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Food stamp fraud may steal \$400M from stimulus funds

By Mike Wereschagin
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When money gets tight — not that a single mother raising five children and going to college ever has plenty of it — Roxanne Cole drives to a discount grocery store 90 minutes away.

Cole, 29, of the Hill District worked out the math and said she can stretch her food stamp money far enough at the Clarion County store that it's worth the cost of gas.

Cole works full time as an addiction counselor and part time as an honors student in the University of Pittsburgh's master's degree program for social work. She's among 1.3 million people in Pennsylvania, and 32 million nationwide, receiving food stamps.

The program is poised for a historic expansion with the addition of \$20 billion in federal stimulus money. About \$400 million, or 2 percent, of that will be lost to fraud, according to government estimates.

Even in Pennsylvania, which federal agencies say has the lowest percentage of fraud among states with more than a million people receiving food stamps, investigators found \$1.6 million in alleged fraud last year, out of almost \$1.4 billion spent — a fraud rate of about 0.1 percent. Pennsylvania has one of the country's toughest application processes for food stamps.

"I get angry when I hear people defrauding the system," Cole said, "because I know what I'm trying to do and what other people that I know are trying to do." Her benefits likely will be cut to about one-third because she recently was hired full time and reported her income change to the state, as required by law. "That's what it's for, and I appreciate that."

Anti-hunger advocates argue that needy families pay the price for fraud. Barriers meant to keep out criminals are discouraging or blocking legitimate recipients from getting aid, said Joni Rabinowitz, co-director of the Pittsburgh nonprofit Just Harvest.

"It's easier to get a driver's license than food stamps," said Joel Berg, a top official in the assistance program during President Clinton's administration. "You can do a lot of damage with a driver's license. ... To my knowledge, no one has died in a food stamps-fraud accident."

People who fraudulently get benefits skim an estimated 2 percent of all spending on food stamps, according to the U.S. Department of Agriculture, which administers the program. Last year, that would have amounted to about \$753 million — almost as much as the \$754 million increase Pennsylvania will get from the stimulus bill.

CARDS SPAWN NEW SCAMS

Fraud has declined to between one-third and one-quarter of what it was in the early 1990s, according to the Government Accountability Office. That's largely a result of the USDA's phasing out stamps and replacing them with ATM-like cards. Rather than handing over pieces of paper, recipients swipe the card at the grocery checkout and the amount is automatically deducted from their monthly allotments.

But as the system got more sophisticated, so did those who take advantage of it. Scammers once exchanged cash for stamps. Now people call grocery stores, pretending to be USDA officials, and have clerks unknowingly add money to spent cards by claiming it's part of a USDA test of the store's electronic debit system, according to the department.

Another scam involves food stamp traffickers — most often small grocers, according to the GAO — who buy benefits from recipients, usually for about half their value. The grocer rings up a false sale of, say, \$10, gives the recipient \$5 and pockets the rest. About 1 percent of food stamp spending is lost to trafficking, said Kay Brown, director of the GAO's Education, Workforce

and Income Security division.

"There is far less fraud than there was a few decades ago, primarily because we've moved from paper to cards," said Berg, who runs an anti-hunger nonprofit in New York.

The GAO estimates \$811 million in food stamp benefits were trafficked in 1993 when stamps were used. As swipe cards became common, that fell to an annual average of \$241 million from 2002-05, the latest data available.

CASES HERE RARE

The U.S. Attorney's Office for the Western District of Pennsylvania hasn't prosecuted a trafficking case in more than five years, said spokeswoman Margaret Philbin. Such cases are rare in Allegheny County, as well, said Mike Manko, spokesman for District Attorney Stephen A. Zappala Jr.

To get food stamps in Pennsylvania, applicants need documents proving their housing costs; old pay stubs; birth certificates for each dependent child; and tax bills, among others. Making one mistake during the application process, which can last longer than a month, might disqualify someone.

More than 400,000 people in Pennsylvania are qualified for food stamps but don't get them, according to estimates from the state Department of Public Welfare. As the recession worsens, the department is trying to sign up more people, telling them food stamps are an entitlement more like Social Security than welfare.

"There's a lot of stigma that surrounds getting assistance from the government. Many people are too proud," said Stacey Witalec, the department's spokeswoman. Seniors are among the hardest to convince — and among the neediest.

"We see a lot of seniors who are making the choice between food and medication," she said. "That's fatal."

The number of state food stamp caseworkers in Allegheny County declined from 418 in 2007 to 339 in April, even as demand increased. The Public Welfare Department got a waiver from the statewide hiring freeze so it can hire 64 workers, Witalec said.

State officials say they continue looking for ways to prevent fraud. Anti-hunger advocates caution against making the application process stricter, saying that would penalize law-abiding recipients.

Updating technology and integrating the food stamp system with other federal programs, such as Social Security, would allow overseers to automatically track people's wages. That, rather than mountains of paperwork, offers a better guard against waste and makes it easier for those who follow the law to get benefits, Berg said.

"We have these systems that make us feel tough but do not do the best job of eliminating fraud," Berg said.

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