

## Office of Inspector General (OIG), USDA Investigation Developments

July 2, 2013

### *Joint Investigation Results in Former Owner and Former Chief Officer of Kentucky Livestock Company Being Sentenced, Ordered to Pay \$4.8 Million in Restitution and Forfeiture for Mail Fraud Upon a Financial Institution*

On May 21, 2013, in U.S. District Court in Kentucky, the former owner and the former chief operating officer (COO) of a livestock company were sentenced to 70 and 57 months' imprisonment, respectively. Restitution was ordered, which is to be offset with a pending civil forfeiture of over \$4.8 million. The OIG investigation, conducted jointly with the Federal Bureau of Investigation (FBI) and the U.S. Postal Inspection Service, disclosed that the livestock company operated a large-scale check kiting scheme to inflate the value of its accounts receivable in order to maintain and access a \$32.5 million bank line of credit used to purchase livestock. When the bank discovered the scheme and closed the company's accounts in November 2010, hundreds of businesses and individuals holding checks that could not be honored suffered financial losses. The owner and COO pled guilty to mail fraud upon a financial institution. Two other individuals pled guilty to State charges and were each sentenced to 1 year of imprisonment.

### *Joint Investigation Results in Former Texas Mayor Being Sentenced and Removed from Office for Theft and Abuse of Official Capacity*

On May 10, 2013, in a Texas State court, a former mayor who misused city funds and assets was sentenced to four terms of imprisonment (each term being 5 years or 1 year) that will run concurrently. USDA OIG contributed to a joint investigation<sup>1</sup> that determined that the mayor obtained approximately \$115,000 in Rural Development (RD) grants and loans in March 2010 to buy three fully equipped police vehicles. The former mayor used the vehicles as collateral to obtain a \$40,000 loan from a local bank to pay city employees, in violation of the grant agreement which prohibits grantees from encumbering or disposing of property without RD's consent. The mayor also misused other city funds and took a personal loan from a city bank account. In April 2013, a jury found the mayor guilty of felony charges including misapplication of fiduciary property, theft by a public servant, and abuse of official capacity. The mayor was removed from office following her conviction. Four other city employees—including three police officers who had previously pled guilty to lesser charges—were fined and resigned from their positions. Charges against two officials were dismissed.

### *Former RD Employee Sentenced, Ordered to Pay \$3.9 Million in Restitution for Wire Fraud*

On June 5, 2013, in U.S. District Court in Alabama, a former RD employee was ordered to pay \$3.9 million in restitution to seven water authorities and one electric authority. The individual had previously been sentenced in March 2013 to 5 years' imprisonment. OIG's investigation determined that the employee committed bank fraud by depositing \$6.2 million in checks issued by 10 water authorities and an electric authority into a bank account on which he had the sole signatory authority. The individual then transferred those funds to a personal account and his E-trade account. He later repaid some of the funds he had diverted. The defendant pled guilty to wire fraud and was removed from Federal service in January 2013.

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<sup>1</sup> The Montgomery County District Attorney's Office, the FBI, the Texas Rangers, the Texas Department of Public Safety, and the Drug Enforcement Administration participated in the investigation.

*Joint Investigation Results in Wisconsin Man Being Sentenced and Ordered to Pay \$2.5 Million in Restitution for Bank Fraud*

On May 14, 2013, in U.S. District Court in Wisconsin, an individual who committed bank fraud and loan fraud involving RD loans was sentenced to 45 months' imprisonment and ordered to pay \$2.5 million in restitution. The defendant will be prohibited from handling financial transactions upon release from prison. The OIG investigation, conducted jointly with the Internal Revenue Service (IRS) and the FBI, disclosed that the man acquired properties using false representations to RD, embezzled funds from reserve accounts, and mismanaged loan funds. His actions led to an estimated net loss to RD of \$840,000 and estimated bank fraud of \$2.5 million at two private lending institutions. The defendant pled guilty to two counts of bank fraud. He agreed to a 5-year voluntary disqualification and debarment from all USDA programs.

*California Store Owner Sentenced and Ordered to Pay \$1 Million in Restitution for Theft of Government Property*

On May 6, 2013, in U.S. District Court, Eastern District of California, the owner of a retail store who trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits was sentenced to 37 months' imprisonment and ordered to pay \$1 million in restitution. USDA OIG agents determined that the store was purchasing SNAP benefits, and a significant portion of the store's approximately \$2 million in SNAP redemptions during a two-year period were not supported by legitimate sales. More than \$230,000 was seized during the investigation and will be applied towards restitution. The owner pled guilty to theft of Government property in December 2012.

*Joint Investigation Results in Former Executive of Community Action Corporation in Maine Being Sentenced and Ordered to Pay \$1.4 Million in Restitution for Conspiracy and Embezzlement*

On May 21, 2013, in U.S. District Court in Maine, the former executive director of a community action corporation was sentenced to 30 months' imprisonment and ordered to pay restitution of \$1.4 million. The investigation determined that Federal funds, including administrative funds in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), were diverted to a consulting company and then used to pay personal living expenses and cash kickbacks to its executive director. He pled guilty to conspiracy, embezzlement from a Federally-funded program, tax evasion, and signing false tax returns. The investigation was conducted by USDA OIG, IRS, and the OIGs at the Department of Housing and Urban Development and the Department of Transportation.

*Wisconsin Meat Delivery Company Owner Sentenced and Ordered to Pay \$716,000 in Restitution for SNAP Fraud*

On May 9, 2013, in U.S. District Court in Wisconsin, the owner of a meat delivery company who trafficked in SNAP benefits was sentenced to 2 years' imprisonment, and ordered to pay \$716,000 in restitution. The OIG investigation disclosed that the owner exchanged cash for SNAP benefits at homeless shelters. He pled guilty to one count of SNAP fraud.

*Former Bank Branch Manager in Missouri Sentenced and Ordered to Pay \$1.2 Million in Restitution for Bank Fraud and Embezzlement*

On May 20, 2013, in U.S. District Court in Missouri, the former branch manager of a bank was sentenced to 57 months' imprisonment and ordered to pay approximately \$1.2 million in restitution. The joint investigation, conducted by OIG and the Federal Deposit Insurance Corporation, found that he created and issued irrevocable

letters of credit on bank letterhead to a bank customer who then used the letters as collateral to obtain RD loans. The bank customer was the end recipient of several RD pass-through business loans involving electrical cooperatives. The former bank branch manager pled guilty to bank fraud, embezzlement, and aiding and abetting.

*Illinois Food Store Owner Sentenced and Ordered to Pay \$159,000 in Restitution for Wire Fraud*

On May 22, 2013, in U.S. District Court in Illinois, the owner of a Chicago food market that trafficked in SNAP benefits was sentenced to 3 years of probation and ordered to pay \$159,000 in restitution. OIG's investigation disclosed that from June 2009 to June 2010, the owner was exchanging SNAP benefits for cash and ineligible items. In addition, the OIG investigation found that he had owned a store at the same location under a different name that was disqualified from SNAP in 2006. The store was reopened with a different name and his wife was listed as the owner on the paperwork filed to participate in SNAP. However, the disqualified individual actually continued to operate the store. He pled guilty to wire fraud in September 2012.

*Joint Investigation Results in Michigan Couple Being Sentenced and Ordered to Pay \$85,000 in Restitution for Theft of Public Money and Illegal Entry into the United States*

On May 22, 2013, in U.S. District Court in Michigan, a man and woman who fraudulently received Federal benefits while illegally in the United States were sentenced to 2 years and 1 year of incarceration, respectively. They were also ordered, jointly and severally, to pay restitution of \$85,000, and will be deported to Mexico following incarceration. The joint investigation determined that they illegally re-entered the United States in 2004 after they had been previously deported. Since 2004, the defendants received more than \$80,000 in benefits—including SNAP, WIC, Medicaid, and Temporary Assistance for Needy Families—for which they were not eligible. They each pled guilty to three counts of theft of public money and one count of illegal reentry into the United States. This investigation was conducted by USDA OIG and the OIGs at the Social Security Administration and the Department of Homeland Security.