

## Office of Inspector General, USDA Investigation Developments

**January 10, 2012**

**RURAL BUSINESS AND COOPERATIVE SERVICE (RBS):** *Mississippi Bank Fraud Conspiracy Involving Catfish Farm Loan Leads to Jail Sentences for Consultant and Buyer; Restitution Orders Exceed \$10 Million*

An OIG investigation disclosed that the owner of a Mississippi corporation and several individuals schemed to overstate the value of live catfish inventory and other property to fraudulently obtain a \$9.5 million guaranteed loan from RBS. Following the OIG investigation, the owner's son, who managed the catfish farm, pled guilty to conspiracy. A former Rural Development (RD) official entered into a pre-trial diversion agreement under which he will remain in the diversion program for one year and pay \$10,000 in restitution. The buyer and his attorney were also charged with conspiracy. Two other individuals – the property appraiser and a paid consultant – pled guilty to violations including conspiracy, bribery, and false statements.

In October 2011, the corporation pled guilty in Federal court in Mississippi to conspiracy and agreed to pay \$4.25 million in restitution over a period of 6 years. The Federal court sentenced the consultant to 20 months in prison and ordered him to pay \$5.9 million in restitution. The buyer was sentenced to 5 years in prison and was ordered to pay \$18,000 in restitution. The appraiser was sentenced to a period of home confinement and community service, and fined \$10,000.

**RURAL HOUSING SERVICE (RHS):** *Fraud by Michigan Mortgage Company Results in Convictions for False Statements and Theft of Federal Funds; Court Orders Restitution Totaling \$2.45 Million, and Civil Settlement Requires \$6.2 Million Payment to RD and DOJ*

OIG agents disclosed that during 2001 - 2003, a former branch manager of a mortgage company and associates originated 271 RHS guaranteed single family home loans valued at over \$38 million. They regularly submitted falsified applications that included false income certifications, forged signatures, and fraudulent payment records. RHS guaranteed over \$6 million in loans based on the false information, and has lost over \$1.5 million from ineligible buyers defaulting on the loans. The former manager and his brother pled guilty to false statements on loan applications.

In December 2011, a Federal court in Michigan sentenced the former manager to 18 months imprisonment and \$1 million in restitution to RD. The Federal court sentenced his brother to 1 year imprisonment and \$571,000 in restitution. In a civil settlement filed in December 2011, the mortgage company agreed to pay \$6.2 million to RD and the Department of Justice. Two subordinate employees previously pled guilty to theft of Government funds and aiding and abetting. They were both sentenced to 2 years of probation and ordered to pay restitution exceeding \$650,000 and \$200,000, respectively.

**FOOD AND NUTRITION SERVICE (FNS):** *“Runner” in Seattle SNAP Fraud Scheme Sentenced and Ordered to Pay \$400,000 in Restitution*

OIG agents disclosed that the owner of a Seattle grocery store had exchanged more than \$2 million in Supplemental Nutrition Assistance Program (SNAP) benefits for cash. OIG determined the store owner used “runners,” including the woman sentenced in this case, to bring SNAP recipients to the store to make illegal SNAP transactions. In November 2011, a Federal court in Washington sentenced the runner to 18 months of imprisonment and ordered her to pay \$400,000 in restitution for her part in the criminal scheme. The store owner pled guilty to unlawful use of SNAP benefits and is awaiting sentencing at this time. The store owner is expected to be ordered to pay more than \$1 million in restitution, forfeit 2 vehicles, and forfeit more than \$142,000 in cash seized during the investigation. The store has been permanently disqualified from SNAP participation.

**FOREST SERVICE (FS):** *Former FS Employee Sentenced on Child Pornography Charge*

A Forest Service employee was arrested at Florida residence for downloading and possessing images of child pornography on his personal home computer. After the individual was arrested and absent from work, a manager, looking for work-related contract documents, found images of suspected pornography on the employee’s FS computer equipment. OIG agents conducted an investigation and forensic review of his work computer and thumb drive. The thumb drive contained child pornography and images of the individual engaged in inappropriate activities in his Government office. The individual pled guilty to receiving, transporting, and possessing child pornography. A Federal court in Florida sentenced him in October 2011 to 15½ years of imprisonment, followed by a life term of supervised release.

**RURAL HOUSING SERVICE (RHS):** *Maine Couple Sentenced and Ordered to Pay \$117,000 in Restitution for Receiving Unauthorized Rental Assistance Payments and Other Benefits*

An OIG investigation revealed that a husband and wife filed false information in order to receive unauthorized RHS rental assistance payments and other Federal benefits. OIG agents discovered that from June 2003 - October 2008, the couple conspired to defraud RHS by failing to report Supplemental Security Income (SSI) payments which the wife received from the Social Security Administration. They further conspired to misrepresent their marital status so the wife could receive SSI and SNAP benefits to which she was not entitled. They were both charged with conspiracy to defraud the United States through theft of public money. In November 2011 a Federal court in Maine sentenced the couple to 5 years of supervised probation. Restitution of \$53,000 and \$64,000 was ordered for the husband and wife, respectively.

**FARM SERVICE AGENCY (FSA):** *Oklahoma Farmer Sentenced and Ordered to Pay \$222,000 in Restitution for Misprision of a Felony Regarding FSA Loans*

An OIG investigation revealed that an Oklahoma farmer directed his two sons to sell \$292,000 in cattle that had been mortgaged as collateral for an FSA loan that was subsequently converted for unauthorized purposes. The man directed his sons to sell the cattle and had them deposit the proceeds into his financial account for his personal use. The man pled guilty to misprision of a felony. For concealing knowledge that collateral mortgaged for FSA loans had been illegally converted for unauthorized purposes, a Federal court in Oklahoma sentenced the man in September 2011 to three years of probation and ordered him to pay \$222,000 in restitution.

**FOOD AND NUTRITION SERVICE (FNS):** *Michigan School Food Service Director Sentenced for Fraud in School Lunch Program; School District to Forfeit \$341,000 of Future Reimbursements and Repay \$66,000 to State of Michigan*

An OIG investigation conducted with the FBI revealed that from 2002 - 2005, a Michigan school district food service director submitted false claims to the Michigan Department of Education for reimbursement under the National School Lunch Program (NSLP) and School Breakfast Program. In reviewing system access records, OIG agents discovered that the food service director had substantially misrepresented meal counts, claimed reimbursement rates for ineligible students, and directed employees to inflate the meal counts. He also embezzled funds paid to the school district for catering services. The Michigan Department of Education agreed to allow the school district to forfeit \$341,000 of its future NLSP reimbursements. Additionally, the school district repaid the State of Michigan \$66,000. In October 2011, a Federal court in Michigan sentenced the food service director to 1 year of confinement in a community corrections center and 3 years of probation.