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Fraud in plain view: Food stamps sold online for art, housing, cash

States, feds fail to detect most fraud in plain sight on Web

By Kellan Howell
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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.

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.

For its inability to combat fraud, the U.S. Department of Agriculture, which runs the food stamp program, earns this week’s Golden Hammer, a distinction given by The Washington Times to examples of questionable taxpayer spending.

The Agriculture Department didn’t respond to a request for comment on the GAO report.

Investigators said most states surveyed reported that their employees were overloaded with recipients. In Massachusetts, just 37 investigators were responsible for monitoring almost 500,000 SNAP recipients. State investigators were also responsible for pursuing fraud in other federal programs such as Medicaid.

One analyst said a lack of employees in the program is no excuse.

“The issue of fraud in food stamps is more than just understaffing for Food and Nutrition Services,” Nicole Kaeding, a budget analyst with the Cato Institute, told The Times. “According to the Department of Agriculture, improper claims amount to 3.4 percent. That’s almost \$3 billion of taxpayer money that is wasted annually on fraud and abuse.”

Food stamps are so rife with bogus payments that the White House Office of Management and Budget has deemed it one of the government’s high-error programs.

The Food and Nutrition Service monitors online food stamp trafficking through automated searches on websites such as Craigslist and social media, but the GAO investigation found that a manual search turned up more instances of trafficking.

Investigators spent 30 minutes per day over 30 days manually searching for advertisements for illegal food stamp exchanges and found 28 postings that indicated illegal activity, while the Food and Nutrition Service’s automated search found only two cases.

“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.

Additionally, investigators are charged with tracking households that frequently request replacement electronic food stamp cards. Households that request 10 or more replacement cards are flagged as high risk for trafficking.

While 84 percent of households examined had five or fewer trafficking flags, 262 households, or 3 percent, had 10 or more trafficking flags, according to the report, which was requested by Sen. Jeff Sessions of Alabama, the ranking Republican on the Senate Budget Committee.

The Food and Nutrition Service told the GAO that it is making strides toward stronger oversight and conducting 10 studies on tracking fraud.

But Ms. Kaeding said states don’t have incentives to deter fraud and instead are rewarded for prosecuting it afterward.

“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.”