

Office of Inspector General, USDA Investigation Developments

February 21, 2013

Former Louisiana Water System Employee Sentenced and Ordered to Pay \$411,000 Restitution for Felony Theft of Federal Loan Funds (Rural Housing Service – RHS)

On January 11, 2013, in a Louisiana State court, a former employee of a local water system was sentenced to 36 months of incarceration and ordered to pay \$411,000 in restitution. USDA Office of Inspector General (OIG) agents found that the individual fraudulently obtained \$411,000 from the bank accounts of the water system. Those funds had been pledged as security to RHS for a community facilities loan, but the former employee converted the funds to her own personal use. She pled guilty to felony theft in May 2012.

Joint Investigation Results in Maine Property Management Company Official Being Sentenced and Ordered to Pay \$25,000 in Restitution for Loan Skimming (Rural Development – RD)

On January 7, 2013, in a Maine Federal court, the chief executive officer (CEO) of a property management company was sentenced to 6 months of home confinement, 3 years of probation, and ordered to pay \$25,000 in restitution to a local housing authority. USDA OIG's investigation, conducted jointly with the Department of Housing and Urban Development's (HUD) OIG and the Federal Bureau of Investigation, found that the company removed at least \$987,000 in funds from project accounts and tenant security deposit accounts in violation of program regulations.¹ The joint investigation also revealed that the company charged ineligible expenses to the projects, lacked sufficient documentation for payments, failed to disclose relationships with Identity of Interest companies, and maintained inadequate financial records. The CEO pled guilty in August 2012 to counts of RD and HUD equity skimming.

Ohio Conspirator Sentenced and Ordered to Pay a \$300,000 Judgment for Conspiracy to Commit Fraud Involving SNAP, IRS Documents, and Social Security (Food and Nutrition Service – FNS)

On January 11, 2013, in an Ohio Federal court, the main subject of an investigation into an organized ring of individuals trafficking in Supplemental Nutrition Assistance Program (SNAP) benefits and stolen property in the Dayton area was sentenced to two years in prison. The defendant also agreed to pay a \$300,000 judgment. He pled guilty in September 2012 to charges of conspiracy, unauthorized use of SNAP access devices, structuring financial transactions to evade reporting requirements, aiding in the presentation of fraudulent documents to the Internal Revenue Service (IRS), and social security fraud. The investigation by USDA OIG agents determined that the group was trafficking in SNAP benefits and stolen merchandise. An additional subject—who was a member of the West Carrollton, OH, city council—resigned from the council immediately following the service of a search warrant by OIG agents. The former city council member was sentenced in Federal District Court on charges of conspiracy, unauthorized use/possession of SNAP access devices, and failure to file a currency transaction report. She was sentenced to 180 days of home confinement, 36 months of probation, 100 hours community of service, and a \$30,000 judgment.²

¹ The property company managed nine RHS-funded housing projects and one HUD-funded housing project. Regarding restitution to USDA, the defendant repaid the \$65,000 he had taken from the RHS-financed property prior to sentencing.

² Another individual involved in the conspiracy was previously sentenced to lesser penalties as a result of OIG's investigation.

Texas Apartment Complex Employee Sentenced and Ordered to Pay \$125,000 in Restitution for Falsifying Documents (RHS)

On January 10, 2013, in a Federal court in Texas, an employee of an apartment complex who falsified information to increase RHS rental subsidies for tenants was sentenced to 5 years of probation and ordered to pay \$125,000 in restitution. USDA OIG's investigation disclosed that between January 2008 and early November 2010, the employee created 278 falsified medical expense certification forms for tenants totaling more than \$400,000. The falsified forms enabled the tenants to pay less rent and increased RHS rental subsidies to the property. The fraud resulted in a loss to the Government of \$125,000. The employee pled guilty to one count of falsifying contracts, deeds, and powers of attorney in October 2012.

Michigan Convenience Store Owner Sentenced and Ordered to Pay \$613,000 in Restitution for Conspiracy to Commit SNAP Fraud (FNS)

On January 8, 2013, in a Michigan Federal court, the owner of a small convenience store in Flint who trafficked in SNAP benefits was sentenced to 51 months in prison and ordered to pay \$613,000 in restitution, jointly and severally, with a co-defendant. USDA OIG agents determined that the owner developed a network of individuals who obtained SNAP electronic benefit transfer (EBT) cards from recipients and made phone calls to the store where manual transactions were conducted. Numerous SNAP transactions between \$500 and \$600 were negotiated; at times, EBT cards from Idaho were also used in the trafficking. Two employees were arrested in August 2011 at the store for being felons illegally in possession of firearms. One employee pled guilty in 2012 to conspiracy to commit SNAP fraud. In a separate hearing, he was sentenced to 5 years' imprisonment on a firearms charge and sentenced to 18 months in prison, to be served concurrently, for the SNAP conspiracy offense. The employee was also ordered to pay \$613,000 in restitution, jointly and severally, with the store owner.³

West Virginia Grocery Store Owner Sentenced and Ordered to Pay \$127,000 in Restitution for Wire Fraud Involving Conspiracy to Commit SNAP Fraud (FNS)

On January 7, 2013, in a Federal court in West Virginia, a grocery store owner in Huntington who trafficked in SNAP benefits was sentenced to 6 months in prison, followed by 36 months of supervised release (with the first 6 months to be served as home confinement), and ordered to pay \$127,000 in restitution. USDA OIG's investigation disclosed that the store owner and two store employees exchanged SNAP benefits for cash with customers. All three were charged in February 2012 with multiple counts of SNAP fraud charges. The owner pled guilty in September 2012 to one count of conspiracy to commit SNAP fraud.⁴

Michigan Restaurant Owner and Spouse Sentenced and Ordered to Pay \$219,000 in Restitution for SNAP Fraud (FNS)

On January 22, 2013, in a Michigan Federal court, the husband and wife who owned a restaurant that trafficked in SNAP benefits were sentenced to incarceration terms of 18 months and 15 months, respectively. They were also ordered to pay joint and several restitution of \$219,000. The investigation by USDA OIG disclosed that on numerous occasions, the individuals exchanged SNAP benefits for cash. Trafficking occurred from February 2010 through May 2012. They pled guilty to SNAP fraud in October 2012.

³ Charges were dismissed against the second employee.

⁴ Previously, one of the employees was sentenced in September 2012 to 4 years of probation and ordered to pay \$127,000 in restitution. The second employee was sentenced in October 2012 to 3 years of probation and \$19,350 in restitution.