

**Office of Inspector General, USDA  
Investigation Developments**

**April 19, 2013**

*California Strawberry Farmer Sentenced and Ordered to Pay \$223,000 in Restitution for False Disaster Claims*

On February 19, 2013, in a California Federal court, a strawberry farmer who fraudulently obtained excess disaster benefits for crop losses was sentenced to 1 year in Federal prison, and was ordered to pay restitution of \$223,000 jointly and severally with his wife. He was also debarred from entering into contracts with the Farm Service Agency (FSA). OIG agents revealed that he and his wife falsely claimed crop losses by a joint venture business to receive \$160,000 in Crop Disaster Program benefits for the 2004 crop year, while they were eligible to receive only \$80,000 legally. They also underreported production in order to receive \$63,000 in Non-insured Crop Disaster Assistance Program benefits. The farmer pled guilty to making a false statement to the Commodity Credit Corporation. His wife was placed on pre-trial diversion in June 2012.

*Illinois Store Owner Sentenced and Ordered to Pay \$844,000 in Restitution for Trafficking Food Benefits*

On February 22, 2013, in an Illinois Federal court, the owner of a convenience store in Waukegan, Illinois, was sentenced to 30 months in prison, and was ordered to pay \$844,000 in restitution for trafficking in Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Assistance for Women, Infants and Children (WIC) benefits. OIG's investigation disclosed that the owner and his wife exchanged SNAP benefits for cash, purchased infant formula at half its retail price, and had excessive SNAP and WIC redemptions. In April 2011, approximately \$14,700 was seized from the store's bank account, and approximately \$377,000 in cash and \$16,000 in WIC vouchers were seized from the couple's home. Both the husband and wife pled guilty in August 2012 to one count of conspiracy regarding SNAP and WIC benefits. The wife's sentencing is pending.

*Mississippi County Administrator is Sentenced and Ordered to Pay \$73,000 for Theft and Bribery in Connection with Fraudulent Loan Activity*

On February 28, 2013, in a Mississippi Federal court, a county administrator who participated in fraudulent activity involving a hospital purchase financed with a \$27.3 million Rural Housing Service (RHS) guaranteed loan was sentenced to 14 months in prison, and was ordered to pay \$33,000 in restitution and a \$40,000 fine. OIG determined that he assisted a physicians' group in obtaining the hospital, which involved a fraudulent payment of \$250,000 needed to qualify for the guaranteed loan. Other criminal violations in the case included bribery, health care fraud, and embezzlement.<sup>1</sup>

*Texas Store Owner Sentenced and Ordered to Pay \$1.4 Million in Restitution for SNAP Trafficking*

On January 25, 2013, in Federal court in Texas, the owner of a small convenience store in Arlington, Texas, was sentenced to 57 months in prison and ordered to pay \$1.4 million in restitution for trafficking in SNAP benefits. OIG's investigation revealed that the store exchanged SNAP benefits for cash and, in one year, redeemed almost \$1 million, despite reporting total store sales of only \$200,000. OIG agents also found that the store owner moved approximately \$1 million in cash through a bank account on a monthly basis. The store owner pled guilty to counts of SNAP trafficking, wire fraud, and operating an illegal money transmitting business.

*New York Store Owner Sentenced and Ordered to Pay \$100,000 in Restitution for SNAP Fraud*

On February 14, 2013, in New York Federal court, the owner of a small store in Brooklyn was sentenced to 6 months in prison, and was ordered to pay \$100,000 in restitution for trafficking in SNAP benefits. OIG initiated

---

<sup>1</sup> Two other individuals in this case have been sentenced. A physician was sentenced to 2 years of home confinement and \$400,000 in restitution. Two businessmen involved in the scheme were found guilty of multiple offenses, including embezzlement, kickbacks, and lying to investigators. One was sentenced to 55 months in prison and fined \$10,000. Sentencing is pending for the second businessman.

its investigation due to information that the owner, who had been permanently disqualified from participating in SNAP for prior violations, had transferred ownership of the store to a straw owner. He retained control of the store and was exchanging SNAP benefits for cash, and was suspected of selling weapons at the store. OIG's investigation showed that during November 2009-January 2012, he and store employees trafficked in SNAP benefits. The owner pled guilty to conspiracy to commit SNAP trafficking. One of the employees entered into pre-trial diversion and was ordered to pay restitution of \$2,000. Additional judicial action is pending in this investigation.

*Benefit Recipient in Philadelphia Sentenced, Ordered to Pay \$208,000 in Restitution for Conversion of Funds*

On February 26, 2013, in Federal court in Pennsylvania, a Philadelphia woman who falsified information to receive several kinds of Federal assistance was sentenced to 90 days in prison, 3 years of supervised release, and was ordered to pay \$208,000 in restitution. OIG agents revealed that she participated in a scheme to defraud the Social Security Administration (SSA), the Department of Housing and Urban Development (HUD), and USDA by concealing and failing to report her marriage, her husband's income, and her own employment income. She thereby received unauthorized benefits from January 1999 through November 2008, resulting in a loss to the Government of approximately \$208,000. This was a joint investigation conducted with the SSA and HUD OIGs.

*Ongoing Tobacco Fraud Investigation in North Carolina Results in the Sentencing of Three Conspirators, with Restitution Orders of \$21 Million and \$8.4 Million*

To date, OIG's investigations into extensive fraud and abuse committed by parties involved in crop insurance program schemes in North Carolina have resulted in 40 individuals pleading guilty. Two new results were achieved in February 2013. The first recent development occurred on February 13, 2013. A farmer and crop insurance agent participating in the conspiracy were sentenced to 6 months' home confinement and 9 years in prison. The insurance agent was also ordered to pay \$7.4 million in restitution to RMA and \$1 million in restitution to private insurance companies. OIG determined that the crop insurance agent failed to disclose certain financial dealings with clients on conflict of interest disclosure reports, and aided clients in hiding tobacco production and filing false insurance claims. During September 2005-September 2011, the agent's actions caused \$7.4 million in Federal crop insurance indemnity payments and \$1 million of crop hail indemnity payments to be paid to his insured clients. The farmer sold tobacco to the agent but did not disclose the tobacco in production reports in connection with his indemnity claims.

The second recent development occurred on February 20, 2013. A former crop insurance adjuster involved in the broad conspiracy was sentenced to 4 years' imprisonment and ordered to pay \$21 million in restitution.<sup>2</sup> OIG agents disclosed that farmers, warehouse operators, crop insurance agents, adjusters, and check cashers assisted in filing and concealing the false claims and cashing "nominee" checks. The adjuster also threatened to do bodily harm to a witness and his wife because the witness provided information to investigators. The adjuster pled guilty to charges regarding false statements, mail and wire fraud, and retaliating against a witness.

*North Dakota Farmer Sentenced and Ordered to Pay \$45,000 in Restitution for Conversion of Mortgaged Property*

On February 25, 2013, in Federal court in North Dakota, a farmer who sold mortgaged grain without authorization was sentenced to 2 years of probation on each of two counts, to run concurrently with 6 months' home confinement. He was also ordered to pay \$45,000 in restitution. OIG's investigation determined that the farmer converted over 2,200 bushels of mortgaged grain, valued at approximately \$19,000, which had been pledged to FSA. He falsified his FSA security agreement by certifying 22 head of cattle which he did not possess. He pled guilty to two counts of conversion of mortgaged property.

---

<sup>2</sup> Of this restitution amount, \$6.7 million is joint and several with three co-defendants who were previously sentenced.