



# FIVE WAYS CONGRESS CAN FOOD STAMP FRAUD

There are commonsense ways to stop fraud in its tracks, and Congress has a chance to tackle food stamp fraud head on in the Farm Bill reauthorization. **HERE'S HOW:**

## **1** Prohibit retailers from redeeming their benefits at their own store and disqualify fraudsters from being authorized retailers.

**Did you know that one in four grocery stores engages in EBT card trafficking?**

Cracking down on retailers involved in fraudulent redemption of benefits would stem the tide of trafficking that costs taxpayers millions each year.

## **2** Require states to suspend benefits after 60 days of purchases made exclusively out of state.

**States today are on the hook for non-residents.** States shouldn't be providing food stamp funds to non-residents, and reviewing cases in which food stamps are redeemed exclusively out of state can prevent fraudulent activities, like claiming benefits in two or more states at a time.

## **3** Clarify and limit authorized users of EBT cards.

**You know what they say about assuming...** By limiting the authorized users of an EBT card, states can prevent both the sale of food stamps for cash and the theft of food stamps from innocent beneficiaries.

## **4** Require states to conduct regular, automatic data eligibility cross-checks.

**Cross-Checks = Truly Eligible Enrollees.** All these records can be cross-checked against food stamps recipients to help prevent cases of fraud, like failing to report income or continuing to receive benefits while in jail.

## **5** Require 10-day change reporting for all food stamp enrollees.

**"Simplified reporting" isn't enough.** Requiring enrollees to report any change in income or another eligibility factor within 10 days would ensure that people only receive benefits for which they are eligible.

*Source: USDA estimates that more than 14 percent of retailers engage in trafficking.*

# SCHEMING ON FOOD STAMPS

Millions are lost to fraudulent food stamps schemes, which can go undetected for years. Here are some of the worst examples of recent food stamp fraud:

**Operation T-Bone** | Several years ago, Alabama law enforcement officials conducted Operation T-Bone, an investigation that resulted in 242 arrest warrants for 17 individuals at 11 convenience stores. **The stores were buying EBT cards for roughly 50 cents on the dollar and then using them to buy food in bulk to later sell at their own stores.**

## 5,000 Gallons of Mayonnaise and 50 Tons of Cheese

In 2021, an investigation revealed that two Texas women exchanged cash for food stamps at a store owned by one of the women. **From 2014 through 2019, the women made 715 fraudulent transactions linked to 83 unique beneficiaries of food stamps.** Their purchases included nearly 50 tons of American cheese, 22 tons of beans, and more than 5,000 gallons of mayonnaise, which they then sold to a partner in Mexico. The fraud cost taxpayers \$1.2 million.



**Four States, \$45,000, and Four Years in Prison** | A Kansas City, Missouri woman was sentenced to four years in prison for fraudulently applying for food stamps 71 times in four different states. In Missouri, she used stolen identity information to file six separate applications for food stamps. Her own email and phone number were listed on each application, yet all six were approved. She sold the benefit cards for cash each month. **Additionally, she filed for food stamps in four different states using her own identity and received more than \$20,000 worth of benefits in Missouri, Iowa, Indiana, and Illinois. She also received more than \$45,000 in benefits under stolen identities** in these same states.

## A Millionaire on Welfare

In Texas, an investigation revealed that a food stamp recipient failed to disclose his monthly income from a gift card liquidation business. These tax-free earnings averaged more than \$60,000 per month. **He received food stamps while earning a total of \$3 million over the course of four years.** He also fraudulently claimed Medicaid benefits and failed to disclose income from unemployment benefits.



**A \$4 Million Fraud Ring** | Three people were arrested in Michigan for running a food stamp fraud ring that stole benefits from more than 8,000 people. The thieves stole the data from recipients of EBT cards, primarily from California. They then used the data to create new EBT cards and used the food stamp benefits to purchase food at Sam's Club locations in Detroit. Investigators said that **there were \$4 million in fraudulent purchases made with out-of-state EBT cards.**



**You can get the sources and read more about food stamp fraud in FGA's latest report, "Five Ways That Congress Can Put a Stop to Food Stamp Fraud" [here](#):**

