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ARTICLE

The Hidden Cost of Fraud in Social Service Programs

When you hear the term "fraud," you might instinctively think of financial losses. But in the world of Supplemental Nutrition Assistance Programs (SNAP) and other social service programs, the cost of fraud doesn't just hit the bottom line—it ripples out to affect entire communities, government infrastructure, and the vulnerable individuals these programs are designed to support.

A newly released **2024 LexisNexis® Risk Solutions True Cost of Fraud™ (TCOF)** study reveals a sobering statistic for SNAP agencies: for every $1 of value lost to fraud, the actual cost to agencies is $3.93.[1] This staggering multiplier reflects the labor, resources, and administrative strain required to identify, rectify, and mitigate fraud across programs. However, the challenges extend beyond dollars; they compromise efficiency, strain overburdened agencies, and threaten aid delivery to those who need it most.

Why Fraud is Growing in SNAP Programs

Fraud in SNAP programs is evolving, driven by increasing digitization and interconnected eligibility systems. Here's a breakdown of what's happening, according to the TCOF study which surveyed 150 SNAP administrators:

1. Expansion of Digital Transactions

More transactions are moving online, a shift brought about by modernization and the growth of Integrated Eligibility Systems (IES). While these systems provide for streamlined application processes and cross-sharing of data among programs (e.g., SNAP, Medicaid, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)), these systems have expanded fraud risk. The numbers tell the story—mobile and online transactions now account for growing percentages of not only legitimate activity but also fraudulent activity.

2. Identity and Eligibility Fraud

Agencies face increased levels of fraud stemming from identity theft, fake applications, and Electronic Benefit Transfer (EBT) card skimming. For instance, identity theft due to account takeovers was cited as a significant factor behind rising EBT fraud costs. Fraudsters are exploiting weaknesses in verifying applicant identities with personal information increasingly available through breaches.

3. Operational Complexity Magnifies Risk

IES platforms, while efficient, make fraud detection more complicated. Agencies managing multiple programs find it harder to pinpoint the sources of fraud. For these agencies, fraud-related costs jump to $4.04 per $1 lost—higher than the baseline SNAP fraud multiplier.

4. Emergence of Automated Fraud

Fraudsters are employing sophisticated tools like malicious bots to bombard agencies with fake applications. These bots often mimic real applicants, overwhelming manual fraud detection efforts and creating backlogs.

The Human Toll of Fraud and Inefficiency

Beyond dollar costs, unresolved fraud creates an undeniable human toll. Application processing delays caused by outdated systems, manual reviews, or fraud investigations can lead to long waits for SNAP beneficiaries who depend on timely assistance for basic needs like food and housing. Delays also impact caseworkers tasked with identifying fraud—they may experience increased backlogs and low morale, leading to staff turnover and reduced efficiency.

Agencies that fail to meet Application Processing Timeliness (APT) thresholds—completing 95% of applications within 30 days or 7 days for expedited cases—report significantly higher barriers to catching fraud effectively. On average, 40% of flagged fraudulent applications cannot be processed due to insufficient resources.

Every delay impacts real families. From financial stress to going hungry, slow processing undermines the mission of SNAP and related programs, introducing downstream social costs that government administrators cannot ignore.

Where Agencies are Exposed

The TCOF study uncovered several vulnerable points in current fraud prevention strategies, including:

Limited identity verification tools for remote (online/mobile) applications, allowing synthetic identities to slip through unnoticed.

A lack of pre-issuance fraud detection systems, with most agencies focusing on prevention only after benefits have gone live.

Overwhelming reliance on manual processes, especially in smaller or county-level agencies, increasing the risk of human error.

Solutions to Turn the Tide

The report doesn't just highlight problems; it also offers a clear roadmap for mitigating fraud. Agencies performing best in both fraud reduction and timely application processing share several traits:

1. Early-Stage Fraud Detection Tools

Agencies using advanced digital tools such as device authentication, behavioral analysis, and geolocation for applicant verification report lower fraud costs. For instance, fraud detection at the application stage—before benefits are issued—can prevent identity takeovers and stop bot attacks in their tracks.

2. Balanced Modernization Efforts

Modernizing operations is critical, but modernization efforts must go hand in hand with robust fraud analytics solutions. For example, agencies with more than six modernized processes (e.g., online accounts for beneficiaries or electronic case files) can meet efficiency targets like APT requirements more consistently, while also reducing fraud costs significantly.
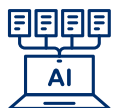
3. Integrated Data Insights

While integrated systems come with challenges, cross-sharing information across programs can create a clearer fraud detection framework—when paired with analytics-driven solutions capable of spotting hidden patterns and risk indicators.

4. Reduced Backlogs and Improved Worker Tools

Agencies that implemented modern customer care centers, automated alerts for caseworkers, and streamlined digital application forms experienced notable improvements in both processing times and staff morale. When caseworkers have actionable insights and automated workflows, fraud detection can become less daunting.

Taking Action Against Fraud

The challenges posed by fraud in SNAP and IES systems are steep, but they are not insurmountable. With strategic investments in technology, improved operational workflows, and early fraud detection solutions, agencies can reduce costs while delivering better outcomes for beneficiaries and staff alike.

Download the full report today to gain more insights from the **2024 LexisNexis Risk Solutions True Cost of Fraud Study**, including data-driven perspectives and actionable recommendations.

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1 https://risk.lexisnexis.com/insights-resources/research/2024-true-cost-of-fraud-for-snap-and-ies-agencies