

WHAT IS FRAUD COSTING SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) AGENCIES?

DISCOVER THE ANSWER IN THE LEXISNEXIS® RISK SOLUTIONS
TRUE COST OF FRAUD™ STUDY **EBOOK**



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Do you really know the financial impact of fraud on your agency? How much is fraud affecting not only your agency, but the people who rely on your critical services?

LexisNexis® Risk Solutions conducted a research study to dig into just that.

The LexisNexis Risk Solutions True Cost of Fraud™ study for Supplemental Nutrition Assistance Program (SNAP) agencies serves as a model framework by informing the level and impact of fraud on SNAP agencies, including the challenges, volume, and cost, as well as the resources that agencies utilize to detect and prevent fraud.

In this eBook, you'll learn key findings from our study showing what the real cost of fraud is to your SNAP agency. You'll also gain insights into solutions — the opportunities that exist to integrate fraud solutions with operations...seamlessly.



LexisNexis® Risk Solutions partnered with a third party leading global market research firm, to collect the survey responses for this research study.



Data was collected online and by phone in August 2022 with a total of **74 completions** in the United States.



Respondents included mostly senior executives responsible for fraud mitigation and decisions with SNAP.

States represented a cross section of the United States: Alaska, Arizona, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Montana, Pennsylvania, South Carolina, Texas, Utah, Vermont, Virgin Islands, Washington, DC.

LexisNexis® Risk Solutions was **not** identified as the sponsor of the research to reduce potential for brand bias.





Every \$1 value of lost benefits through fraud actually costs SNAP agencies \$3.72 based on additional costs related to labor and administrative activities. The cost of fraud is higher for agencies that have more mobile channel applications.



Agencies that have an above average level of applications through the mobile channel have a higher cost of fraud (\$4.40), with nearly half of costs related to internal labor.



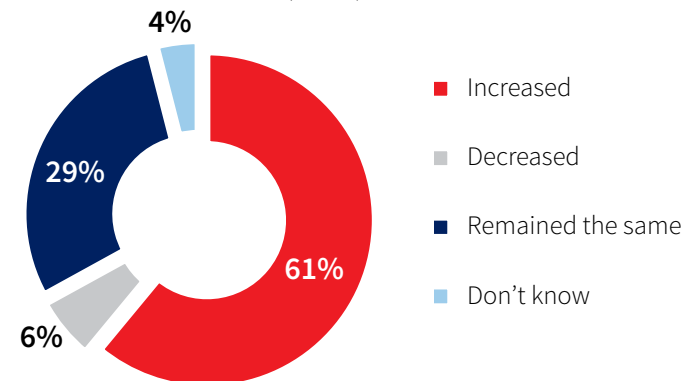
Mobile apps account for the majority of submissions and fraud through this channel, with 61% of agencies that allow these types of transactions saying that fraud has increased through them during the past 12 months.



In-person is also the single largest channel used for Electronic Benefits Transfer (EBT) transactions, though online and mobile use contributes to EBT card fraud just as much as in-person use.

Change in Mobile Apps Fraud in Past 12 Months

(N = 69)*





Inadvertent household errors (IHEs) and suspicious cases not worked because of limited resources represent the majority of SNAP fraud. Malicious bots and the mobile channel are influencing this.



Identity-related fraud accounts for over half of SNAP fraud losses.

Automated malicious bot attacks have increased.



The rise of malicious bot attacks is a driver of identity verification challenges for roughly half when assessing the risk of online and mobile channel applications. Directionally, those with an above average volume of applications through the mobile channel are even more likely to indicate an increase in bot attacks from last year.

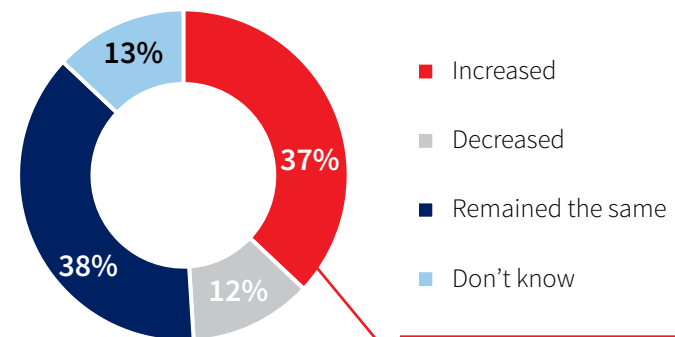


Mobile channel access - SNAP agencies that have a higher, above average volume of applications submitted through the mobile channel are dealing with more fraud attacks per month, including those that are unworked due to limited resources.

Automated Bot Attacks — Trends

(N = 52)

Compared to last year, bot attacks have...



***Above average volume of mobile applications
(45% say increased Bots)***



Verifying household composition, identifying malicious bots, address verification, and identity verification are among a number of challenges SNAP agencies have with online and mobile channel applications.



There are many similar fraud detection challenges between online and mobile channel applications, including identifying malicious bot attacks – and verifying applicants' identity is directionally more challenging with mobile channel applications.



Those experiencing increased bot attacks are more likely to rank verification of household composition as an online and mobile channel challenge



Confirming location of applicant, the rise of synthetic identities, malicious bot attacks and the need for real-time data are challenges with identity verification.





There is limited use of best-practice fraud mitigation methods involving a multi-layered solution approach and the integration of fraud solutions with cybersecurity and digital customer experience operations.



Many agencies are still in the process of implementing the SNAP Fraud Framework, though agencies are moving towards this. Half of participating agencies have integrated their cybersecurity operations with their fraud prevention efforts.



Fewer have fully integrated their digital/customer experience with fraud prevention efforts as a majority are less than extremely focused on minimizing friction. Those that are extremely focused on minimizing customer friction are more likely to have implemented these best practice approaches



The amount of budget dedicated to the detection and mitigation of fraud is 2% on average, with nearly half of participating agencies expecting this to increase next year by an average of 6%. And, overall, there is limited use of digital identity solutions that specifically support fraud detection in the online and mobile channels.





Fraud has become more complex; various risks can occur at the same time with no single solution. Fraud tools need to authenticate both digital and physical criteria, as well as uncover both identity and transaction risk.

What Needs to be Done



ASSESSING THE TRANSACTION RISK

- Velocity checks/transaction scoring
- Real-time transaction scoring
- Automated transaction scoring



AUTHENTICATING THE PHYSICAL PERSON

Basic verification:

- Check verification services
- Payment instrument authentication
- Name/address/DOB verification

Active ID authentication:

- Authentication by challenge or quiz
- Authentication using OTP/ 2 factor



AUTHENTICATING THE DIGITAL PERSON

Digital identity/behavioral biometrics:

- Authentication by biometrics
- Email/phone risk assessment
- Browser/malware tracking
- Device ID / fingerprinting

Device assessment:

- Device ID/ fingerprint
- Geolocation

How to Do It

Opportunities exist to better detect and outsmart fraud risk through technology, data and analytics with digital identity at the core.

Basic verification:

- Check verification services
- Payment instrument authentication
- Name/address/DOB verification
- Active ID authentication: authentication by challenge or quiz; authentication using OTP/2-factor

Velocity checks/transaction scoring:

- Real-time transaction scoring
- Automated transaction scoring

Get the support you need today.

If you're going to prevent fraud, stop improper payments, strengthen the integrity of your programs and maintain public trust, you must defend against identity-based threats. That defense requires a complete, accurate picture of identity information – one that encompasses data sharing, analytics and visualization.

What makes our fraud and identity solutions so effective is the clarity they bring to assessing the level of risk associated with each identity.

The information provided is comprehensive, easy to understand, and fully actionable—with investigative intelligence strengthening both front-end and back-end identity authentication and verification. It's far better to identify and stop fraudsters from entering your ecosystem than to try and re-mediate impact after the fact.

Get proven, award-winning solutions that can help you prevent fraud, provide a secure and seamless constituent experience while saving significant tax dollars annually.

Contact a **LexisNexis Risk Solutions consultant** for assistance in analyzing and isolating your agency's risks and stopping fraud before it starts.



Change the conversation on fraud. Find out how LexisNexis® Risk Solutions can help. Scan QR code or call **1.888.216.3544**





About LexisNexis Risk Solutions

LexisNexis® Risk Solutions (lexisnexis.com/risk) is a leader in providing essential information that helps customers across all industries and government predict, assess and manage risk. Combining cutting-edge technology, unique data and advanced scoring analytics, we provide products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy.

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