

Office of Inspector General, USDA Investigation Developments Bulletin

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Fraud in Use of Recovery Act Funds Results in Incarceration and \$1.4 Million Restitution for Construction Company Personnel – Illinois

On May 16, 2014, a man and his son who filed false information to obtain ARRA-funded Rural Development guaranteed loan funds were sentenced in U.S. District Court in Illinois. The father was sentenced to 1 year in prison, and his son was sentenced to 1 day in jail and 1 year of home confinement. They were each ordered, jointly and severally, to pay \$1.4 million in restitution. The joint investigation revealed that the father and son were executives in a company that applied for a \$5.95 million guaranteed Business and Industry loan to purchase and equip a factory. They conspired to have \$1.7 million of those loan funds released under false pretenses. The son, representing a family-owned construction company that was named as the general contractor for the renovations, produced false documents claiming payment for renovation work done at the plant that either had not been performed, or was of a lesser value than claimed on the contractor's sworn statements. They both pled guilty to conspiracy to commit bank fraud, and the son also pled guilty to money laundering.¹

Grocery Store Employee Sentenced and Ordered to Pay \$2.8 Million in Restitution for Supplemental Nutrition Assistance Program (SNAP) Trafficking – New Jersey

On June 5, 2014, in U.S. District Court in New Jersey, an employee of a Camden grocery store who trafficked in SNAP benefits was sentenced to 37 months' imprisonment and ordered to pay \$2.8 million in restitution. OIG's investigation disclosed that SNAP benefits were exchanged for cash at the store. The employee was charged with theft of public money. He pled guilty to the charge and agreed to forfeit \$22,200 that was seized during the investigation. This investigation was conducted jointly with Homeland Security Investigations and the IRS.

Owners of Child Care Facility Sentenced and Ordered to Pay Restitution of \$3.3 Million for False Reimbursement Claims – Indiana

On April 22, 2014, in U.S. District Court in Indiana, the married owners of a child care facility were sentenced to 32 and 42 months in prison, respectively, and were ordered to pay a total of \$3.3 million in restitution. OIG's investigation determined that from January 2007-June 2010, the couple submitted false claims for reimbursement of meal services under the Child and Adult Care Food Program (CACFP) for children who were not in attendance. They also submitted false claims to the State of Indiana for reimbursement under the Child Care Development Fund (CCDF) program that is funded by the U.S. Department of Health and Human Services and the State of Indiana. At least 50 percent of the claims submitted for both programs were false.²

Food Store Owner Engaged in SNAP Conspiracy Sentenced for Theft of Government Funds; Restitution Orders in Case Exceed \$3.1 Million – New York

On April 29, 2014, in U.S. District Court in New York, the owner of a Bronx food store who trafficked in SNAP benefits was sentenced to 21 months in prison, and was ordered to pay \$1.2 million in restitution. OIG's investigation disclosed that several employees of the food store and a related store in the same shopping center exchanged SNAP benefits for cash at a discount. The store owner pled guilty to conspiracy to commit food stamp fraud and theft of Government funds. Three employees were also

¹ USDA OIG conducted the investigation jointly with the Federal Bureau of Investigation, the Internal Revenue Service, and the Federal Deposit Insurance Corporation's OIG.

² This investigation was conducted jointly with the IRS and the Indiana Family and Social Services Administration.

charged with violations including conspiracy to commit food stamp fraud and/or theft of Government funds. One employee was sentenced to 2 years in prison and was ordered to pay \$954,900 in restitution. Another was sentenced to 4 months in prison, 4 months' home confinement, and was ordered to pay \$1 million in restitution. The third employee pled guilty to theft of Government funds and is awaiting sentencing.

Producer Sentenced and Ordered to Pay Restitution for Conversion of FSA-Mortgaged Property – Minnesota

On May 13, 2014, in U.S. District Court in Minnesota, a producer was ordered to pay restitution of \$164,000 for conversion of collateral securing a Farm Service Agency (FSA) loan. In August 2013, he was sentenced to serve 3 years of probation, with restitution to be determined after further review. OIG's investigation determined that he provided false information to FSA about chattel property he owned in order to inflate the value of loans he received, and that he later sold at least 85 head of cattle without FSA authorization. After FSA repossessed his remaining cattle and auctioned them for proceeds, he owed approximately \$160,000 to FSA. He pled guilty to conversion of mortgaged property.

Exchanging SNAP Benefits for Cash and Prohibited Items Results in Incarceration and \$820,300 Restitution for Store Owner – Connecticut

On April 25, 2014, in U.S. District Court in Connecticut, the owner of a store in Meriden, Connecticut, was sentenced to time served and ordered to serve 2 years' probation and to pay \$820,300 in restitution for trafficking in SNAP benefits. OIG's investigation determined that the employee and the owner of the store illegally exchanged SNAP benefits for cash and ineligible items on multiple occasions. They were both charged with conspiracy to commit SNAP trafficking; the owner pled guilty. The employee was previously found guilty and was sentenced in January 2014 to 27 months in prison and ordered to pay \$820,300 in restitution.³

Store Owners Sentenced and Ordered to Pay \$1.6 Million in Restitution for SNAP Trafficking and Concealment – Louisiana

On May 14, 2014, in U.S. District Court in Louisiana, the owner of a store that trafficked in SNAP benefits was sentenced to 8 months of home confinement and 4 years' probation, and her husband was sentenced to 33 months' incarceration. They were also ordered to pay \$1.6 million in restitution jointly and severally. The investigation disclosed that SNAP benefits were exchanged at the store for U.S. currency and ineligible items. The husband and wife were charged with SNAP trafficking and misprision (concealment) of a felony and later pled guilty to the charges.⁴

Additional Sentencings and Guilty Pleas Obtained in Large-scale Cockfighting Ring – Washington

On May 15, 2014, four more men involved in cockfighting offenses in Washington State were sentenced in Federal court. OIG's investigation, conducted jointly with the Drug Enforcement Administration and the Washington State Gambling Commission, targeted organized cockfighting derbies and large-scale drug traffickers who were involved. More than 40 individuals have been charged with a variety of offenses. During the investigation, drugs, vehicles, weapons, and approximately \$93,000 in cash were seized. The new developments were the following: After pleading guilty to an illegal gambling business felony, the first man was sentenced to 8 months in prison, 3 years' supervised release, fined \$3,000, and ordered to have no future involvement in any type of organized gambling or animal fighting. The second man had pled guilty to misprision (concealment) of a felony; he was sentenced to 1 month in prison and 1 year of supervised release. The remaining two defendants who were sentenced had pled guilty to

³ This investigation was conducted jointly with the Connecticut Chief State's Attorney's Office.

⁴ This investigation was conducted jointly with the Louisiana Department of Social Services and USDA's Food and Nutrition Service.

participation in an unlawful animal fighting venture. One was sentenced to 3 years' probation and fined \$5,000, and the other sentenced to 2 years' probation and fined \$1,000.⁵

Lengthy Prison Ordered for Owner of Grocery Store and Gas Station for SNAP Fraud – Oregon

On May 30, 2014, in a county Circuit Court in Oregon, the owner of a grocery store in Beaverton, Oregon who trafficked in SNAP benefits was sentenced to 16 years in prison. He was given the opportunity to reduce his sentence by up to 104 months by bringing in restitution funds; for every \$10,000 in cash restitution he pays before August 28, 2014, his sentence will be reduced by 1 year, down to 88 months, which he must serve regardless of the amount of restitution paid. A final restitution order will be entered on August 28, 2014. OIG's investigation, conducted jointly with the FBI, showed that he was permitting SNAP recipients to exchange their benefits for cash in exchange for a fee at the grocery store and a gas station that he owns. The owner and three employees were charged with aggravated theft and unlawfully obtaining SNAP assistance. The owner's daughter was charged with perjury. The man who was just sentenced pled guilty to nine felony counts of aggravated theft and nine felony counts of unlawfully obtaining SNAP benefits. His daughter pled guilty to perjury and was sentenced to 2 years' probation and 120 hours of community service.

Fraudulent Use of SNAP Processing Terminal Results in Prison Term and \$278,000 Restitution Order Business Owner – Missouri

On May 16, 2014, in U.S. District Court in Missouri, a man who committed SNAP trafficking was sentenced to 2 years in prison and was ordered to pay \$278,000 in restitution. Our investigation disclosed that, from January 2012 through February 2013, the man illegally exchanged \$278,000 in SNAP benefits for cash using a mobile point of sale processing terminal assigned to a business he owned, which was represented to FNS as a mobile food delivery truck route that sold groceries. He and another individual were charged with conspiracy to commit SNAP trafficking. He pled guilty to the charge in February 2014. The man is currently serving a 10-year sentence in State prison for failure to register as a sex offender and the rape of a minor; his Federal sentence will run after completion of his State prison term. Action is pending on the other individual charged.

⁵ OIG's Investigations' Office has further reported that, during May-June 2014, a total of 7 additional subjects in the case pled guilty in Federal courts in Washington and Oregon. The pleas were to charges of either Misprision (Concealment) of a Felony or Unlawful Animal Fighting Venture. One individual also pled guilty to Alien in Possession of a Firearm.