

Office of Inspector General, USDA Investigation Developments Bulletin

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Embezzlement of Conservation Funds by Former NRCS Employee—Louisiana

On December 6, 2013, in U.S. District Court in Louisiana, a former NRCS employee who embezzled funds from a resource conservation and development council was sentenced to 40 months in prison, 60 months of supervised release, and was ordered to pay \$450,000 in restitution. OIG's investigation found that the employee made seven false applications to a bank on behalf of the council requesting new loans or loan extensions totaling \$175,000. She falsely reported on three Confidential Financial Disclosure Reports that she had no reportable sources of income, when she actually had obtained more than \$100,000 in assets and income each year (2007-2009) by embezzlement from the conservation council. She was charged with 10 counts of theft of Government funds and bank fraud, and pled guilty to one count of making fraudulent statements on a loan and credit application.

Nutrition Program Fraud and Witness Tampering by Market Owner—Michigan

On November 22, 2013, in U.S. District Court in Michigan, the owner of a Dearborn market that trafficked in nutrition assistance benefits was sentenced to 3 years in prison, 36 months' supervised release, and was ordered to pay \$1.2 million in restitution. OIG's investigation determined that store personnel were providing cash and ineligible items in exchange for both Supplemental Nutrition Assistance Program (SNAP) benefits and Special Supplemental Nutrition Program for Women, Infants and Children (WIC) benefits. Over \$90,000 in cash was seized from the store and the owner's residence during the investigation. Early in 2013, the store owner confronted and threatened to kill an individual who assisted with the investigation. The owner was arrested and held for a detention hearing, after which he was released on a \$10,000 bond and placed on electronic monitoring and travel restriction. He was charged with wire fraud and witness tampering, and pled guilty to one count of wire fraud.¹

Producer Fraudulently Obtains FSA Operating Loan and Illegally Converts Collateral—Kansas

On December 2, 2013, in U.S. District Court in Kansas, a producer who committed fraud involving Farm Service Agency (FSA) loans was sentenced to 21 months in prison, 60 months of supervised release, and was ordered to pay \$100,000 in restitution to FSA. OIG's investigation determined that the producer falsely represented to FSA that his son would use the proceeds of an FSA operating loan to purchase and raise cattle while attending a local college. He subsequently used the cattle purchased under his son's loan to serve as collateral for his own commercial loans, and then sold the cattle without knowledge or permission of either FSA or the bank. The producer was charged with counts of making a false statement, loan fraud, and criminal conversion. He pled guilty to bank fraud and criminal conversion.

Incarceration and Restitution Ordered for Retailer Committing SNAP Fraud—California

On November 4, 2013, in U.S. District Court in California, the owner of a store in Indio, California, who trafficked in SNAP benefits was sentenced to 42 months in prison, 36 months of supervised release, and was ordered to pay \$3.5 million in restitution. OIG's investigation disclosed that the owner and

¹ This investigation was conducted jointly with the Internal Revenue Service (IRS) and the Michigan State Police—Bridge Card Enforcement Team.

employees of the food store exchanged SNAP benefits for cash. The owner pled guilty to food stamp trafficking and aiding and abetting.

Major Civil Settlement Approved Regarding Mistreatment of Cattle at Meat Packing Plant—California

On November 14, 2013, a California probate court approved (and thereby finalized) a settlement agreement that resulted from an OIG investigation at a meat packing plant in Chino, California. OIG initiated an investigation after receiving an undercover videotape in 2008 that depicted possible violations of the Federal Meat Inspection Act. OIG investigated allegations of the mistreatment of cattle destined for slaughter and the adulteration of meat products, including meat distributed to the National School Lunch Program.

In October 2013, in U.S. District Court in California, five defendants had agreed to a civil settlement in which one of the subsidiary companies agreed to enter into a consent judgment of \$155 million in favor of the United States. The other defendants agreed to pay amounts ranging from \$10,000 to \$75,000 to an animal welfare group, and from \$240,000 to \$1.8 million to the U.S. Government. Two owners of the main meat packing company had previously entered into a settlement agreement that stipulated each make initial payments of \$80,000, followed by additional amounts of \$96,000 and \$48,000, respectively, with interest. The two owners also agreed to not oppose a consent judgment of \$497 million against their company. Additionally, two plant employees previously pled guilty in a California Superior Court to charges involving cruelty to animals and movement of a non-ambulatory animal. One was sentenced to 180 days in jail and was deported after serving the jail time. The other was sentenced to 9 months' incarceration and 3 years of probation.

Storeowners Engaged in SNAP Trafficking and Fraudulent Tax Returns—Florida

In November 2013, two owners of a Sarasota store that was an authorized SNAP retailer were sentenced in U.S. District Court in Florida for criminal activity related to SNAP transactions. OIG's investigation determined that one co-owner of the store exchanged SNAP benefits for cash on a number of occasions, with estimates of SNAP fraud at the store exceeding \$730,000 since 2009. On November 1, 2013, he was sentenced to 2.5 years in prison and was ordered to pay \$735,800 in restitution. He agreed to give up his ownership interest in the \$45,000 cash that was seized during the investigation. One week later, after entering a guilty plea for aiding and assisting in the submission of fraudulent income tax returns, the second co-owner was sentenced to 2 years in prison and was ordered to pay \$667,500 in restitution. He also agreed to give up his ownership interest in the \$45,000 seized during the investigation.²

New Sentences and Monetary Restitutions Obtained in Extensive SNAP/WIC Conspiracy—Georgia

Three more individuals were sentenced in U.S. District Court in November 2013 as the result of OIG's investigation into the nutrition program scheme organized by a group of individuals in Georgia. The scheme involved opening numerous stores to defraud the SNAP and WIC programs by exchanging cash for program benefits. The first sentencing occurred on November 1, 2013, in U.S. District Court in Georgia, when an employee of a Decatur grocery store was sentenced to 12 years in prison. A week later in the same court, the owner of that store was sentenced to 14 years' imprisonment, and was ordered to pay over \$8.2 million in restitution (\$6.4 million was joint and several with co-defendants who were previously sentenced). These two individuals, along with another store employee, were found guilty of conspiracy to commit wire fraud and conspiracy to commit money laundering.

² Homeland Security Investigations, the IRS, and the Sarasota Police Department participated in this joint investigation.

Shortly thereafter, on November 15, 2013, in U.S. District Court in Georgia, another employee of the Decatur grocery store was sentenced to 70 months in prison. He had been found guilty at trial of conspiracy to commit wire fraud and conspiracy to commit money laundering.

Thirteen other employees and store owners who were subjects of this joint investigation have previously pled guilty in Federal court in Georgia. The charges have included conspiracy to commit wire fraud, conspiracy to commit SNAP/WIC fraud, conspiracy to commit money laundering, and theft of Government funds. The prison sentences imposed on prior defendants ranged from 9 to 63 months; defendants have been ordered to pay restitutions exceeding \$8.2 million; and the judge has ordered the forfeiture of three sports cars and \$113,000 in various bank accounts. In addition, a number of SNAP and WIC recipients who sold benefits at these stores have had their benefits suspended and claims established against them.³

Stolen Infant Formula Scheme Results in Sentence and Forfeiture for Money Laundering—California

On December 9, 2013, in a U.S. District Court in California, an individual who was involved in purchasing stolen infant formula was sentenced to 5 years' probation, 8 months' home detention with electronic monitoring, and forfeiture of \$75,000. OIG's investigation revealed that the man purchased stolen infant formula from several businesses and multiple individuals as part of an expansive retail theft scheme. He and four other individuals were charged with offenses such as interstate transportation of stolen property, sale/receipt of stolen goods, money laundering, and conspiracy. He pled guilty to one count of money laundering. Other defendants previously received sentences involving time already served, probation, community service, and forfeiture of infant formula.⁴

Storeowner Pays Monetary Judgment for SNAP Trafficking and Theft of Public Funds—Ohio

On December 4, 2013, in U.S. District Court in Ohio, the owner of a Fairborn food market who trafficked in SNAP benefits was sentenced to 14 months' in prison and 3 years of supervised release. The joint investigation disclosed that the owner and a store employee exchanged SNAP benefits for cash and ineligible items, including a motor vehicle. The owner illegally received unemployment insurance by claiming he was not working when he was actually running a business enterprise. He pled guilty to conspiracy to commit money laundering, SNAP trafficking, and theft of public money. As a condition of the plea agreement, he was ordered to pay a money judgment of \$133,000 to USDA and the U.S. Secret Service. He has also forfeited more than \$65,000 in assets seized during the investigation.⁵

³ This case was worked jointly with the IRS, the U.S. Secret Service, and the Savannah-Chatham Metropolitan Police Department.

⁴ This investigation was conducted jointly with the Federal Bureau of Investigation and the Los Angeles Police Department.

⁵ The store employee previously pled guilty to one count of conspiracy and was sentenced in 2012 to 60 months' probation and ordered to pay \$200,000 in restitution. This investigation was conducted with the U.S. Secret Service, the U.S. Department of Labor OIG, and the Ohio Department of Public Safety.