

Scripps Howard News Service

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USDA probing banned food-stamp merchants ID'd by Scripps

By ISAAC WOLF, Scripps Howard News Service

The U.S. Department of Agriculture says it wants to secure an unlocked backdoor that allows stores banned for engaging in food-stamp fraud to slip unnoticed back into the federal program.

The agency's announcement came weeks after Scripps Howard News Service brought to the USDA's attention that it had discovered a way to identify blacklisted businesses that had sneaked back onto the rolls of approved vendors.

Scripps has found evidence in dozens of cases nationwide where stores were caught and permanently disqualified from taking food stamps but continued to do business with customers using the government food benefit.

These same retailers used false applications -- claiming that someone with a clean record now owned and ran the store -- to once again be allowed to accept food stamps. Scripps discovered this by comparing USDA disqualification records against hundreds of local and state documents -- including business filings, health inspection reports, liquor licenses, tobacco sales permits and corporate certificates.

The Scripps reporting has spurred the USDA to investigate stores in Baltimore, San Diego, Tulsa, Okla., and West Palm Beach, Fla., and has prompted at least one criminal probe.

In interviews with Scripps, USDA officials have said they don't always review these state and local records to fact-check food-stamp merchant applications from stores that have previously been busted.

But that's changing. In a Feb. 6 press release, the agency says it will conduct the same due diligence Scripps has performed "to help reduce the number of disqualified stores that return to the program by falsifying information in their applications."

Previously, the USDA relied on the existence of a new business license as proof that a store had a new owner, said Kevin Concannon, USDA undersecretary for the Food and Nutrition Service.

But as the Scripps investigation showed, that hasn't been sufficient and, Concannon said, "on the basis of further review, we're saying ... 'let's require all of those public licenses,' as additional documentation.

The crime is as widespread as it is simple: Stores accept food stamps but, instead of requiring that customers walk away with wholesome groceries, they provide the customers a small amount of cash -- typically 50 cents on the food stamp dollar. While taxpayers lose out -- the money isn't going toward wholesome food -- food stamp recipients are receiving no-strings attached cash while stores are taking a hefty profit for serving as a moneychanger.

Over 17,000 stores are estimated to have engaged in trafficking, according to the USDA's most recent study, which examined activity from 2006 to 2008 and was released in March 2011. The cost to taxpayers of that trafficking is \$330 million annually, according to the agency.

A major constraint for the USDA is manpower. The agency has 100 anti-fraud investigators watching over about 231,000 stores nationwide that accept food stamps, formally known as the Supplemental Nutrition Assistance Program.

Michael Tanner, senior fellow at the libertarian **Cato Institute** think tank in Washington, says the USDA's efforts to crack down on food-stamp fraud amounts to little more than lip service.

"If it's a real priority, you don't have a hundred inspectors -- you have a thousand inspectors," Tanner said. "Believe their actions, not their words."