SNAP Quality Control Overview & Payment Error Rate Improvement Strategies

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EXHIBIT D

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What is SNAP Quality Control?

- SNAP QC is an audit process following the Food and Nutrition Administration 310 Handbook.

- The process involves sampling and reviewing two types of cases: Active SNAP cases and Inactive SNAP denials, closures.

- The SNAP Payment Error Rate is based on the outcome of the reviews of the **Active** cases during the federal fiscal year October 1 – September 30.

- The **Inactive** case reviews determine whether the adverse action that resulted in denial, suspension, or termination of the SNAP case was correct as of the review date.

Payment Error Rate Calculation

- The **Payment error rate** is calculated by comparing the total benefits issued in the sample universe to the dollar amount of the benefits determined issued incorrectly.

- Both underpayments and overpayments count toward the payment error rate. Both agency-caused and client-caused errors count toward the payment error rate. For FFY 26, errors of $58 or more count in the state's PER, unless it is a totally ineligible case, then it counts toward the PER even if less than $58.

- **Example**: SNAP case selected for review of benefits issued in October. The benefits issued = $900. The QC review determined that income was undercounted in the eligibility determination causing an over issuance of $75. Correct benefits were $825. The payment error rate for that case was 8.34% ($75 in incorrect benefits issued out of total benefits issued of $900)

- **Example**: 95 total cases were selected for review for October. The total benefits issued for those 95 cases was $34,485. $2,070 of those benefits were determined to be in error. The payment error rate for that month is 6.01% ($2,070 out of $34,485)

How are cases selected for QC review?

- FNA requires Arkansas to sample 1,020 Active cases per FFY.
- Arkansas opts to oversample and reviews 1,140 Active cases to make sure we complete the minimum number of reviews.
- Cases are selected for review after the end of each month in the federal year based on a Sampling Plan approved by FNA. States have 115 days to complete the review and report results to FNA for each case. This means there is lag time between the time the case is worked, when it is selected for review, and when the outcome of the review is known.
- **Example**: After October ends, a sample of Active SNAP cases is randomly identified in November. QC staff have 115 days to complete the review of the sample cases. Reviews for October are due by early February, depending on the day they are assigned.

Consequences of SNAP Payment Error Rate – New Benefit Cost Share

- Beginning FFY 2028 (October 1, 2027) states are required to share the cost of SNAP benefits based on the State's Payment Error Rate. For FFY28, **cost share** will be based on either FY25 or FY26 PER. After FY28, the cost share for each year will be based on the PER three years prior.

Payment Error Rate	Cost Share %	Estimated Cost
0 – 5.99%	0	0
6.00 – 7.99%	5%	$24M
8.00 – 9.99%	10%	$48M
10.00 – 14.99%	15%	$72M

Consequences of SNAP Payment Error Rate – Penalty process in addition to cost share

- In addition to the benefit cost share that begins FFY28, states are also subject to **penalties** based on the PER if a state exceeds 105% of the national performance measure for the second and subsequent consecutive fiscal years. The liability amount equals the value of all SNAP benefits issued by the agency during that year X (state PER minus 6 percent) X 10 percent.

- **Example**: Assume the National performance rate = 10.62%. State for second year, exceeds 105% of national rate at 12% PER. State issued $472M benefits. $472,000,000 x .0138 X .10 = $651,360

- If assessed this penalty, the state can avoid payment of up to 50% by reinvesting in activities to improve program administration – specifically to improve payment accuracy – with SGR. The remaining at-risk amount becomes payable only if a penalty is established again for the following fiscal year.

When are the QC results available?

We are about 5 months into the federal review year when we start to see results from the first month.

This lag time makes it more difficult to make adjustments and corrections to impact the overall results of the FFY QC payment error rate.

The results of State QC reviews are reported to FNA. FNA reviews a subsample of the AR reported results.

Any differences between the State reported results and FNA are arbitrated.

FNA determines the final state and national QC payment error rate through a regression process based on outcome of FNA reviews.

Official rates for the previous FFY are reported by FNA in June of the following year.

Arkansas Results

FFY 2024 Final PER was 9.56%

Agency $19,546 – 91 cases

Client $9,653 – 44 cases

FFY 2025 Final PER was 8.81%

Agency $10,714 – 71 cases

Client $13,107 – 48 cases

FFY 2026 PER (AR Reported) 7.27% as of 8/21/26.

October 25 – January 26 reviews are 100% complete.

February and March 26 reviews are over 90% complete.

April 26 reviews are 75% complete.

Agency $6,010 – 31 cases

Client $4,284 – 18 cases

What are we doing to improve?

- Monitoring QC review results
- Second Party case reviews
- Case Investigations
- Refresher Training
- Prevention in a SNAP
- Technology enhancements
- Monthly team meeting to review outcomes and plan strategies

Monitoring QC Results
Current QC Rate and Top 3 Error Trending

For Wages and Salaries, the Agency contributed to 34.99% of the errors. Client caused errors were 65.01% .

Ranking # 1

311 - Wages and Salaries		Error Dollars	% of $ Errors	# of Cases	% of Cases
Agency Caused		**$1,240**	**34.99%**	**3**	**30.00%**
43 - Averaging not used or incorrectly applied		$274			
32 - Failed to consider or incorrectly considered income of an ineligible member		$70			
37 - All income from source was known but not included		$896			

311 - Wages and Salaries		Error Dollars	% of $ Errors	# of Cases	% of Cases
Client Caused		**$2,304**	**65.01%**	**7**	**70.00%**
35 - Unreported source of income		$298			
35 - Unreported source of income		$546			
35 - Unreported source of income		$210			
35 - Unreported source of income		$504			
35 - Unreported source of income		$511			
35 - Unreported source of income		$90			
35 - Unreported source of income		$145			

Current QC Rate and Top 3 Error Trending

For Shelter Deduction, the agency contributed to 37.37% of caused errors. Client contributed to 62.63% of caused errors.

Ranking # 2					
363 - Shelter Deduction		Error Dollars	% of $ Errors	# of Cases	% of Cases
Agency Caused		$370	37.37%	4	57.14%
53 - Deduction included that should not have been		$72			
52 - Deduction that should have been included was not		$78			
52 - Deduction that should have been included was not		$66			
56 - Incorrect deduction amount included-budgeted too much		$154			
363 - Shelter Deduction		Error Dollars	% of $ Errors	# of Cases	% of Cases
Client Caused		$620	62.63%	3	42.86%
53 - Deduction included that should not have been		$398			
52 - Deduction that should have been included was not		$64			
56 - Incorrect deduction amount included-budgeted too much		$158			

Current QC Rate and Top 3 Error Trending

For Time-limited Participation, the Agency attributed to 100% of errors. Client attributed to 0% of errors.

Ranking # 3					
161 - Time-limited Participation		**Error Dollars**	**% of $ Errors**	**# of Cases**	**% of Cases**
Agency Caused		**$844**	**100.00%**	**3**	**100.00%**
7 - Ineligible person(s) included		$298			
7 - Ineligible person(s) included		$248			
7 - Ineligible person(s) included		$298			

161 - Time-limited Participation		**Error Dollars**	**% of $ Errors**	**# of Cases**	**% of Cases**
Client Caused		**$0**	**0.00%**	**0**	**0.00%**

Second Party Reviews

- Supervisors complete 100% reviews and random reviews as appropriate for all staff. Supervisors reviewed **4,271 cases in July 2026**. Benefits in these cases totaled $1,511,892. Dollar amount of errors discovered totaled $29,625 or 1.96%

- **Operation Payment Error Reduction:** Teams in each area of the state review SNAP applications and recertification (goal is to review within 24 hours of completion). **In July they completed 2,921 reviews**. Benefits totaled $1,266,064. Dollar amount of errors discovered totaled $19,227 or 1.52%

- The **DCO Quality Assurance Team** consists of 10 experienced caseworkers who have been reassigned to spend all of their time on Second Party Reviews. They focus on recent approvals and cases with error prone characteristics based on QC review results. **In July they reviewed 489 cases**, totaling $197,193 in benefits. Dollar amount of errors discovered totaled $6,425 or 3.26%

Case Investigations

- Number of SNAP investigations completed
  - July 2026 628
  - YTD 2026 4419

- Number of client information errors / differences identified
  - July 2026 360
  - YTD 2026 2365
  - Errors include HH Comp changes/unreported, income change/unreported, address/phone changes, employment changes, contributions/resources, Banking info not as reported, etc.

- Number of potential fraud cases identified and referred to Fraud Unit
  - July 2026 40
  - YTD 2026 357

Zero Income/Expenses>Income Special Project cont'd

- Client Information Errors:
  - ➢ YTD 2026 51 (16.78% of completed investigations related to this special project resulted in client info errors)
- Number of suspected fraud cases identified through this special project:
  - ➢ YTD 2026 17
- The client information errors found and selected by the investigators were:
  - ➢ Earned/Unearned income not as reported
  - ➢ HH Comp not as reported
  - ➢ Contribution/Resources not as reported
  - ➢ Rent not as reported
  - ➢ Residence not as reported
  - ➢ Self Employment not as reported

Out of State (OOS) EBT Investigations Snapshot
July 2026

- Number of eligibility investigations assoc. w/OOS EBT usage from previous month:
  - July 2026 22
  - YTD 2026 145

- Eligibility investigation finds client is residing OOS and/or evidence leads to strong indication of OOS residence:
  - July 2026 17
  - YTD 2026 64
  - Sixteen (16) OOS EBT eligibility investigations are pending.

- Number of suspected fraud identified and referred to Fraud Unit assoc. w/OOS EBT usage:
  - July 2026 3
  - YTD 2026 20

Training Refresher Upcoming Topics:

-Earned Income Calculation Refresher- *ILT Session (November)*

-Requirement to Work WBT (September)

-3 in 36 WBT (October)

-Reporting Requirements *WBT*

-Interview Training *WBT*

-ESAP *WBT*

-Expedites WBT

Each topic going forward will have a mandatory knowledge check with 3 attempts. Subsequent attempts will require approval from management. All attempts will be tracked by training.

Refresher Training – Completed Topics:

- New SNAP Work Requirements
- Shelter and Utility Deductions
- Household Composition
- Certification Periods
- Child Support Deductions
- Medical Deductions
- -BBCE
- Income of Ineligible Aliens
- Citizenship
- Mandatory E&T
- Self-Employment
- SNAP Food Waiver
- Experian
- Disqualified Individuals Income
- Ineligible Students Income
- General Work Requirement Refresher

PREVENTION IN A SNAP

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Requirement to Work

This edition is a detailed overview of the SNAP Requirement to Work in response to questions the policy unit has received.

Overview of SNAP Requirement to Work

An individual who does not meet an exemption to the General Work Requirements is subject to the SNAP Requirement to Work/Time Limit Rules.

The individual is exempt from the Requirement to Work if they are any of the following:

- Seventeen (17) years of age or younger.
- Sixty-five (65) years of age or older.
- Living with a disability. This includes someone who is experiencing physical or mental barriers to work.
- Has responsibility for a dependent child under age fourteen (14) years of age who resides in the SNAP household. The person must be responsible for or have parental control of the dependent child.
- Pregnant
- An Indian, Urban Indian or California Indian - *see SNAP Policy 3502 for definitions*
- Meeting a General Work Registration exemption other than age

Requirement to Work status must be evaluated at:

- Application
- Renewal
- Changes when new members are added
- When exemption status changes
- When a work-related violation is reported

If a client is referred to E&T through SNAPWorks, they must cooperate with E&T regardless of Work Participation Characteristic. We should not be messaging that the client does not have to cooperate.

DCO Staff Feedback

DCO is committed to serving our beneficiaries as effectively and efficiently as possible. If you have a suggestion that can help us uphold our mission in a better way, please scan the QR code and fill out the form to submit it. We appreciate your feedback.

Technology Enhancements

Artificial Intelligence / Automation

- BOTS implemented:
  - National Directory of New Hires
  - Returned Mail
  - Newborn Medicaid
- StatusSphere – enhanced email / text reminders / detailed case status / interactive chat with virtual agent
- Mass text / email during QC process for clients

Upcoming enhancements:

- Updated Income calculation rules and worksheets in ARIES
- Case IQ – generative AI case accuracy improvement / error prevention tool that interacts with caseworkers during the casework process
- More BOTS – death match and incarceration match bots
- Policy assistant and interview assistant

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