



From the desk of Rep. Bruce Hanna

## **URGE LEADERSHIP TO MOVE SB 757A WITH THE -2 AMENDMENTS OUT OF HOUSE AGRICULTURE AND NATURAL RESOURCES**

The -2 Amendments to SB 757 create a “Food Assistance Program Fraud Workgroup” to identify necessary policy changes to better root out fraud. The concept was originally written for HB 2721, but that bill was pulled from its work session at the last minute before the deadline. Contact Rep. Hanna via email for a copy of the -2 amendments.

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Willamette Week – May 15, 2013 – by Andrea Damewood

### **Counting Cards**

A state audit says the Department of Human Services isn't tracking food-stamp fraud.

Tags: Department of Human Services, food stamps

In the wrong hands, food stamps can buy a lot more than milk and bread.

State officials say they know there's a black market for Oregon Trail cards, the electronic debit-style cards used by poor people to buy groceries. It's a problem nationwide: The cards are sold for cash, often about 50 cents on the dollar, so cardholders can buy items not allowed by the federal Supplemental Nutrition Assistance Program, or SNAP.

Oregon's Department of Human Services, which administers the federal food-stamp program, has been pushing the message that it's on top of fraud cases. In an April 2013 story in the *Salem Statesman Journal* headlined “Revealing the Myth of Food Stamp Fraud,” John Carter, the state's lead fraud investigator, says, “I would never characterize [fraud] as running rampant. That would be way off.”

But DHS actually has no clue how much fraud is going on among the state's 813,446 Oregon Trail cardholders, a new report by the Secretary of State Audits Division says.

DHS officials have tried to dismiss that portion of the audit. But auditors found 37,300 clients of the program had requested five or more replacement cards in the previous three years—a warning sign recipients may be selling them.

“There should be someone paying more attention,” Gary Blackmer, director of the Audits Division, tells *WW*. “We recommend they start managing those cards a little better.”

Oregon Trail cardholders get their monthly allotment of SNAP benefits (the average is \$129 a month) credited to their accounts on the first day of the month. When they go to buy groceries, they run the cards like a debit card, using a secret personal identification number, or PIN.

Small print

Here's how the scam works: Someone who wants cash sells the card along with its PIN; federal law bars stores from asking cardholders for ID, so anyone who knows the PIN can use the card. The seller waits a few days for the buyer to drain the balance, then reports the card lost or stolen. The state replaces the card, but not the spent money.

The state audit doesn't allege everyone who requests replacement cards is committing fraud, but auditors did find some people receiving as many as 30 new cards in a period of three years.

DHS investigated 4,041 suspected cases of food-stamp fraud last year. About a quarter resulted in the state taking some sanction against the cardholder.

The department doesn't track numbers for each type of fraud, so the state has no idea how many cases it's investigated for card selling.

"Nobody knows that number for sure," DHS's Carter says.

Criminal prosecutions of cash-for-card rackets are also scant.

In 2012, there were just 10 criminal convictions for fraud statewide. The last case in Multnomah County was in 2011, when a handful of people were arrested after a nine-month investigation revealed they were selling their Oregon Trail cards to a local store owner.

Gary Meabe, a Multnomah County senior deputy district attorney, says card-selling cases usually involve both local police and the U.S. Department of Agriculture, which funds the program. Meabe says such cases take a lot of time for little prosecutorial payoff.

"These are important cases," Meabe says, "but on the other hand the Legislature has deemed these almost the lowest-level crime. You're going to be put on probation."

Last fall, as auditors worked on their review, state officials began sending warning letters to recipients who request more than six replacement cards in a year. The state warns them their future requests will be more closely monitored, and they will be contacted by program inspectors if they keep seeking new cards. Officials also rolled out a new process for replacement cards, requiring clients to call a toll-free number and wait for up to five days for the cards to arrive by mail.

DHS Chief Operating Officer Jim Scherzinger says requests for new cards have dropped 19 percent since then.

The audit, released May 8, also criticized DHS for making public-assistance payments to dead people, state pensioners and lottery winners. Scherzinger called the portion of the audit devoted to potential card-trafficking an "add-on" to the full report.

Blackmer, the state auditor, disagrees.

"If something comes to our attention that we think is a potential problem, we're not going to ignore it," he says. "If it's a system where you don't even know how extensive the problems are, you can't say it's not cost-effective to go in and put some controls in place."

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