

Office of Inspector General, USDA Investigation Developments

August 4, 2011

FOOD AND NUTRITION SERVICE: *New York Store Owner and Son Sentenced and Ordered to Pay \$2.9 Million in Restitution and Forfeiture for Conspiracy to Commit Supplemental Nutrition Assistance Program (SNAP) Trafficking*

An OIG investigation disclosed that a Brooklyn store owner and her son were involved in a conspiracy to commit SNAP trafficking. The owner was arrested, pled guilty, and was sentenced to 2 years of incarceration. She was also ordered to pay \$1.4 million in restitution and forfeit \$100,000 in cash seized during the investigation. The son remained a fugitive until he was arrested in Florida in **July 2010** and returned to New York. A Federal court in New York sentenced him to 15 months' incarceration and ordered him to pay \$1.4 million in restitution.

FARM SERVICE AGENCY: *Illinois Farmer Sentenced and Ordered to Pay \$119,000 in Restitution for Conversion of Property*

An Illinois farmer sold 80,000 bushels of corn that he had pledged as collateral to secure a farm-stored commodity loan of \$166,000. OIG agents revealed that the farmer received approximately \$257,000 from the sales but remitted only \$46,000 to the Farm Service Agency (FSA) to apply to his loan balance. He pled guilty to one count of conversion of property. In **June 2011**, a Federal court in Illinois sentenced him to 5 months of incarceration and ordered him to pay \$119,000 in restitution.

FOOD AND NUTRITION SERVICE: *Previously Deported Connecticut Store Owner Sentenced and Ordered to Pay \$1.66 Million in Restitution for SNAP Fraud*

An OIG investigation disclosed that a Connecticut store owner operated multiple grocery stores under other people's names and used those stores to commit SNAP fraud. The false "store owners" received payment in exchange for signing documents related to the stores, including SNAP participation paperwork. The real owner of these stores had been convicted of food stamp fraud and other crimes over a decade ago. After serving his prison term, he was deported, but later imprisoned again for illegally reentering the United States. In **June 2011**, a Federal court in Connecticut sentenced him to 57 months of incarceration and \$1.66 million in restitution. OIG agents further revealed that the man's wife and brother participated in the trafficking scheme. The subject's brother pled guilty and was sentenced to 21 months of incarceration. A restitution hearing is scheduled for August 2011 to determine how much restitution the brother must pay.

RISK MANAGEMENT AGENCY: *California Farmer Sentenced and Ordered to Pay \$722,000 in Restitution and Penalties for Filing False Crop Insurance Claims*

An OIG investigation revealed that over 4 years, a California farmer filed six crop insurance claims containing false statements regarding ownership interest, crops planted, and acreage. As a result of these claims, he received \$383,000 in crop insurance benefits to which he was not entitled. Earlier this year, a Federal court convicted him of multiple false statements and sentenced him to more than 2 years in prison and \$222,000 in restitution and fines. In **June 2011**, a civil complaint was filed that included action to

recover treble damages from the individual pursuant to the False Claims Act. The individual consented to an entry judgment of \$500,000 representing damages, penalties, and costs. If he adheres to the scheduled 2-year repayment plan, the civil judgment will be reduced to \$400,000.

FOOD AND NUTRITION SERVICE: *California Store Employees Sentenced and Ordered to Pay \$2.2 Million in Restitution for SNAP Fraud, Conspiracy, and Money Laundering*

OIG agents revealed that a store in Stockton, California, redeemed more than \$2 million in SNAP benefits that could not be substantiated by food sales records. Two of the employees pled guilty to unauthorized use of SNAP benefits and conducting a monetary transaction in criminally derived property. In **May 2011**, a Federal court in California sentenced the two employees to periods of incarceration of 70 months and 63 months, respectively, and ordered them to pay \$2.2 million in restitution, jointly and severally, for illegally trafficking SNAP benefits. The third defendant pled guilty to one misdemeanor count of unauthorized use of SNAP benefits and was sentenced to 3 years of probation.

RISK MANAGEMENT AGENCY: *Ongoing Tobacco Fraud Investigation in North Carolina Results in Additional Sentence and New Restitution Order Totaling \$267,000*

An ongoing OIG investigation into a large crop insurance fraud scheme in North Carolina has obtained guilty pleas from more than 20 individuals. We have previously reported that the scheme involved numerous farmers, warehouse operators, insurance agents, and loss adjustors. The scheme's core elements involved the sale of tobacco under false names to hide actual production, followed by the filing of false crop insurance claims. The latest development is the **July 2011** sentencing of a farmer who pled guilty to making false statements related to the Federal Crop Insurance Corporation and FSA's Crop Disaster Program. He was sentenced to 1 day of incarceration, 5 years of probation, and ordered to pay restitution totaling \$267,000 to RMA, FSA, and a crop insurance company. The judge ordered that he be excluded from all USDA programs for 2 years beginning in 2012.

FOOD AND NUTRITION SERVICE: *Louisiana Store Owner and Associate Sentenced and Ordered to Pay \$32,000 in Restitution for SNAP Fraud and Distribution of Heroin near a School*

OIG disclosed that, from December 2009 to June 2010, a Louisiana grocery store owner and an associate purchased approximately 20 SNAP cards worth \$25,000 for half their value. They paid for the cards with cash and heroin. OIG agents also determined that the men had distributed 100 grams or more of heroin within 1,000 feet of a middle school. Both men pled guilty to drug and SNAP trafficking charges. In **June 2011**, a Federal court in Louisiana sentenced the owner to 3 years of incarceration and ordered him to pay \$16,000 in restitution.¹ They were ordered to forfeit any property obtained as a result of their crimes.

¹ The associate was sentenced earlier in 2011 to 2 years of incarceration and \$16,000 in restitution.