

Office of Inspector General, USDA Investigation Developments

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Joint OIG-Secret Service Investigation Results in New Jersey Grocery Personnel Being Sentenced, Ordered to Pay \$3.1 Million Restitution for Discounting EBT Benefits for Cash

A New Jersey Federal court in July 2008 sentenced a retail grocery store owner to 43 months in prison, 36 months of probation, and ordered her to pay \$1.5 million in restitution for committing Electronic Benefit Transfer (EBT) fraud by discounting large amounts of EBT benefits for cash at her New Jersey store. The owner was originally arrested in June 2000, but fled to the Dominican Republic after being released on bond. She was tracked down and extradited to the United States in 2007 to face trial. Four store employees arrested in this case were sentenced to varying prison terms and ordered to pay a combined total of \$1.6 million in restitution.

Former Alabama Food Processing Company Employee Sentenced, Ordered to Pay \$472,000 in Restitution for Communicating False Information Regarding Tainted Food

An OIG investigation revealed that a former employee of an Alabama food processing company had called the company and communicated false information in claiming that a consumer product had been tainted. The former employee pled guilty to communicating false information. A Federal court in the Northern District of Alabama sentenced him in September 2008 to 12 months and a day in prison, 36 months of probation, and ordered him to pay \$472,000 in restitution.

Joint Investigation Results in Georgia Corporate Director Being Sentenced, Ordered to Pay \$778,000 in Restitution for Filing False Claims; Corporate Secretary Ordered to Pay \$49,000 in Restitution to IRS

A joint investigation conducted by OIG and the IRS revealed that a Georgia corporation had filed multiple false claims and misapplied Federal funds under the Child and Adult Care Food Program (CACFP), administered by the North Carolina Department of Health and Human Services. As a result, a corporate director and the corporate secretary received approximately \$778,000 in unauthorized CACFP funds. Both failed to pay taxes to the IRS on the illegally obtained funds. A Georgia Federal court in July 2008 sentenced the director to 57 months in prison, 36 months of supervised release, and ordered her to pay \$778,000 in restitution to the North Carolina agency. The corporate secretary was sentenced to home confinement, 5 years of probation, and ordered to pay \$49,000 in restitution to the IRS.

OIG Investigation Results in Former New York Grocery Store Owner Being Sentenced, Ordered to Pay \$1.88 Million in Restitution for Food Stamp Fraud

An OIG investigation in New York revealed that between January 1994 and September 1994, a former store owner illegally redeemed over \$1.88 million in food stamp coupons. The former store owner was apprehended by the FBI during a sting operation in Atlantic City, New Jersey, and extradited to New York. He pled guilty to aiding and abetting, conspiracy to commit food stamp fraud, and unauthorized use of food stamp authorization cards and licenses. In August 2008, the

Federal District Court, Southern District of New York, sentenced the former owner to 51 months in prison, 36 months of supervised release, and ordered him to pay \$1.88 million in restitution.

Owners of New York Dairy Farm Sentenced, Ordered to Pay \$455,000 in Restitution for False Statements and Bankruptcy Fraud

An OIG investigation revealed that two owners of a New York dairy farm made false statements to the Farm Service Agency (FSA) in order to receive over \$450,000 in USDA loans for their farm. The individuals sold dairy cows valued at over \$150,000 that had been pledged to USDA as security for the loan. The owners subsequently testified in Federal Bankruptcy Court that the 200 dairy cattle pledged as collateral had died. In May 2007, both owners were charged with Conversion of USDA Loan Security. They pled guilty to False Statements and Bankruptcy Fraud. The Federal District Court, Western District of New York, in July 2008 sentenced both men to 60 months of probation and ordered each to pay over \$227,000 in restitution. The Bankruptcy court dismissed their bankruptcy filing.

Joint Investigation in New York Targets Food Stamp Trafficking Scheme, Results in Grocery Store Employee Being Sentenced, Ordered to Pay \$400,000 in Restitution

A joint investigation conducted by OIG, IRS, and the Syracuse Police Department resulted in a retail grocery store employee being sentenced in July 2008 by a Federal court in New York to 27 months in prison, 36 months of probation, and ordered to pay \$400,000 in restitution for his role in a food stamp trafficking scheme. The investigation disclosed that between 2004 and 2005, the employee and the store owner redeemed over \$1.2 million in illegal food stamp benefits. The store owner is scheduled to be sentenced in December 2008.

Former Illinois Grocery Store Owner and Brother Sentenced, Ordered to Pay \$351,000 and \$2.8 Million in Restitution for Food Stamp Trafficking

In September 2008, a Federal judge in the Northern District of Illinois sentenced a former retail grocery store owner to 48 months of probation and ordered him to pay restitution of \$351,000 for trafficking in food stamp benefits using the Electronic Benefit Transfer (EBT) point of sale device issued to his store. The OIG investigation disclosed that between May 2002 and December 2002, the store redeemed \$504,000 in food stamp benefits, despite having annual food sales of only \$250,000. The owner perpetrated this fraud with his two brothers, one of whom fled the country after being charged in another food stamp trafficking case. The remaining brother pled guilty to conducting food stamp fraud in four other stores and was sentenced to 48 months in prison and ordered to pay restitution of \$2.8 million.

New York Grocery Owner Sentenced, Ordered to pay \$1.4 Million in Restitution for Food Stamp Trafficking

An OIG investigation disclosed that between 2006 and 2008, a New York grocery store owner engaged in food stamp trafficking fraud totaling approximately \$1.4 million. A Federal court sentenced the owner to 37 months in prison and ordered him to pay \$1.4 million in restitution.