

A Closer Look At Waste, Fraud And Abuse At USDA



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If you tuned into any of House floor debate earlier this month, you might have seen lawmakers bitterly bickering over the rates of fraud, waste and abuse in the almost \$1 trillion package that is commonly known the farm bill.

Most of the criticism centered on fraud in the Supplemental Nutrition Assistance programs (SNAP) or food stamps, which consumes about 80 percent of the farm bill budget and crop insurance, which now represents about nine percent of the bill. Supporters of each program took pot shots over which program area had the highest error rates.

But the July report from USDA's Office of the Inspector General (OIG) demonstrates that fraud isn't confined to just those departmental programs.

According to the OIG's newest investigation development reports, 10 cases involving USDA programs have wrapped up in the past two months – and only one of them involved fraud on the part of a SNAP or "food stamp" recipient.

In that case, a Michigan couple that had illegally entered the U.S. received \$85,000 in SNAP, Special Supplemental Nutrition Program for Women, Infants and Children (WIC), Medicaid and Temporary Assistance for Needy Families benefits. The couple must make restitution and will then be deported to Mexico following incarceration.

Half of July's case report dealt with the improper use of Rural Development (RD) funds.

For example, a former Texas mayor obtained approximately \$115,000 in Rural Development (RD) grants and loans in March 2010 to buy three fully equipped police vehicles. The former mayor used the vehicles as collateral to obtain a \$40,000 loan from a local bank to pay city employees, in violation of the grant agreement which prohibits grantees from encumbering or disposing of property without RD's consent.

In April 2013, a jury found the mayor guilty of felony charges including misapplication of fiduciary property, theft by a public servant, and abuse of official capacity. The mayor was removed from office following her conviction and sentenced to four terms of imprisonment.

In May, the former owner and chief operating officer of a Kentucky livestock company were sentenced for operating a check-kiting scheme in order to access and maintain a \$32.5 million line of credit that the producers used to purchase livestock.

"When the bank discovered the scheme and closed the company's accounts in November 2010," OIG reports, "hundreds of businesses and individuals holding checks that could not be honored suffered financial losses."

The livestock producers have been sentenced to 70 and 57 months imprisonment, respectively, and will forfeit at least \$4.8 million in as-

sets.

Three other cases involving RD loan funds were resolved in April and May of this year.

Food stamp fraud declines

The remaining cases involved SNAP abuse on behalf of the estimated 250,000 retailers who help implement the program – not recipients – accepting SNAP benefits.

In one example, the owner of a Wisconsin meat delivery company was found to have exchanged \$716,000 in SNAP benefits for cash. In another, a Maine man funneled federal funds from his community action corporation into accounts used to pay for personal expenses.

Though just a snapshot in time, the July report flies in the face of the conventional wisdom of both parties: on the Republican side, that the SNAP program is disproportionately beset by fraud and inefficiency, and on the Democratic side, that crop insurance is the real source of the Department of Agriculture's regulatory headaches.

A 2011 USDA report that studied SNAP trafficking between 2006 and 2008 found that instances of that crime are on the decline. The department lost \$811 million to trafficking in 2003, but \$446 million in the period covered by the report.

Though SNAP rolls have swelled in the years since 2008's recession – experts estimate about 47 million Americans receive benefits today – the non-partisan Center on Budget and Policy Priorities (CBPP) says 2012 SNAP payment accuracy was at an all-time high.

CBPP also notes that the department's move to Electronic Benefit Transfer (EBT cards), which operate like standard debit cards but are pre-loaded with federal funds, have dramatically cut down on beneficiary fraud.

Last month, Rep. Jim McGovern, D-Mass., used examples of crop insurance fraud to argue that duplicitous agribusinesses – rather than SNAP recipients – should take the heat for government waste.

"The stories of widespread crop insurance fraud continue to surface," he said in introducing an unsuccessful amendment that would have stayed cuts to SNAP programs until crop insurance fraud rates were equal to that of the federal food stamp program.

But House Agriculture Committee Ranking Member Collin Peterson, D-Minn., pointed out that statistics on both types of federal crime are unclear.

"The reality is...there maybe is more fraud in crop insurance than SNAP, but nobody knows," he said. "We have made progress in both programs. We're using data mining to determine where there's a problem . . . Frankly, we should put more money into data mining, both in SNAP and in crop insurance . . . because it kind of tells you where the problem is."

Note: Agri-Pulse Associate Editor Aarian Marshall contributed to this report. Δ

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