investigations and State law enforcement agencies are authorized to investigate allegations of retailer misconduct. Trafficking, card skimming, card cloning, and misuse of EBT equipment by retailers are some of the major examples of SNAP and EBT fraud. Overall, OIG's work has resulted in numerous reports with recommendations and convictions of those who commit SNAP fraud. OIG's results helped to improve FNS' program administration and to maintain the integrity of more than \$725 million in Federal funds from 2015 through 2024.

Providing SNAP benefits using an EBT system was a pivotal change necessary to strengthen benefit distribution and has led to many efficiencies in program delivery. However, this change has also given rise to new vulnerabilities posed by the use of technology. As SNAP evolves and new processes and technology applications emerge, continued oversight will be necessary to ensure effective delivery of its mission.

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<sup>63</sup> Dollar amount represents SNAP benefits issued during FY 2023.

## Scope and Methodology

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The scope of our work covered FY 2023, but we included other years to meet our objective. We conducted our fieldwork from October 2023 through December 2024 with FNS national officials.

To accomplish our objective, we:

- Identified and gained an understanding of SNAP benefits and the disbursement of those benefits through the EBT system;
- Interviewed FNS national officials to obtain data, which included public information and documentation related to SNAP, as well as the history of SNAP and EBT operations and oversight;
- Reviewed laws, regulations, policies and memorandums, and other documents related to the inception, administration, implementation, oversight, and monitoring of SNAP and the EBT system; and
- Collected, consolidated, and calculated OIG oversight data from FY 2015 through FY 2024.

This report does not contain any findings, conclusions, or recommendations. We provided a draft of this report to FNS management in February 2025 and incorporated their comments, as appropriate.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we obtain sufficient and appropriate evidence to meet our inspection objective, support our findings, and provide a reasonable basis for our conclusions. We believe that the evidence obtained is sufficient and appropriate to support the information in this report.

## Abbreviations

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ALERT .....	Antifraud Locator using EBT Retailer Transactions
AMA .....	Account Management Agent
ASAP .....	Automated Standard Application for Payment
C.F.R. ....	Code of Federal Regulations
EBT .....	electronic benefits transfer
eDRS .....	Electronic Disqualified Recipient System
FBI .....	Federal Bureau of Investigation
FMML .....	Financial Management Modernization Initiative
FNS .....	Food and Nutrition Service
FY .....	fiscal year
IT .....	information technology
MOU .....	memorandum of understanding
NAC .....	National Accuracy Clearinghouse
OIG .....	Office of Inspector General
PIN .....	personal identification number
POS .....	point-of-sale
SNAP .....	Supplemental Nutrition Assistance Program
STARS .....	Store Tracking and Redemption System
TPP .....	Third-Party Processor
USDA .....	U.S. Department of Agriculture

## Exhibit A: Laws and Regulations

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Exhibit A lists the key laws and regulations for SNAP and the EBT system and references the FNS website for the history of SNAP Public Laws.<sup>64</sup>

### Laws (as mentioned in Section 1)

The Food Stamp Act of 1964 (Pub. L. No. 88-525), which is now called the Food and Nutrition Act of 2008  
The Hunger Prevention Act of 1988 (Pub. L. No. 100-435)  
The Personal Responsibility and Work Opportunity Reconciliation Act of Aug. 22, 1996 (Pub. L. No. 104-193),  
The Food, Conservation, and Energy Act of 2008 (Pub. L. No. 110-234)  
Consolidated Appropriations Act, 2023 (Pub. L. No. 117-328)  
The Agricultural Act of 2014 (Pub. L. No. 113-79)  
7 U.S.C. §§ 2011-2036d

### Regulations

Title 7, Subtitle B, Chapter II, Subchapter C:

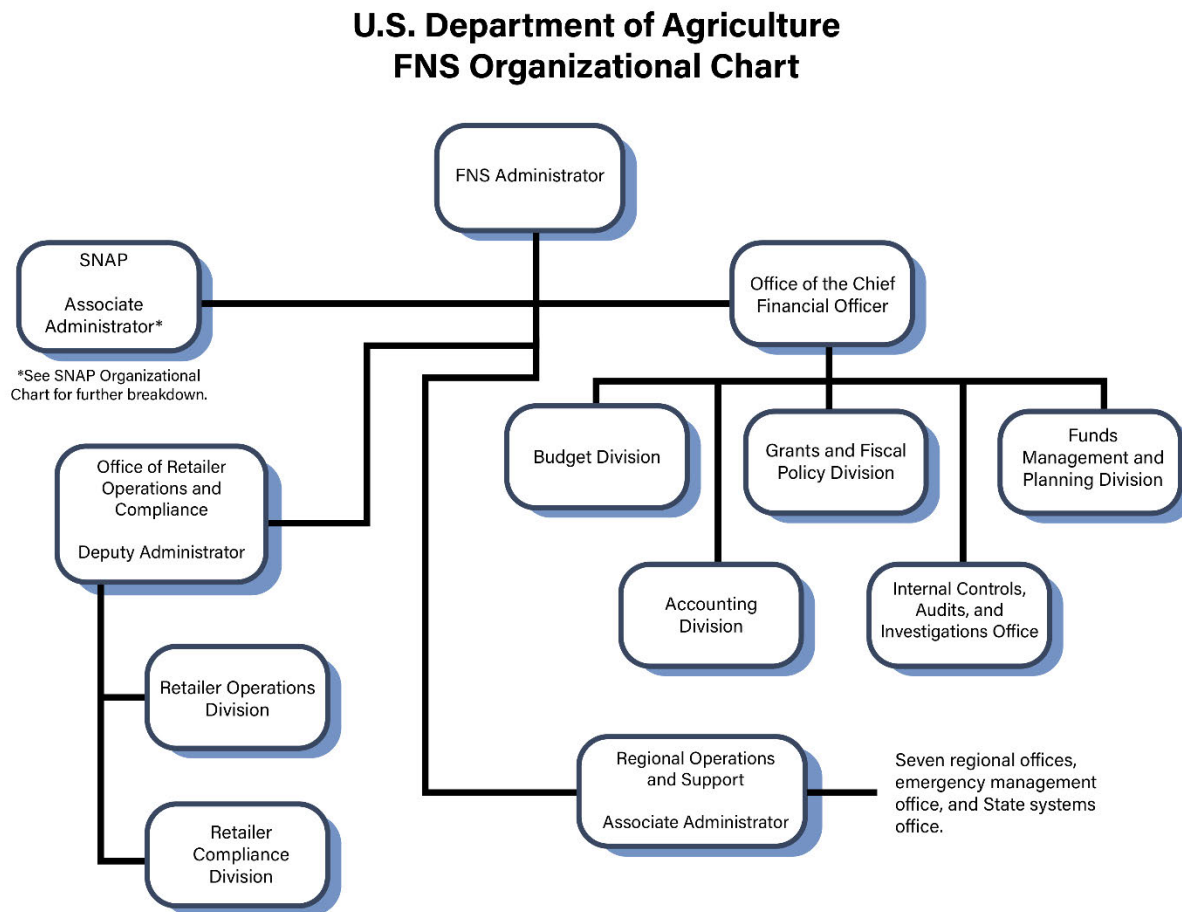
Part 271 General Information and Definitions  
Part 272 Requirements for Participating State Agencies  
Part 273 Certification of Eligible Households  
Part 274 Issuance and Use of Program Benefits  
Part 275 Performance Reporting System  
Part 276 State Agency Liabilities and Federal Sanctions  
Part 277 Payments of Certain Administrative Costs of State Agencies  
Part 278 Participation of Retail Food Stores, Wholesale Food Concerns and Insured Financial Institutions  
Part 279 Administrative and Judicial Review—Food Retailers and Food Wholesalers  
    Subpart A Administrative Review  
    Subpart B Judicial Review  
Part 280 Emergency Food Assistance for Victims of Disasters  
Part 281 Administration of SNAP on Indian Reservations  
Part 282 Demonstration, Research, and Evaluation Projects  
Part 283 Appeals of Quality Control (“QC”) Claims  
Part 284 Miscellaneous  
Part 285 Provision of a Nutrition Assistance Grant for the Commonwealth of Puerto Rico  
Part 292 Summer Electronic Benefits Transfer Program

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<sup>64</sup> For a full listing of public laws, see the FNS website: *A Short History of SNAP*, at <https://www.fns.usda.gov/snap/short-history-snap> (last visited Oct. 25, 2024).

## Exhibit B: FNS Organizational Chart for SNAP

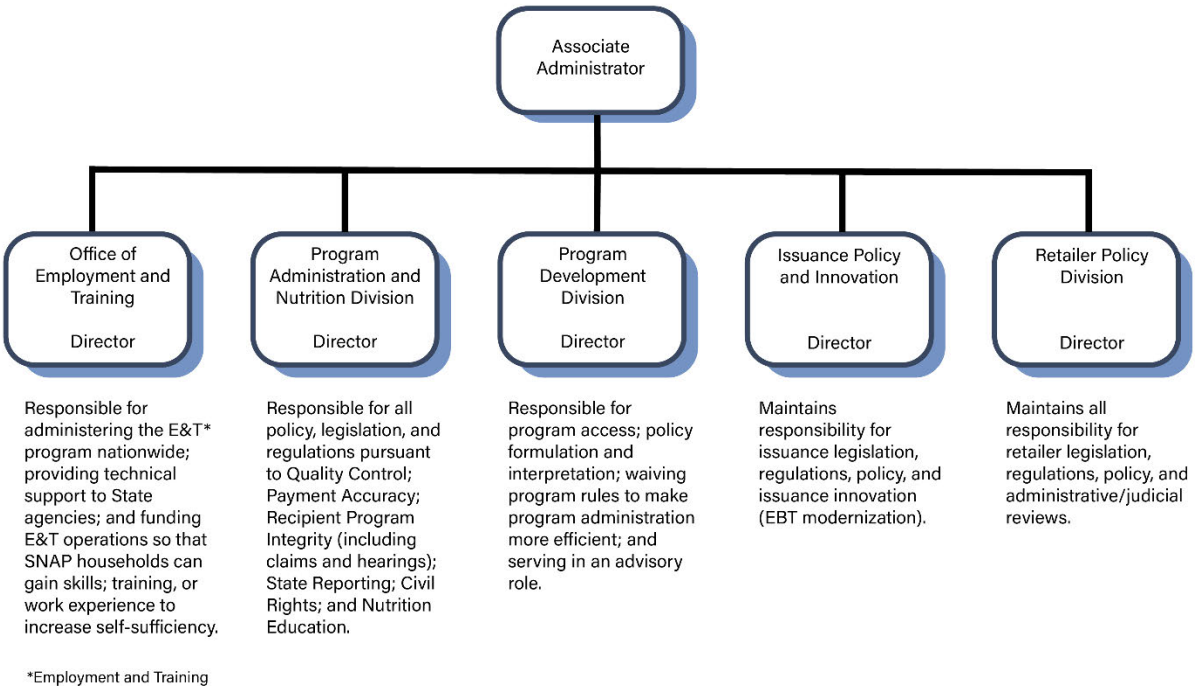
Exhibit B lists the FNS divisions and offices responsible for administering and overseeing the SNAP EBT process.



**Figure 16: This image depicts a portion of FNS’ organization that includes those responsible for SNAP financial management, administration, retailer operations, and regional administration. Source: FNS data provided on March 22, 2024, as edited by OIG.**



SNAP Organizational Chart



**Figure 17:** This image depicts FNS’ organization for SNAP administration that includes the Office of Employment and Training, Program Administration and Nutrition, Program Development, Issuance Policy and Innovation, and Retailer Policy. Source: FNS data provided on March 22, 2024, as edited by OIG.

## Exhibit C: Retailer Types and Definitions

Exhibit C lists the definition for SNAP retailer store types mentioned in Section 3.<sup>65</sup>

Store Type	Definition
Convenience Store	Self-service stores that offer a limited line of convenience items and are typically open long hours to provide easy access for customers.
Combination Grocery/Other	Sale of general merchandise but also sell a variety of food products.
Direct Marketing Farmer	Individual producers of agricultural products sold to the general public through a direct marketing venue.
Delivery Route	Store does not have a permanent store location.
Farmers' Market	A single or multi-stall market that sells agricultural products, particularly fresh fruit and vegetables, to the general public at a single or multiple locations.
Internet Retailer	A store that accepts SNAP benefits on their website.
Large Grocery Store	A store that carries a wide selection of all four staple food categories.
Medium Grocery Store	A store that carries a moderate selection of all four staple food categories.
Military Commissary	Designation applies to all retail food entities, located on military installations that sell food and non-food products
Non-Profit Food Buying Cooperative	Any store that operates as a "cooperative."
Small Grocery Store	A store that carries a small selection of all four staple food categories.
Specialty Food Store - Bakery/Bread	Food stores specializing in the sale of bread/cereal products.
Specialty Food Store - Fruits/Vegetables	Food stores specializing in the sale of fruits and/or vegetables that operates in a fixed or semi-permanent location.
Specialty Food Store – Meat/Poultry Products	Food stores specializing in the sale of meat products.
Specialty Food Store - Seafood Products	Food stores specializing in the sale of seafood products.
Supermarket	Establishments commonly known as supermarkets, food stores, grocery stores and food warehouses primarily engaged in the retail sale of an extensive variety of grocery and other store merchandise.
Super Store/Chain Store	Very large supermarkets, "big box" stores, super stores and food warehouses primarily engaged in the retail sale of a wide variety of grocery and other store merchandise.

<sup>65</sup> USDA FNS, *SNAP Store Type Definitions* (Nov. 14, 2023), <https://www.fns.usda.gov/snap/store-definitions> (last visited Jan. 5, 2024).

In addition to meeting the eligibility requirements, retailers must meet one of the two following criteria:<sup>66</sup>

1. Criterion A—staple food inventory or
2. Criterion B—staple food sales.

1. Criterion A—Staple Food Inventory in Each Category

Retailers authorized under this criterion maintain the proper level of staple foods. Staple foods are basic foods that make up a large part of a person's diet. They are usually cooked at home and eaten as a meal. Staple foods do NOT include prepared or heated foods or accessory foods. The four staple food categories are:



**Figure 18: This image illustrates the required four staple food categories: vegetables or fruits; dairy products; meat, poultry, or fish; and breads or cereals that SNAP retailers are required to provide. Figure by FNS.**

Retailers must have a minimum of 36 staple food items that meet the following conditions: three varieties in each of the four staple food categories, three stocking units for each of the three varieties, and one perishable variety in two of the four staple food categories.<sup>67</sup>

2. Criterion B—Staple Food Sales

To meet this criterion, a retailer's sales of staple foods must be greater than 50 percent of the retailer's total gross retail sales. As such, specialty stores, such as butcher shops or fruit-and-vegetable stands, which do not meet Criterion A often qualify under this criterion.

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<sup>66</sup> USDA FNS, *Retailer Eligibility-Clarification of Criterion A and Criterion B Requirements*, Policy Memorandum 2020-04 (July 2020).

<sup>67</sup> USDA FNS, *Retailer Eligibility-Clarification of Criterion A and Criterion B Requirements*, Policy Memorandum 2020-04 (July 2020).

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