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## Multi-agency Operation Uncovers Food Stamp Fraud

### *DES Fraud Unit Works With Federal and Local Authorities to Bust Scam*

PHOENIX – State, federal and local officials today announced a significant series of indictments and search warrants against individuals and retailers involved in defrauding the federal food stamp program. It is believed that the scam defrauded the food stamp program of more than \$700,000.

The investigation began 15 months ago. It was aided over the last year by assistance from an anti-fraud Trafficking Detection Unit that Governor Jan Brewer launched with the Arizona Department of Economic Security in July 2010. Ultimately, the operation that culminated earlier today involved authorities with the U.S. Department of Agriculture – Office of Inspector General, Arizona Attorney General's Office and Phoenix Police Department, South Mountain Precinct.

"This multi-agency operation shows what can be accomplished when law enforcement works together," said Governor Brewer. "I established the Trafficking Detection Unit out of an obligation to the taxpayer. We know that most recipients of public benefits play by the rules, but today's bust proves once again that some do not. With anti-fraud efforts at DES and collaboration with state, local and federal authorities, we will continue to weed out the scammers and schemers who abuse our public trust."

Indictments have been handed down against 18 individuals thus far. Additionally, search warrants were executed today at four locations – three in Phoenix and one in Mesa. As this is an ongoing investigation, identities are not being released at this time of the individuals who have been served with indictments. Search warrants have also been sealed by the court.

"The interagency efforts between federal, state and local law enforcement officials over the last 15 months have been instrumental in addressing the alleged schemes to defraud the SNAP program," said Arizona Attorney General Tom Horne. "The influx of cash into neighborhoods from the illegal sale of benefits led to an increase in criminal activity. Protecting our neighborhoods and cities is a number one priority for me, and I am extremely grateful to law enforcement for bringing these predators to justice."

The federal food stamp program, formally known as the Supplemental Nutrition Assistance Program (SNAP), is administered by the U.S. Department of Agriculture. The program provides qualifying low-income families and individuals the ability to purchase eligible food items with the use of Electronic Benefit Transfer cards, which function similar to a debit card. SNAP benefits cannot be exchanged for cash.

"Today's action proves that the whole is greater than the sum of its parts," said Clarence Carter, Director of the Arizona Department of Economic Security. "When we collaborate and leverage our resources, we have an obligation to ensure that these life-sustaining benefits are reserved for those truly in need."

The fraud investigation was initiated at the request of Phoenix police officers who noticed a rise in crime around certain retail locations. State, federal and local authorities mounted an undercover operation. It was determined that the illegal redemption of SNAP benefits was at the root of this crime. As part of the scam, participating retail locations were paying EBT cardholders in cash for half of the value of their food stamp benefits. The retailers were then pocketing the remainder of the card value.

"This was a unique opportunity for the Phoenix Police Department to work with and establish new partnerships," said Phoenix Police Chief Joe Yahner. "We believe this investigation will have a direct impact on crime and the community we serve."

Felony charges filed today include: unlawful use of food stamps; unlawful use of a credit card; fraudulent schemes and artifices; illegal control of an enterprise and asset forfeiture. The Arizona Attorney General's Office will take the lead in prosecuting the cases.

"Conducting investigations into food stamp trafficking by vendors and recipients is a major investigative area for the USDA – Office of the Inspector General," said Special Agent-in-Charge Lori Chan, USDA Western Region – Office of the Inspector General. "In this particular case, the retailers involved collaborated, from approximately March 2010 to the present, by purchasing SNAP EBT benefits from recipients at a discounted rate. We appreciate the joint efforts of the other federal, state and local partners who contributed substantially to the investigation."