

Office of Inspector General, USDA Investigation Developments

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FOOD AND NUTRITION SERVICE: *Michigan Store Owners Sentenced and Ordered to Pay \$680,000 in Restitution for SNAP Fraud*

An OIG investigation disclosed that on multiple occasions from April 2008 to September 2009, the co-owners of a Detroit grocery store and their employees knowingly purchased Supplemental Nutrition Assistance Program (SNAP) benefits from customers in exchange for cash and non-food items. The owners pled guilty to wire fraud. In April 2011, a Federal court in Michigan sentenced one of the owners to 27 months of incarceration and two years of probation. The court sentenced the second owner to one year of incarceration and two years of probation. They were ordered to pay \$680,000 in restitution, jointly and severally. Forfeiture action by the Internal Revenue Service has been initiated on \$97,000 in cash seized during the course of the investigation.

MULTIPLE USDA AGENCIES AND OTHER FEDERAL DEPARTMENTS: *Joint Investigation Results in Major Shipping Company Paying \$8 Million to Resolve Federal False Claims Act Allegations*

A joint investigation disclosed that, beginning in 2001, a major shipping company violated the Federal False Claims Act by submitting invoices that reported false reasons for late deliveries, thereby precluding the Government from seeking refunds for late deliveries. Agents from the OIGs at USDA, General Services Administration (GSA), and Department of Justice (DOJ) found that the company had falsely coded late deliveries as being delayed by security measures. The falsification of delivery information involved packages delivered to USDA, GSA, DOJ, and other Federal agencies.¹ The company agreed to pay the United States \$8 million to settle False Claims Act litigation filed in the case.

FOOD AND NUTRITION SERVICE: *Indiana Store Owner Sentenced and Ordered to Pay \$290,000 in Restitution for SNAP Fraud and Filing False Tax Returns*

An OIG investigation revealed that an Indiana grocery store owner committed wire fraud involving SNAP and filed false income tax returns. The storeowner pled guilty to one count of SNAP fraud and three counts of filing false income tax returns but subsequently fled the country to avoid prosecution. In January 2010, the individual returned from Jordan and was arrested at Chicago's O'Hare International Airport. In March 2011, a Federal court in Indiana sentenced the man to 27 months of incarceration and ordered him to pay \$290,000 in restitution.

NATURAL RESOURCES CONSERVATION SERVICE: *Three Texas Irrigation Companies Ordered To Pay \$50,000 Each in Restitution for EQIP Fraud*

An OIG investigation disclosed that three Texas irrigation companies submitted inflated invoices to obtain EQIP (Environmental Quality Incentives Program) cost-share reimbursements to which they

¹ This investigation was conducted by USDA OIG, the OIGs of GSA and DOJ, the U.S. Attorney's Office for the District of Columbia, and DOJ's Commercial Litigation Branch.

were not entitled. Each of the companies pled guilty to one count of making false, fictitious, or fraudulent claims. In March 2011, a Federal court in Texas sentenced each company to five years probation and also ordered it to pay \$50,000 in restitution. Two corporate officers/owners entered into pre-trial diversion agreements whereby each will pay a \$15,000 fine and \$50,000 in restitution. The two owners also agreed to a five year debarment from all Natural Resources Conservation Service programs. Criminal prosecution against a former manager of one of the companies is pending.

FOOD SAFETY AND INSPECTION SERVICE: *Alabama Food Processing Plant Employee Sentenced and Ordered to Pay Restitution of \$61,000 for Criminal Mischief*

An OIG investigation revealed that an employee of an Alabama food processing plant who was passed over for a promotion placed a piece of metal into meat that went into the processing line. The metal broke a meat grinder and the company lost both product and production time. The employee pled guilty to one count of criminal mischief. In March 2011, a State court in Franklin County, Alabama sentenced him to 10 years of imprisonment and ordered him to pay \$61,000 in restitution to the company.

RISK MANAGEMENT AGENCY: *Ongoing Tobacco Fraud Investigation in North Carolina Results in Additional Sentences and New Restitution Orders Totaling \$526,000*

An ongoing OIG investigation into a large crop insurance fraud scheme disclosed that two additional producers worked with a tobacco warehouse worker to fraudulently obtain crop insurance indemnity payments to which they were not entitled. In March 2011, a Federal court in North Carolina sentenced each of the producers to one day of incarceration, three years of supervised release, and five years of probation. The court also ordered one producer to pay restitution totaling \$310,000 to Risk Management Agency (RMA) and Farm Service Agency (FSA). The second producer was ordered to pay restitution totaling \$86,000 to RMA and FSA. Both producers will be excluded from all USDA programs for two years beginning with the 2011 crop year. In February 2011, a third producer involved in the scheme received a similar sentence and exclusion from USDA programs. The third producer was also fined \$10,000 and ordered to pay restitution totaling \$120,000 to RMA and FSA.

FOOD AND NUTRITION SERVICE: *Missouri Store Owner Sentenced and Ordered to Pay \$207,000 in Restitution for SNAP Fraud, Theft, and Money Laundering*

An OIG investigation disclosed that the owner of a grocery store and related money transfer business engaged in criminal activities connected to SNAP trafficking. The owner was charged with wire fraud, SNAP fraud, theft of public monies, and money laundering. He pled guilty to SNAP trafficking and wire fraud. Previously, in February 2007, the owner had been permanently disqualified from participating in SNAP. In April 2011, a Federal court in Missouri sentenced him to three years of probation and ordered him to pay \$207,000 in restitution.

FOOD AND NUTRITION SERVICE: *Joint Investigation Results in Michigan Store Employees' Being Sentenced and Ordered to Pay \$168,000 in Restitution for SNAP Fraud*

An OIG investigation conducted with the Michigan State Police revealed that the owner and two employees of a Detroit food and liquor store purchased SNAP benefits in exchange for discounted cash and ineligible items such as prescription drugs. The three individuals were charged with ten counts of wire fraud and aiding and abetting. Each employee pled guilty to one count of wire fraud. In April 2011, a Federal court in Michigan sentenced each employee to three years of supervised release and ordered them to pay restitution of \$130,000 and \$38,000, respectively, for their activities. The owner pled guilty to one count of food stamp fraud and one count of being a felon in possession of a firearm, with sentencing is scheduled for August 2011.