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Description of document: Statement of Work provided to Department of Agriculture Food and Nutrition Service (FNS) by Insight Policy Research Inc., Arlington VA, under contract AG3198C130010, study of improper trafficking of Supplemental Nutrition Assistance Program (SNAP) benefits for anything other than food sold by authorized SNAP retailers, 2013(?)

Request date: 30-November-2014

Released date: 28-September-2015

Posted date: 24-August-2015

Source of document: Agency FOIA Officer  
Food and Nutrition Service  
3101 Park Center Drive  
Alexandria, VA 22302  
Room 302  
Fax: 703-605-0793  
Email: [foia@fns.usda.gov](mailto:foia@fns.usda.gov)

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United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

3101 Park  
Center Drive

Alexandria, VA  
22302-1500

September 28, 2015

***RE: Your Freedom of Information Act (FOIA) request, 2015-FNS-00877-F***

This letter responds to your Freedom of Information Act (FOIA) request, tracking number **2015-FNS-00877-F**, dated **November 30, 2014**, which was received at FNS on **December 01, 2014**. You requested the following information:

***“Copy of the Statement of Work, the reports produced and the presentations provided to the USDA FNS by Insight Policy Research Inc., Arlington VA, under contract AG3198C130010”***

A search for responsive records was performed by the Contracts Management Division and the Office of Policy Support. A total of 131 pages were found responsive to your request. It is the decision of this office to withhold information pursuant to 5 U.S.C. 552 (b)(4) and (b)(7)(E) of the FOIA. Exemption 4 applies to information such as trade secrets and commercial or financial information obtained from a person on a privileged or confidential basis. It is intended to protect both the interests of the businesses that submit proprietary information to the Government and the interests of the Government in receiving continued access to such information. The information that was denied contains such information.

In addition, the records responsive to your FOIA request are compiled and used as part of FNS's law enforcement efforts to fight Supplemental Nutrition Assistance Program fraud pursuant to 7 U.S.C. 2021. It is the decision of this office to withhold these documents in full in accordance with 5 U.S.C. 552 (b)(7)(E). Exemption 7(E) protects information that would disclose techniques and procedures for law enforcement investigations or prosecutions and could reasonably be expected to risk circumvention of the law. Release of this information would reveal possible techniques and methods for determining SNAP fraud. We are responding to your request as follows:

- (1) The Statement of Work. *(7 pages released in full)*
- (2) The reports produced. *(78 pages withheld in full pursuant to 5 U.S.C. 552 (b)(4) and (b)(7)(E) of the FOIA)*

(3) The presentations provided. *(46 pages withheld in full pursuant to 5 U.S.C. 552 (b)(4) and (b)(7)(E) of the FOIA)*

If you are dissatisfied with our response to your FOIA request, you may appeal by writing to the Administrator, Food and Nutrition Service at 3101 Park Center Drive, Alexandria, VA 22302 or by email to [FOIA@fns.usda.gov](mailto:FOIA@fns.usda.gov) within 45 calendar days from the date of this letter. The phrase "FOIA APPEAL" should be placed in capital letters on the front of the envelope or in the subject of the email containing the appeal.

Sincerely,

Sincerely,

  
Jennifer Weatherly  
FNS FOIA Officer

*Enclosure*

### 3. PERFORMANCE WORK STATEMENT

#### BACKGROUND

The sale or exchange of Supplemental Nutrition Assistance Program (SNAP) benefits for anything other than food sold by an authorized SNAP retailer is illegal. When benefits are trafficked, both program intent and law are violated and the public's perception of the program's integrity is undermined. *Trafficking* is defined as<sup>1</sup>:

- (1) The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits issued and accessed via Electronic Benefit Transfer (EBT) cards, card numbers and personal identification numbers (PINs), or by manual voucher and signature, for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone;
- (2) The exchange of firearms, ammunition, explosives, or controlled substances, as defined in section 802 of title 21, United States Code, for SNAP benefits;
- (3) Purchasing a product with SNAP benefits that has a container requiring a return deposit with the intent of obtaining cash by discarding the product and returning the container for the deposit amount, intentionally discarding the product, and intentionally returning the container for the deposit amount;
- (4) Purchasing a product with SNAP benefits with the intent of obtaining cash or consideration other than eligible food by reselling the product, and subsequently intentionally reselling the product purchased with SNAP benefits in exchange for cash or consideration other than eligible food; or
- (5) Intentionally purchasing products originally purchased with SNAP benefits in exchange for cash or consideration other than eligible food.

USDA's Food and Nutrition Service (FNS) is responsible for authorizing retailers and meal service programs to participate in SNAP, and only authorized food retailers and meal service programs can redeem SNAP benefits for cash from the Federal Government. FNS does not tolerate trafficking and is actively strengthening its approach to deter trafficking. The Agency uses a variety of resources from state-of-the-art technology to undercover investigations to reduce and prevent trafficking of SNAP benefits<sup>2 3</sup>.

Beginning in 1993, FNS has periodically produced estimates of the extent of benefit trafficking and estimates for 2009-2011 will be released later this year. These estimates are

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<sup>1</sup> The definition of trafficking was expanded in March 2013 <http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=2467f7a2980fe78d032514e3883b6b&rgn=div8&view=text&node=7:4.1.1.3.19.0.1.2&idno=7>

<sup>2</sup> Fact Sheet: USDA Takes Aggressive Action to Fight Trafficking  
[http://www.fns.usda.gov/cga/FactSheets/SNAP\\_Trafficking.pdf](http://www.fns.usda.gov/cga/FactSheets/SNAP_Trafficking.pdf)

<sup>3</sup> [http://www.fns.usda.gov/snap/fraud\\_2.htm](http://www.fns.usda.gov/snap/fraud_2.htm)

based on the trafficking definitions (1) and (2) i.e. the buying or selling of benefits for cash or consideration other than eligible food.

FNS estimates show that trafficking of SNAP benefits has declined substantially from about 4 cents on the dollar in 1993 to 1 cent on the dollar in 2006-2008, the period for the last set of published estimates. While the statistical procedures for generating the estimates have remained the same, the data sources have expanded over time leading to the development of the comprehensive “current” estimate which has been produced since 2002-2005.

The nationwide implementation of SNAP EBT systems in the late 1990’s and early 2000’s has allowed for the automation of retailer redemption analysis, augmenting FNS’s Retailer Investigation Branch (RIB) efforts. With the Anti-fraud Locator using EBT Retailer Transactions (ALERT) system, FNS now has the capability to scan millions of EBT redemptions for anomalous transaction patterns. ALERT has proven to be highly successful at identifying suspicious retailer behaviors, resulting in the levy of fines, temporary suspensions from the program, and permanent disqualifications.

The data sources used for generating the “current” estimate include investigations and outcomes based on the in-store investigations by RIB, SNAP EBT data analysis, other agency investigations (e.g., investigations conducted by State law enforcement agencies), and the FNS “Watch List.” FNS’ “Watch List” expands the definition of suspicious retailers to include all stores with suspicious transaction patterns. It also includes stores with cases opened for reasons beyond RIB investigations and EBT data analysis.

Even with the inclusion of Watch List retailers, the use of retailer investigations as the basis for trafficking estimates introduces an unmistakable upward bias. In an attempt to address this, investigation results have been routinely weight-adjusted by population group marginal’s with an iterative, post-stratification algorithm using a process that is referred to as data raking<sup>4</sup>. The post-stratification methodology used for producing the trafficking estimate is described in the report on the extent of trafficking in 2006-2008<sup>5</sup>. While data raking is a practical and reasonable approach, the results it produces could be dependent on the choice, number, and variable values of the raking dimensions. The study that is producing trafficking estimates for 2009-2011 is also examining the estimation methodology to see if another statistical approach may provide better estimates.

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<sup>4</sup> Cf. Longford, Nicholas T. **Missing Data and Small-Area Estimation: Modern Analytical Equipment for the Survey Statistician** (New York: Springer Science Business Media, Inc., 2005, pp. 44-47). See also: Deville, Sarndal, and Sautory. Generalized Raking Procedures in Survey Sampling. *Journal of the American Statistical Association*, vol. 88, 1993, pp. 1013 – 1020.

<sup>5</sup> <http://www.fns.usda.gov/ORA/menu/Published/SNAP/FILES/ProgramIntegrity/Trafficking2006.pdf>

The sampling methodology used for developing the periodic trafficking estimates has been questioned by some, including USDA's Office of the Inspector General<sup>6</sup> since the sample is a purposive and not a probability sample. The primary purpose of this study is to determine the feasibility of using a national probability sample of SNAP authorized retailers to calculate trafficking estimates for the percentage of redemptions trafficked and the percentage of retailers trafficking.

### **3.2 STUDY OVERVIEW**

The purpose of this project is to explore the feasibility of using a nationwide random sample of retailers to develop the trafficking rate. The present estimation methodology is based on investigations and monitoring of a sample of stores most likely to traffic, adjusted to reflect the full population of redemptions at authorized stores. While this methodology makes maximum use of all available data and resources and offers a conservative and practical approach, it has known limitations. This study will determine and document the feasibility of using a random sample of SNAP retailers for calculating a national trafficking rate.

### **3.3 STUDY OBJECTIVES**

The objectives for the proposed study are:

- (1) To determine the feasibility of producing national trafficking estimates for SNAP retailers based on drawing a nationally representative sample of retailers. The estimate should include the following indicators:
  - Total estimated value of SNAP redemptions that were trafficked
  - Trafficking rate, or the estimated proportion of SNAP redemptions that were trafficked;
  - Total number of stores estimated to be trafficking; and
  - Store violation rate, or the estimated proportion of authorized stores that engage in trafficking.
- (2) To determine the feasibility of using a nationally representative sample of SNAP authorized retailers for producing retailer trafficking estimates by store type (supermarket, convenience store, etc). Previous studies have also produced trafficking estimates by store ownership type (public or private) and location type (urban/ rural and by poverty level of neighborhood). While store ownership type and location type are of interest, FNS is specifically interested in estimates by store types. Store type is an important determinant and the rate of trafficking is higher in smaller stores.<sup>7</sup>

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<sup>6</sup><http://www.usda.gov/oig/webdocs/27002-0011-13.pdf>

<sup>7</sup> <http://www.fns.usda.gov/ORA/menu/Published/SNAP/FILES/ProgramIntegrity/Trafficking2006.pdf>

### **3.4 SCOPE OF WORK**

To address the study objectives in C.3, the contractor shall review the data sources (investigation results, ALERT data, other compliance case results, and the Watch List) used to produce the “current” estimate and determine the feasibility of developing annual estimates of SNAP retailer trafficking based on drawing a nationally representative sample of retailers. This feasibility assessment shall determine the sample size required for a probability sample for producing a national trafficking rate, the sampling approach, and expected precision. This feasibility assessment shall also address the data collection approach and cost for determining which stores are trafficking within this nationally representative sample of stores. The contractor shall also determine the feasibility of producing annual estimates based on the estimated cost and investigative resources required for implementing a national probability sampling approach and the methodology for identifying trafficking stores within this sample.

### **3.5 PERFORMANCE WORK STATEMENT (Tasks and Deliverables)**

**3.5.1 (SUBTASK 1): Produce Revised Work Plan:** The contractor shall review their proposed Work Plan with the FNS project officer and FNS staff at FNS Headquarters, Alexandria VA within 2 weeks of award. Based on this review the contractor shall submit a revised work plan within 5 weeks of contract award. Revisions to the work plan shall not change the scope of the contract. A final Revised Work Plan incorporating FNS comments shall be delivered within 9 weeks of the contract award in MS Word and PDF formats.

**3.5.2 (SUBTASK 2): Conduct Feasibility Assessment:** The contractor shall review the methodology and all available data sources used to produce the “current” estimates and determine the feasibility of using a national random sample to produce the estimates as described under the study objectives (see Section C.3). The approach used for conducting the feasibility assessment including consultation with technical experts shall be clearly described in the memorandum. This feasibility assessment shall determine the sample size required for a probability sample for producing a national trafficking rate, the sampling approach, and expected precision. This feasibility assessment shall also address the approach and cost for determining stores that are trafficking within this nationally representative sample of stores. The draft memorandum is due within 18 weeks of award and the final memorandum which incorporates FNS’s feedback is due within 22 weeks of award.

**3.5.3 (SUBTASK 3): Prepare Final Report and Conduct Briefing:** The contractor shall prepare a report based on the feasibility assessment conducted in Subtask #2. This report shall include an executive summary of no more than 10 pages that includes a concise description of the approach used for conducting the assessment and the key findings. The executive summary shall also address the investment (time, cost, resources) required and the expected precision of the traffic estimate based on drawing a national probability sample as compared

to the “current” estimates which uses a targeted purposive sample of stores with suspicious transaction activity. The final report shall include a background description of the project, a description of the methodology including the assumptions underlying the development of the sampling frame and approach for conducting the feasibility assessment, the results of the assessment and all relevant limitations and qualifications. The discussion shall also compare the advantages and disadvantages of using a random sample to the sampling methodology used to produce the “current” trafficking estimate ([www.fns.usda.gov/ORA/menu/Published/SNAP/FILES/ProgramIntegrity/Trafficking2006.pdf](http://www.fns.usda.gov/ORA/menu/Published/SNAP/FILES/ProgramIntegrity/Trafficking2006.pdf)).

The final report shall include technical appendices with details on methodology and supporting analyses.

The contractor shall submit an electronic copy (in MS Word) of the first draft to FNS for review and comment within 26 weeks of award. The contractor shall incorporate FNS feedback and submit a revised draft within 30 weeks of award. The contractor shall incorporate FNS’ feedback on the revised draft as well as feedback and comments provided at the FNS briefing in the final report. The contractor shall submit electronic files in both MSWord and PDF formats and five hard copies of the final report 35 weeks from award.

The contractor shall submit a draft PowerPoint presentation to the FNS project officer for review within 30 weeks of the award. Within 31 weeks of award, the contractor shall brief FNS management and staff on the results of the feasibility assessment at FNS Headquarters in Alexandria, Virginia and a copy of the final PowerPoint presentation shall be submitted to the FNS project officer electronically and 25 hard copies shall be distributed at the briefing.

### 3.6 PERFORMANCE REQUIREMENTS SUMMARY

SUBTASK: PERFORMANCE OBJECTIVE	STANDARDS	METRIC S
1: Produce Revised Work Plan	Work Plan clearly describes how the study objectives will be met; The Work Plan demonstrates the technical expertise needed to address the study objectives; data sources are described; the assumptions underlying the development of a sampling frame for nationally representative sample of retailers are detailed; the process for consulting with stakeholders and technical experts is described; all issues raised by FNS are addressed in the revised Work Plan.	- Compliance With Schedule of Deliverables -COR



		review for technical acceptance
2: Conduct Feasibility Assessment	The process used for determining the feasibility of using a national random sample of retailers for producing a national trafficking rate is clearly documented; Relevant data sources have been reviewed; need for new data or resource investments as well as frequency with which estimates could be produced has been addressed; Memo describing the process used and the result of the feasibility assessment is submitted electronically to FNS.	- Compliance With Schedule of Deliverables -COR review for technical acceptance
3: Prepare Final Report and Conduct Briefing	Written documents are clear, comprehensible, well-organized, and error-free. Report integrates the findings from the feasibility assessment to comprehensively address the study objectives. The cost, time and data requirements and expected precision of the estimate produced by using a random sample are contrasted with those of the present methodology of using a purposive sample of suspicious retailers for producing trafficking estimates. The methodology for identifying which of the sampled stores is trafficking and the cost including investigative resources required for identifying trafficking stores is described. Briefing slides provide relevant details and take away messages for program staff and managers. Slides are professionally designed, contain an appropriate amount of information, and can be viewed clearly by the audience. Presentation is effective and delivered within the allotted time and allows for discussion with the audience.	- Compliance With Schedule of Deliverables - COR review for technical acceptance
Prepare Monthly Progress Reports	Timely delivery of progress reports that meet all requirements set forth in the contract. The report shall:	COR and CO review

	-discuss activities performed during the reporting period by subtask; describe planned activities for the next reporting period; discuss problems or issues encountered during the reporting period and steps taken to resolve them.	