



Feds pressure Minn. to reduce food stamp fraud

by Julie Siple, Minnesota Public Radio - September 24, 2012

ST. PAUL, Minn. — Outside the Dorothy Day shelter in downtown St. Paul, homeless men wait for a midday meal, just steps away from where federal authorities believe a man bought food stamps from homeless shelter residents for half their value.

The man then redeemed the food stamps for cash at stores that took a cut of the profit, according to an affidavit a USDA investigator filed to obtain a search warrant. Two shelter residents say it's common for people to sell food stamps and those at homeless shelters aren't the only ones who do so. Mothers with children and families do also, they said.

"Cash is better than stamps, and they don't have enough cash," said a man named Jesse, who declined to give his last name. "When they trying to live. Kids need things, you know. And if the money is not enough, people look for other ways."

As of June, 46.7 million Americans were on food stamps, officially called the Supplemental Nutrition Assistance Program. That record number helped prompt the U.S. Department of Agriculture to step up efforts to fight the illegal sale of food stamps for money, which federal officials call trafficking. USDA officials say only a small percentage of benefits are illegally sold, at times by people who are trying to meet basic needs.

Homeless people might sell their food stamps for a night away from the shelter, Dorothy Day residents said.

"There's a hotel that costs 40 dollars," another resident named Tigiy said. "You know, they stay there for a day, just to stay away from here."

That concerns Gerry Lauer, senior director of the Dorothy Day Center, who worries that the homeless are being lured into doing something illegal.

"We have folks sleeping on the floor who really don't have anything at all," Lauer said. "And then somebody comes up and offers them cash at that point. The strength of that character, and the strength of the individual, is tempted."

No charges have been filed in the case. Officials with the U.S. Attorney's Office and the USDA Office of Inspector General declined to comment on the case.

HOW THE FRAUD WORKS

The investigation comes on the heels of an unusually large food stamp fraud case that played out in federal court in Minnesota this year — a case that offers clues as to how the fraud works.

Federal officials charged convenience store owner Khaffak Ansari with trafficking in more than \$3 million in food stamps. Ansari, who owned the Stryker Avenue Market in the West Side neighborhood of St. Paul, pleaded guilty to one count. A judge sentenced him to three and a half years in prison and ordered him to repay \$2.4 million in restitution.

Ansari could not be reached for comment. His attorney declined an interview.

"We had people who were travelling significant distances to come to the Stryker Avenue Market because they knew this was a place where you can get cash for your food stamp benefits," said Assistant U.S. Attorney Kevin Ueland, who prosecuted the case.

According to the indictment, people would walk into the store with an EBT card — a plastic card that carries food stamp benefits. Instead of buying groceries, they would hand the card to Ansari, who would swipe it for a large amount. For example, he deducted \$401.12 from a card, gave the customer \$200 and kept the remainder for himself.

Ansari's actions raised red flags. In one three-month period, the store redeemed \$699,000 in food stamps, more than a nearby Rainbow Foods.

"The Stryker Avenue Market is a really small grocery store. It's sort of in line with a SuperAmerica, about 2000 square feet," Ueland said. "There's no way that a store Stryker Avenue Market's size could possibly redeem that much in food stamp benefits."

In 2009 and 2010, investigators sat for hours outside the store and watched people walk away with few groceries when data showed that the store had swiped EBT cards for large amounts. Undercover agents later went inside and exchanged food stamp benefits for cash.

The USDA estimates that nationally one percent of SNAP benefits are lost to trafficking, according to the most recent data. That came to about \$720 million in fiscal year 2011. It's down from 4 percent in 1993. Officials largely credit the move from paper food stamps to EBT cards.

The agency does not break down such crimes by state, but of the 1,215 stores permanently disqualified for trafficking last year, seven were in Minnesota, according to federal data.

FED PURSUE RETAILERS, PRESSURE STATES

The vast majority of food stamp recipients and merchants are following the rules, said Kevin Concannon, undersecretary for Food, Nutrition and Consumer Services at the USDA, which runs the food stamp program.

"But I worry that that 1 percent may be the most potent source to dissuade or discourage Americans from supporting the program," he said.

To prevent fraud, the USDA has proposed stronger penalties on retailers and is adding investigators. It's also adding more tools to analyze the electronic redemption of benefits, Concannon said.

Trafficking of food stamp benefits almost always happens at small stores, not supermarkets, USDA officials say. As a result, analysts watch those stores for suspicious patterns, such as too many large sales.

But it takes two to tango. While federal authorities pursue retailers, they're pressuring states to crack down on the people who are selling their cards.

Concannon is especially concerned about Minnesota, where too many people are asking for replacement cards — an indicator of possible fraud.

"Looking at the numbers for Minnesota, I saw nearly 10,000 households received more than four cards over a 12-month period," he said. "To me that's highly suspect."

Minnesota ranks fourth in the nation in the number of people requesting at least four cards a year. After a USDA official called Minnesota's human services commissioner this spring to discuss the matter, the state took action. It is now harder to obtain replacement cards. Recipients can no longer pick up a replacement card at a county office. Cards must be mailed and they now cost \$2.00.

Jerry Kerber, inspector general for the state Department of Human Services, said it can be difficult to pursue individuals who sell their food stamps because the cases are often small: \$40 here, \$50 there.

"Historically we haven't really had such an interest in going after small cases because the return on the dollar that it takes to investigate these cases is maybe not always there," he said.

But Minnesota officials are determined to find efficient ways to identify and disqualify people who commit fraud, Kerber said, and they're working with the USDA to do it. Some of those cases could be prosecuted.

When federal authorities catch a store trafficking, they let state officials know which food stamp recipients shopped there.

EXTENT OF FRAUD IS UNCERTAIN

Kerber also is gathering data about the extent of trafficking in the state.

"We have such a lack of data in this area that it kind of allows people to reach their own conclusions on something that's so emotionally charged," he said.

That uncertainty is what opens the door to the political debate, said Joe Soss, a professor at the University of Minnesota Humphrey School who studies public assistance programs. He said accusations of fraud sometimes have been a back-door way of attacking welfare programs.

"I think that's where we are with food stamps right now," Soss said. "Where there isn't a lot of political will for sort of suggesting that food stamps as a program is a bad idea, we shouldn't have it. So the fallback position is to suggest that there's a great deal of fraud."

Accusations about fraud can create a stigma that deters people from signing up when they need the help — or from shopping at a grocery store where they think they'll be noticed, Soss said. He hasn't seen any evidence that fraud is a large problem.

Neither has Michael Tanner of the Cato Institute, a conservative think tank. While Tanner doesn't want to see taxpayer money go to waste, he's concerned about food stamps for a different reason. He said they encourage dependency on government programs.

"I don't see it significantly increasing," Tanner said of food stamp fraud. "I don't see it being a massive problem. So to some degree, I think there probably is politics involved. The president is certainly under attack for having expanded food stamps. I think to show he's cracking down on fraud is certainly a good political move."