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## Skid row scams cost taxpayers millions

**The homeless take 50 cents on the dollar in food stamp schemes. Clinics do bogus tests.**

By Richard Winton  
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L.A.'s skid row has become a magnet for fraud schemes that use the area's homeless population to rip off the federal government, authorities said this week as they launched a crackdown on the activities.

In just the last few months, state and federal investigators have broken up two food stamp scams, one of which involved a merchant who allegedly gave homeless people 50 cents on the dollar for their stamps, then charged the entire value — \$6 million — to the government.

In November, officials filed charges against the owner of a MacArthur Park-area clinic for allegedly rounding up homeless people on skid row with Medi-Cal or Medicare cards and giving them a battery of medical tests charged to government programs. Authorities allege the bogus tests cost taxpayers at least \$1.6 million and perhaps much more.

Also, a hospital in South Los Angeles is under investigation to determine whether it recruited homeless people for short stays at federal expense, according to law enforcement sources.

The incidents are the latest crime problem on skid row, a long-troubled area of downtown that is home to an estimated 10,000 homeless people and the largest drug-dealing bazaar in Los Angeles. The city is in the midst of a major effort to clean up the district.

But police worry that these latest scams are helping fuel skid row's drug trade by allowing homeless people to get cash to buy drugs.

"We have taxpayer money meant for food being converted to cash that goes to buy drugs from dealers and gang members," said LAPD Capt. Andrew Smith, who oversees policing on skid row.

Smith and other LAPD officials said there is also evidence that some drug dealers themselves are using food stamps as a form of currency.

In May, officers arrested eight people for allegedly running a crack cocaine ring in skid row. They found numerous food stamp debit cards in the hotel room where the ring operated. Detectives concluded the suspects were holding the cards as collateral for drug purchases.

Homeless advocates said skid row is a particularly easy target for scam artists because many of the transients receive government assistance. Though the government places strict limits on the kinds of items that can be purchased with food stamps, they said unscrupulous merchants with food-stamp card readers can cheat the system.

Stores that accept food stamp cards use an ATM-like machine in which people swipe their cards to purchase items. The machines, which require a personal identification number, were designed to reduce fraud.

But prosecutors alleged that in both of the skid row cases, the defendants used the machines to charge homeless people for items. Instead of food, the transients received a fraction of the dollar value credited to their cards, and the suspects recouped the full amount from the federal government, they said.

"It makes you sad and cynical the way some people take advantage of people here," said Andrew Bales, president of the Union Rescue Mission.

The mission's vice president of operations, Scott Johnson, said his team earlier this year began noticing vans soliciting homeless people with Medi-Cal or Medicare cards several times a day. He soon learned the people were being taken to an East L.A. clinic for medical tests. "They'd pay \$30 a day," he said.

The three owners of Workplace Industrial Management Clinic — Rudik Avakyan, Gayane Abramyan and Lusine Khatchatryan — were arrested in November on 37 felony counts and accused of fraudulently billing \$1.6 million during the last two years. They have pleaded not guilty.

Court documents show that homeless people were brought by vans to the clinic two or three times a week. They were treated by the clinic's medical director, who prosecutors said was the late Mother Teresa's onetime personal physician. The state attorney general's office stressed in court documents that the doctor was not a part of the fraud and is considered an unwitting victim.

Prosecutors claim the clinic submitted bills for hundreds of "patients" — including 35 who were in fact deceased. In addition, the investigation revealed that the defendants billed the federal government for treatments when the physician was out of the country helping tsunami victims in Sri Lanka.

Last month, the U.S. attorney's office filed an even larger skid row case, this one involving mini-mart chain owner Tigran Malkhasyan and his assistant.

Assistant U.S. Atty. Doug Axel said that by government estimates, Malkhasyan used his corner markets throughout skid row to defraud the federal food stamp program of more than \$6 million.

Much of the activity allegedly occurred at Malkhasyan's Hollyfood Marts, at the southeast corner of 5th and San Pedro streets. That one store took in \$5.2 million in food stamps during the last four years — a staggering amount considering the business reported \$380,000 a year in total sales.

He was arrested in an undercover sting by the U.S. Department of Agriculture.

According to court records, Malkhasyan asked undercover agents for their food-stamp cards and their personal identification numbers and told them to come back later to collect 50 cents on the dollar.

Malkhasyan, a Pasadena resident, wrote \$1.4 million in checks to himself from the markets' bank accounts, and an assistant received \$784,000, authorities allege. Malkhasyan and employee Karine Atikyan last week pleaded not guilty to 22 counts of fraud and conspiracy and were freed on bail.

The alleged scam is one of several that prompted the Los Angeles County Board of Supervisors on Tuesday to order an investigation into the trafficking of food stamps.

The county wants to know how much the scams are costing the county, which administers the stamp program.

Police officers said they have their work cut out for them on skid row. Days after Malkhasyan was arrested, another man appeared at 5th and San Pedro streets, police said.

With transients lined up on the sidewalk, Willie Andrew Bassett allegedly swiped their food stamp debit cards through an electronic reader and gave the cardholders a fraction of the sum in cash.

When officers arrested him earlier this month, Bassett had \$3,900 in his pockets.

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