WHITEPAPER

Enforcing SNAP integrity: A blueprint for combating fraud across the benefit lifecycle

Sardine

forage

Executive summary

The era of penalty-free administrative errors is over. For decades, high error rates in the Supplemental Nutrition Assistance Program (SNAP) were a bureaucratic statistic; today, under new federal mandates (including H.R. 1), they represent a direct threat to state solvency.

Recent data from the USDA Food and Nutrition Service (FNS) reveals a national payment error rate of 10.93% for FY 2024, a figure indicating approximately $10.5 billion in improper payments annually. The Government Accountability Office (GAO) has consistently flagged this as a high-priority issue, noting that payment integrity failures are not just costing federal taxpayers but are now poised to drain state general funds.

As states face this financial pressure and federal task forces ramp up oversight, the GovTech market is evaluating a wide spectrum of security measures. While much of the national conversation focuses on securing EBT transactions at grocery stores, the root cause of the state liability crisis is a fragmented defense. True program integrity requires a unified perimeter that protects the state's fiscal health at the application portal and protects households at the point of transaction where benefits are ultimately spent.

This whitepaper outlines the origins of the $10.5 billion error rate, maps the necessary end-to-end defense strategy, and details how the partnership between Sardine's identity intelligence at the point of application for SNAP benefits and Forage's secure SNAP payment infrastructure at the point of transaction creates a closed-loop solution for H.R. 1 compliance.

The data at a glance

10.93%

National SNAP Payment Error Rate (FY 2024)[1]

$10.5 billion

Estimated annual improper payments due to error[2]

6%

The federal liability threshold above which states face financial penalties[3]

High Risk

SNAP's official status on the GAO Federal Watchlist[4]

The mandate for fiscal accountability

Historically, the federal government absorbed the cost of SNAP benefits (the actual funds loaded onto EBT cards) regardless of a state's administrative accuracy. The new legislative framework fundamentally shifts this risk. Beginning in 2026/2027, states with a payment error rate above 6% will be required to cover a portion of those federally funded benefit costs on a sliding scale, capped out at a 15% penalty.

Crucially, the federal government recoups these penalties directly from the state. In FY 2024, the vast majority of states exceeded this 6% threshold and the cost is enormous. With states like Alaska (24.6%), Florida (15.1%), and New York (13.6%)

facing error rates well above the threshold, a state could effectively owe tens or hundreds of millions of dollars back to the USDA. Because the penalty must be paid out of the State General Fund, the same pool of state taxpayer money used to fund local schools, infrastructure, and law enforcement, this represents a catastrophic new liability for state governors and legislatures.

While the highest-error states (Alaska, Florida, New York) may qualify for a delay until FY 2029 or FY 2030, this reprieve is a double-edged sword. It is not a waiver of debt, but rather a temporary stay of execution intended solely to give states the window they need to deploy AI-driven oversight. States that fail to use this window to drop below the 6% threshold will face an even larger catch-up liability when the delay expires.

Beyond federal penalties, states now face a secondary fiscal cliff: the expiration of federal funds for replacing skimmed benefits. As of 2026, the burden of reimbursing victims of EBT theft has shifted directly to State General Funds. This creates a powerful new mandate for states to establish a unified security perimeter, extending from AI-driven identity verification at the intake portal to real-time risk monitoring at checkout, bringing EBT infrastructure into alignment with commercial banking standards that neutralize fraud before a single dollar is disbursed.

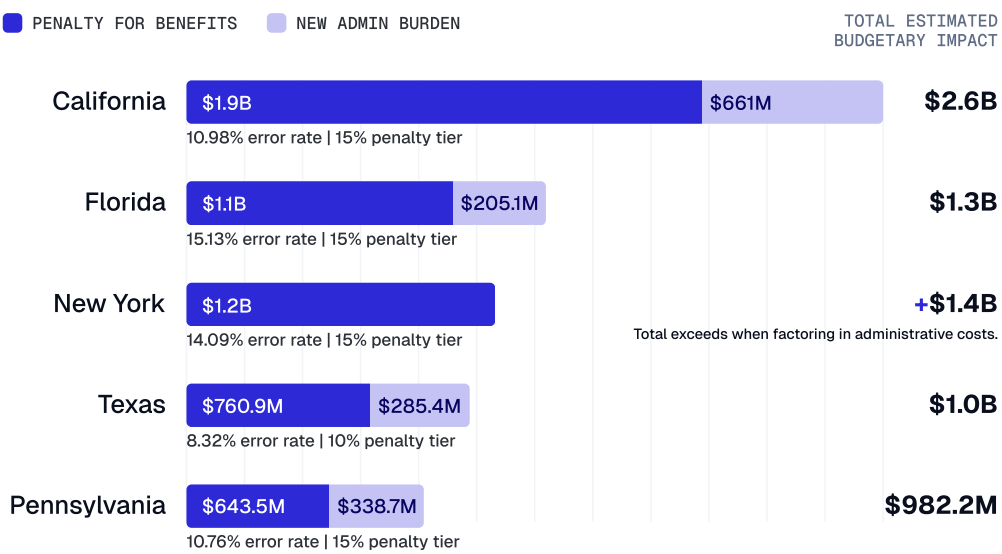


Figure 1: Estimated Annual Budgetary Impact for Top 5 Penalized States. Under H.R. 1 and the Fiscal Responsibility Act, states exceeding the 6% error rate threshold face a dual financial cliff: direct reimbursement of federally funded benefits and a sharp increase in program administrative costs.

Anatomy of an exploit: The four vectors of program leakage

To address this crisis, state agencies must first understand that the 10.93% "error rate" is an umbrella term that conflates fundamentally different issues. According to GAO and USDA audits, the $10.5 billion in improper payments stems from a mix of innocent administrative bottlenecks and intentional fraud:

1. **Mapping processing vulnerabilities:** Caseworkers manually transcribing data from blurry images of pay stubs, leading to income calculation errors: the #1 cause of overpayments and underpayments.

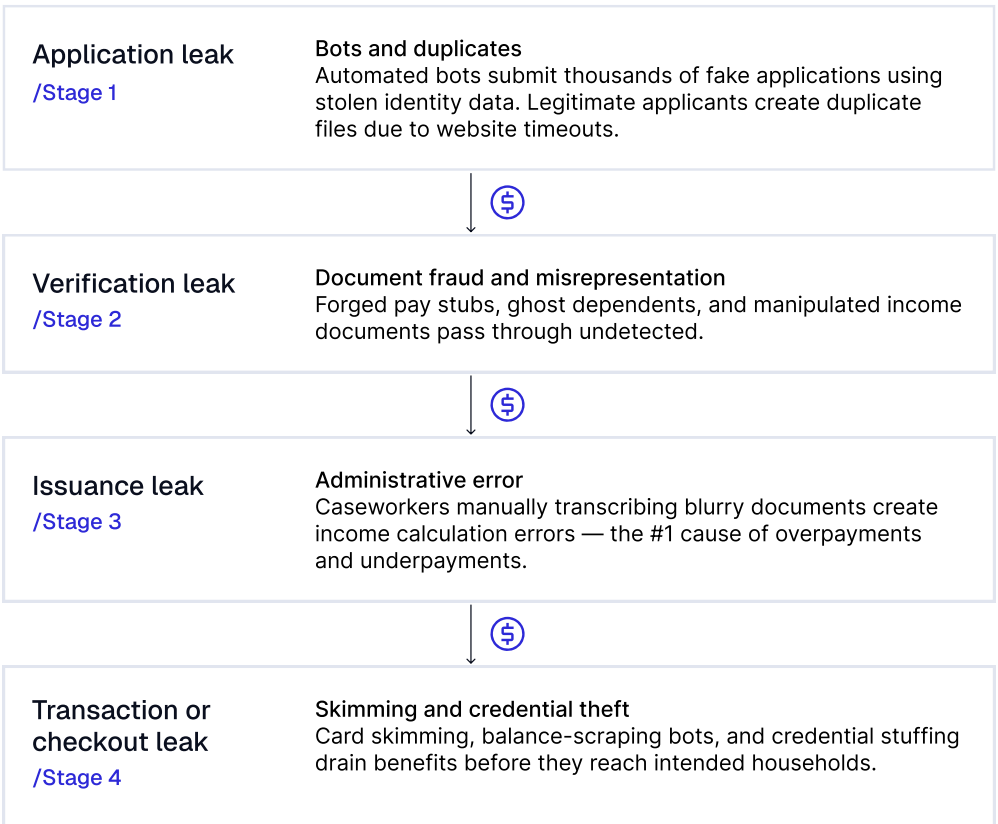
2. **Systemic waste:** Legitimate applicants submitting multiple forms due to website timeouts or lack of confirmation, creating "ghost" duplicates that skew data and clog processing queues.

3. **Organized exploitation:** Automated bots and organized crime rings submitting thousands of fake applications using stolen identity data to harvest benefits at scale.

4. **Identity and eligibility misstatements:** While smaller in scale than administrative errors, individual applicants intentionally forging income documents or lying about household size (legally classified as Intentional Program Violations), costing taxpayers an estimated $1 billion to $2 billion annually.

Mapping the solutions: The unified shield

The $10.5B leak: The benefit lifecycle funnel



- **Point-of-application intake solutions:** This is the program's front door: the state's integrated eligibility system. It represents the only layer where state agencies can correct the administrative bottlenecks, duplicate files, and data entry mistakes driving the 10.93% error rate.

- **Point-of-sale (POS) retailer solutions:** Securing the actual transaction is essential for combating several of the fastest-growing fraud vectors in SNAP, including card skimming, balance-scraping bots, credential stuffing attacks, and automated balance testing against online merchants. However, traditional POS systems currently lack even basic fraud prevention measures. Furthermore, a retailer has no visibility into the state's initial eligibility decisions and cannot stop the administrative errors that trigger federal financial penalties.

Intake hardening: Neutralizing bot-driven exploitation

Sardine and Forage move states from "pay and chase" to pre-payment prevention. Sardine deploys the same infrastructure used by top financial institutions to stop fraud and errors at the front door, ensuring that by the time an EBT card is issued, the eligibility data is pristine.

1. **Stopping systemic waste with device intelligence**
   - **The problem:** An applicant submits three applications because the website timed out. The system creates three separate cases requiring manual review.
   - **The Sardine solution:** Device Intelligence fingerprints the mobile phone or computer used to apply. Our Connection Graph instantly flags that a specific device has already submitted an application, preventing the creation of duplicate files before they reach a caseworker.

2. **Solving administrative errors with document AI**
   - **The problem:** A user uploads a blurry photo of a pay stub. A caseworker misreads "$800" as "$300," resulting in a logged payment error.
   - **The Sardine solution:** Document AI performs a quality check in real-time. If an image is blurry or data is missing, the user is prompted to retake the photo before submission. By automating data extraction with Document AI, agencies eliminate the manual transcription vulnerabilities that currently drive the majority of federally-penalized error rates. Optical Character Recognition (OCR) then extracts the data automatically with >99% accuracy, eliminating manual data entry mistakes.

3. **Blocking intentional fraud with behavioral biometrics**
   - **The problem:** Automated bots submit thousands of fake applications using stolen data.
   - **The Sardine solution:** Behavioral Biometrics analyze how data is entered (typing speed, mouse movements, copy-paste patterns) to distinguish between a human applicant and a bot filling fields at superhuman speed. Fraudulent applications are quarantined instantly, allowing caseworkers to focus 100% of their time on legitimate families.

4. **Catching individual misrepresentation with identity intelligence**
   - **The problem:** An applicant submits a forged pay stub or lies about their household composition to qualify for higher benefits.
   - **The Sardine solution:** Sardine's Identity Data Verification (KYC) instantly checks household data against authoritative sources to ensure "ghost" dependents don't exist. Simultaneously, our Document AI detects hidden

metadata anomalies and visual tampering in uploaded PDFs or photos, catching digital forgeries that human caseworkers would miss.

Securing the checkout with Forage

Eligibility verification secures the intake process, determining who qualifies for benefits and at what level, and is essential for reducing administrative errors that expose State General Funds to federal cost-sharing penalties. But verification alone is not enough: transaction infrastructure determines whether approved benefits actually reach the intended household and are used for their intended purpose.

True program integrity therefore must extend to the final mile of the benefit lifecycle. This is where Forage, one of only three USDA-approved EBT payment processors, adds value, focusing on securing EBT balances and transactions at the point of purchase.

Most SNAP transaction fraud today stems from four primary vectors: compromised card credentials, automated credential-testing and balance-inquiry attacks, bot-driven transaction attempts, and merchant-level skimming operations. Forage's payment infrastructure addresses these risks directly through the following safeguards:

- **Protecting EBT credentials:** Forage utilizes banking-grade encryption and tokenization for online grocery checkouts. The merchant never stores the EBT PIN, neutralizing the threat of intercepted data. Because online SNAP transactions do not rely on magnetic stripe card swipes, they remove the primary attack vector used in large-scale EBT skimming schemes.

- **Detecting credential-testing and balance-inquiry attacks:** Fraud rings frequently probe retailer sites and APIs with automated scripts to test stolen EBT card numbers and identify accounts with active balances before attempting purchases. Forage monitors balance-inquiry patterns across merchants and applies EBT-specific controls, including rate limiting, device and IP reputation checks, and anomaly detection, to identify credential-testing activity early and block suspicious queries before benefits can be drained.

- **Stopping automated card attacks:** Fraudsters routinely deploy bots to rapidly test stolen EBT card numbers on retail websites. Forage deploys EBT-specific rate limiting, IP detection, and velocity controls to shut down bot-driven balance inquiries before accounts can be drained.

- **Identifying fraud rings:** FNS ID threat intelligence: By combining Sardine's device identity network with Forage's payment processing data, the ecosystem can trace stolen cards and PINs back to specific high-risk retail environments or compromised POS systems using their unique FNS IDs (the unique identifier for an individual store that accepts EBT). This closed-loop intelligence allows state investigators to proactively identify and neutralize systemic vulnerabilities at the point of sale.

Together, Sardine and Forage bring complementary capabilities that can support stronger integrity across the SNAP ecosystem. By utilizing identity and threat intelligence signals, these approaches can help states with the forensic data needed to identify retail environments with high volumes of skimming activity and bring them into alignment with modern commercial security standards.

This can help establish a technical foundation for greater accountability, enabling states to protect their General Funds and mitigate the fiscal impact of benefit replacement by ensuring the entire EBT ecosystem - from intake to the point of sale - in line with the standards expected of other forms of electronic payment.

The fiscal imperative: Securing state sovereignty

For state governments, the urgency to adopt these point-of-application technologies as a fiscal necessity cannot be overstated:

- **Protect the general fund:** By dropping error rates below the 6% threshold, states stop the hemorrhage of their own taxpayer dollars, saving hundreds of millions.

- **Ensure federal timeliness and equity:** By automatically filtering out bots and duplicates, caseworkers are freed from massive backlogs. This ensures states meet their federally mandated 30-day processing timeframes without relying on blunt security rules (like IP blocking) that inadvertently lock out vulnerable citizens applying from public computers.

- **Restore trust:** Ensuring tax dollars are not lost to administrative waste or fraud strengthens public support for the safety net.

- **Modernize the transactional network:** Utilize forensic FNS ID tracking to align SNAP security with commercial banking standards, protecting the State

General Fund by aligning the EBT network with the same anti-skimming protocols used by the broader financial industry.

Further, an investment in the Sardine-Forage integrity layer is self-funded because the cost of the technology is significantly lower than the cost of the federal penalties it prevents.

- **Penalties revisited:** If a state's error rate stays above 6%, the federal government seizes up to 15% of total benefit costs directly from the State General Fund. For most states, this is a loss of tens or hundreds of millions of dollars.

- **The savings:** By deploying an automated integrity layer, the state stops these "error tax" payments immediately.

Every dollar spent on this solution is "paid for" by a dollar that would have otherwise been forfeited to federal auditors. By preventing even a minor increase in administrative errors, the solution pays for itself. By solving the entire 10.93% error rate crisis, it becomes one of the most significant cost-saving measures available to a state governor.

Moving forward

The mandate to reduce SNAP error rates is no longer just a matter of compliance. It's a fiscal necessity for state budgets. True program integrity requires a unified security perimeter that secures the entire benefit lifecycle: AI-driven identity intelligence at the intake level to ensure eligibility accuracy, and modernized POS standards at checkout to neutralize systemic fraud.

By combining Sardine's front-end verification with Forage's role in secure transaction processing, states can better understand and address sources of fraud, waste, and error, support alignment with modern payment security practices, and help ensure that SNAP benefits are used as intended while protecting taxpayer resources.

ADDENDUM: FY 2024 state financial liability estimates

The budgetary threat of H.R. 1 penalties

Under new federal mandates, the financial burden of the SNAP program has fundamentally shifted to the states. States that fail to maintain a payment error rate below 6% are now subject to severe financial penalties drawn directly from their State General Funds.

This financial liability is calculated based on two new cost-sharing mandates:

1. **The benefit penalty:** States must pay a penalty of 5%, 10%, or 15% of their total SNAP benefit issuance based on how far they exceed the 6% error rate threshold

2. **The administrative shift:** The cost of running the program (caseworkers and IT systems) shifts from a 50/50 federal split to requiring the state to shoulder 75% of the administrative burden.

Top 5 most penalized states

Based on FY 2024 error rates and annual issuance data, the financial impact on state budgets is catastrophic. Below are the estimated annual liabilities for the top five most impacted states:

1. **California (10.98% error rate | 15% penalty tier)**
   - Penalty for benefits: $1.9 billion
   - New administrative burden: $661 million
   - **Total estimated budgetary impact: $2.6 billion**

2. **Florida (15.13% error rate | 15% penalty tier)**
   - Penalty for benefits: $1.1 billion
   - New administrative burden: $205.1 million
   - **Total estimated budgetary impact: $1.3 billion**

3. **New York (14.09% error rate | 15% penalty tier)**
   - Penalty for benefits: $1.2 billion
   - Total expected budgetary impact **exceeds $1.4 billion** when factoring in administrative costs.

4. **Texas (8.32% error rate | 10% penalty tier)**
   - Penalty for benefits: $760.9 million
   - New administrative burden: $285.4 million
   - **Total estimated budgetary impact: $1.0 billion**

5. **Pennsylvania (10.76% error rate | 15% penalty tier)**
   - Penalty for benefits: $643.5 million
   - New administrative burden: $338.7 million
   - **Total estimated budgetary impact: $982.2 million**

State-by-state penalty tiers (based on FY 2024 data)

TIER 3	
These states face the most severe budgetary crisis, requiring immediate intake modernization.	
Maximum 15% benefit penalty (Error rate > 10%)	Alaska, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Maine, Maryland, Massachusetts, Mississippi, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, Virginia
TIER 2	
10% benefit penalty (Error rate 8% - 9.99%)	Alabama, Arizona, Arkansas, Colorado, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Ohio, South Carolina, Tennessee, Texas, West Virginia
TIER 1	
5% benefit penalty (Error rate 6% - 7.99%)	Hawaii, Iowa, Louisiana, New Hampshire, North Dakota, Washington
THE "SAFE" ZONE	
0% benefit penalty (Error rate < 6%)	Idaho, Nebraska, Nevada, South Dakota, Utah, Vermont, Virgin Islands, Wisconsin, Wyoming

Citations

1 **10.93% error rate**

- **Citation:** U.S. Department of Agriculture, Food and Nutrition Service (FNS). *"Fiscal Year 2024 SNAP Quality Control Payment Error Rates."* Released June 30, 2025.
- **Context:** This report established the 10.93% National Payment Error Rate for FY 2024. This is the official metric that determines state liability status for the current year.

2 **$10.5 billion financial loss**

- **Citation:** U.S. Government Accountability Office (GAO). *"Improper Payments: Information on Agencies' Fiscal Year 2023 Estimates"* (GAO-24-107461). Published March 2024 (and updated in subsequent GAO "High Risk" reports).
- **Context:** The GAO reported that for FY 2023 (when the error rate was 11.7%), improper payments totaled approximately $10.5 billion. Given that the FY 2024 rate (10.93%) is nearly identical, this $10.5 billion figure remains the standard cited estimate for annual program waste due to error.

3 **Legislative context for the 6% liability threshold**

- **Citation:** *The Fiscal Responsibility Act* of 2023 (Public Law 118-5) and subsequent USDA FNS Policy Memos (e.g., *Policy Memo 25-04: SNAP - Payment Error Rates and State Liability*).
- **Context:** This legislation (often referenced in conjunction with H.R. 1 in your article) codified the shift in liability, mandating that states with error rates exceeding 6% must invest in corrective action plans or face financial sanctions (cost-sharing of benefits).

4 **"High Risk" designation**

- **Citation:** U.S. Government Accountability Office (GAO). *"High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded"* (GAO-25-107743). Published February 2025.
- **Context:** This report lists "Enforcement of Tax Laws" and "Managing Federal Real Property" alongside "improper payments in the Supplemental Nutrition Assistance Program (SNAP)" as a top priority, explicitly citing the need for better state-level automated verification to remove the program from the "High Risk" list.

About Sardine

Sardine is the leading agentic risk management platform designed to protect companies from financial crime. Our integrated solution unifies data across risk teams to detect fraud in real-time and streamline enforcement operations. Companies including FIS, GoDaddy, Deel, Checkout, and Brex rely on Sardine to secure and grow trust in their products.

Learn more at sardine.ai

About Forage

Forage builds payments infrastructure that processes government benefits, starting with enabling merchants to accept SNAP EBT payments. 42 million Americans receive government assistance to afford groceries, and Forage powers payments to serve communities in need. Forage is the only USDA-approved third-party payment processor (TPP) that offers retailers best-in-class software combined with dedicated service, enabling complex government payments online and guiding retailers through USDA authorization.

For more information visit joinforage.com.

Sardine