

## Office of Inspector General, USDA Investigation Developments

**April 5, 2012**

**FOOD AND NUTRITION SERVICE:** *Tobacco Wholesale Company and Employee Sentenced in Georgia, and Ordered to Pay Over \$7.6 Million in Restitution for Theft and Resale of Infant Formula and Disposable Razors*

An OIG investigation revealed that two criminal organizations had shoplifted approximately \$6 million of infant formula and disposable razors in the Atlanta Metropolitan area and transported the goods to a New York City warehouse. The company and an employee were charged with conspiracy and interstate transportation of stolen property. The employee pled guilty in 2011 and the company was found guilty on all charges at trial.

In **February 2012**, a Federal court in Georgia sentenced the company to 5 years of probation and ordered it pay \$6.7 million in restitution to various retail stores for its role in a widespread conspiracy. The employee was sentenced to 37 months of imprisonment and ordered to pay \$931,000 in restitution. Previously, 8 other defendants have been sentenced in this case to imprisonment terms ranging from 6 to 65 months.

**RISK MANAGEMENT AGENCY (RMA):** *Illinois Farmer Sentenced, Ordered to Pay \$1.8 Million in Restitution for Money Laundering, Bankruptcy Fraud, and Crop Insurance Fraud*

OIG agents disclosed that an Illinois farmer attempted to defraud the Government by underreporting his corn production while filing claims for crop insurance. He attempted to defraud the government of \$449,000 for crop insurance payments for his 2010 crops, and obtained \$79,000 in crop insurance payments for 2009 by using shell companies to hide his actual production. Initially, IRS arrested the farmer for bankruptcy fraud and money laundering. Following his arrest, RMA advised OIG that the farmer had hidden corn production, leading to the OIG investigation. In **February 2012**, a Federal court in Illinois sentenced the farmer to 51 months of imprisonment and ordered him to pay \$1.8 million to a State bank. The defendant agreed to voluntary debarment from all USDA programs for 5 years.

**FOOD SAFETY AND INSPECTION SERVICE (FSIS):** *Former FSIS Employee Sentenced, Ordered to Pay \$187,000 in Restitution for Falsely Representing Himself as a Veterinarian*

An OIG investigation revealed that a former FSIS employee had submitted false academic credentials to gain employment and promotions with FSIS, receiving a salary of \$187,000 via wire transfer. He pled guilty to wire fraud and false statements. In **January 2012**, a Federal court in Georgia sentenced the man to 21 months of imprisonment and ordered him to pay \$187,000 in restitution for falsely representing himself to be a veterinarian.

**FARM SERVICE AGENCY (FSA):** *North Dakota Farmer Sentenced, Ordered to Pay \$115,000 in Restitution for Conversion of Mortgaged Property*

A North Dakota farmer obtained an FSA loan after pledging livestock and vehicles as collateral. OIG agents determined that he subsequently sold or disposed of cattle, horses, and vehicles valued at \$122,000, and failed to apply the proceeds to his outstanding FSA loan. He pled guilty to 1 count of conversion of mortgaged property. In **February 2012**, a Federal court in North Dakota sentenced him to 3 years of supervised probation and ordered him to pay \$115,000 in restitution for the illegal activity.

**FOOD AND NUTRITION SERVICE:** *Michigan Store Owner and Employees Sentenced, Ordered to Pay Restitution of \$658,000 for Multiple Fraud Charges*

An OIG investigation revealed that two employees of a Grand Rapids, Michigan, store had illegally exchanged approximately \$474,000 in Supplemental Nutrition Assistance Program (SNAP) benefits for cash, and illegally received personal SNAP, welfare, and education benefits. The store owner fraudulently received approximately \$119,000 in SNAP and other Government benefits, and approximately \$68,000 in housing and education assistance. The store owner also operated an illegal money transfer business known as a "hawala" that transferred about \$100,000 overseas. The owner and the two employees pled guilty to multiple fraud charges. In **February 2012**, a Federal court in Michigan sentenced them to, respectively, 7 years, 15 months, and 8 months of imprisonment. The court also ordered them to pay restitution of \$658,000, jointly and severally, for their part in the scheme

**RISK MANAGEMENT AGENCY:** *Ongoing Tobacco Fraud Investigation in North Carolina Results in New Sentence and Restitution Order of \$972,000; Total Monetary Penalties Exceed \$19 Million*

A long running OIG investigation into a large crop insurance fraud scheme in North Carolina continues to result in additional guilty pleas, convictions, and large monetary restitution orders. The efforts of OIG agents in this ongoing scheme disclosed a wide-ranging conspiracy to file false crop insurance claims. The scheme has included farmers, warehouse operators, insurance agents, and loss adjustors who assisted in filing and concealing the false claims as well as cashing the nominee checks.

In the latest development, a farmer in the case pled guilty to 1 count of making false statements in connection with the Federal Crop Insurance Program and one count of conspiracy. In **February 2012**, a Federal court in the Eastern District of North Carolina sentenced the farmer to 1 day of incarceration, 5 years of probation, and ordered him to pay \$972,000 in restitution to RMA, FSA, and an insurance company.

To date, the continuing OIG investigation has resulted in over 22 individuals pleading guilty to related crimes and the levying of more than \$19 million in fines, restitution, and forfeiture orders.

**FARM SERVICE AGENCY:** *Iowa Producer Sentenced, Ordered to Pay \$235,000 in Restitution for Conversion of Mortgaged Property*

OIG agents disclosed that an Iowa producer had provided false statements to obtain two FSA commodity loans totaling \$235,000 and subsequently disposed of the underlying collateral without FSA authorization. He pled guilty to 1 count of conversion of mortgaged property. In **March 2012**, a Federal court in Iowa sentenced the producer to 4 years of probation and ordered him to pay \$235,000 in restitution to FSA.

**FOOD AND NUTRITION SERVICE:** *Georgia Store Owner Sentenced, Ordered to Pay Restitution of \$81,000 for SNAP and WIC Fraud*

An OIG investigation revealed an Atlanta store owner and others had opened numerous stores in Georgia in an attempt to defraud the SNAP and Supplemental Nutrition Program for Women, Infants, and Children (WIC) programs by accepting these benefits for ineligible items and cash. The owner pled guilty to 1 count of conspiracy to commit food stamp fraud. In **March 2012**, a Federal court in Georgia sentenced the store owner to 9 months of imprisonment, 3 years of probation, and ordered her to pay \$81,000 in restitution to FSA for her participation in this scheme. At least 9 other employees have been charged with conspiracy to commit SNAP and WIC fraud. Seven of these employees have pled guilty to the charges. Further court action is pending in this case.