

Food stamp fraud runs wildly out of control

By: John Hayward
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Repeat after me: *there is no such thing as big, honest government*. Corruption is intrinsic to every Big Government endeavor. Sometimes it's officials lining their own pockets, or sluicing millions of taxpayer dollars to their cronies. Sometimes it's administrative "overhead" so bloated that it's indistinguishable from the way a parasite feeds on its host organism. And sometimes it's just good old-fashioned abuse by the recipients of government lollipops.

The *Washington Times* reports on the staggering levels of fraud in our titanic food stamp program, which has grown faster than just about any productive industry over the past six years:

Food stamp recipients were selling their benefits online in exchange for money, housing or even art, according to a report federal investigators released Thursday that showed states manage to catch just a fraction of potential fraud in the sprawling program.

Use of the food stamps, now officially known as the Supplemental Nutrition Assistance Program, has skyrocketed under President Obama, reaching 47 million recipients at a cost of \$76 billion last year. But states recovered just \$74 million in fraudulent payments the previous year, according to the Government Accountability Office.

GAO investigators reviewed records from 11 states and found they lacked sufficient staff and tools to catch fraud in the ballooning program.

"Such rapid program growth can increase the potential for fraud unless appropriate agency controls are in place to help minimize these risks," the investigators said in their report.

I would change that to say "such rapid program growth *will inevitably* increase the potential for fraud." This report explicitly argues that the number of beneficiaries grew so rapidly that overwhelmed officials couldn't possibly ensure the benefits were being dispensed properly. For example, Massachusetts had 37 investigators patrolling half a million residents of Food Stamp Nation.

Of course, it did not even briefly occur to anyone that the money spigot should be shut off until proper controls were in place. Who cares if the taxpaying suckers of the American middle class get ripped off? It's not as if the billions (\$3 billion per year, to be

exact) lost to corruption in *this* program were going to compromise any other part of the Big Government agenda. The Leviathan State does not need to miss a meal because it drops too many crumbs from its flabby jaws as it feeds. Worst case scenario: print more money, run up the deficit, and then lecture the suckers about the urgent need to pay higher taxes in the name of “deficit reduction.”

It doesn't sound like a great deal of manpower would have been needed to detect food-stamp fraud. Much of it was painfully obvious:

In one online posting from Jacksonville, Florida, someone was asking for \$100 cash in exchange for \$228 in food stamps. One ad from Raleigh, North Carolina, offered 10 days of cooking and cleaning services in exchange for food stamps. A Charlotte, North Carolina, poster said he would trade food stamps for beer, and a Houston ad proposed exchanging food stamps for a catalytic converter.

Then there was the Worcester, Massachusetts, advertisement proposing up to \$3,000 in electronic benefit food stamp transfers in exchange for art.

[...] “Interesting proposal: I am looking for a place to sleep. [I]f you can help me out (Oh I MAY have some cash to contribute as well as food stamps),” one post read.

The USDA's fraud controls are *ridiculously* weak. The GAO found far more violations with half an hour per day of manual searches than the USDA's automatic systems could detect. But that's no surprise, as Cato Institute budget analyst Nicole Kaeding pointed out, because the system is essentially rigged to *penalize* state agencies for preventing food stamp fraud:

“Food stamp benefits are paid for by the federal government. **If the state stops it before it starts, by say denying a claim, it does not receive money from the federal government, nor does it save the state any money.** But states do bear a cost for investigation and administration,” Ms. Kaeding said. “If the state catches the fraud after it occurs, it keeps 35 percent of the overpayment. That incentive structure is backwards.”

State officials acknowledged that fraud-related incentive is focused on collecting overpayments, even though the GAO found that preventive measures stymie fraud more effectively by barring ineligible people from receiving benefits that may not be recovered.

Ms. Kaeding said states and the federal government continue to blame each other as the problem gets worse.

“As more levels of government are involved, each level of government can blame the other. USDA can say it is the responsibility of the states and states can say they don't run the food stamp program. The more governments that are involved, the less they are accountable.”

There is no such thing as big, honest government. Tired of getting ripped off? Then you need to burn this system to the ground. You'll never reform it in any meaningful sense, because strands of corruption are part of the welfare state's DNA. So is blame-shifting.