

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

September 25, 2014

\$80 Million False Claims Act Judgment Entered Against International Bank in Fraud Scheme (Texas)—On July 24, 2014, in Federal court in Texas, an \$80 million judgment was entered against an international bank for submitting false claims to the Farm Service Agency (FSA) Supplier Credit Guarantee Program (SCGP). OIG’s investigation determined that at least 12 businesses that exported grain to Mexico used banks to conspire to defraud the SCGP. Beginning in April 2005, six export companies defaulted on a total of \$102 million in outstanding SCGP guaranteed loans. A civil False Claims Act complaint was filed against the bank in October 2011 in connection with its receipt of SCGP payment guarantees. The OIG investigation also resulted in six subjects being charged with crimes including mail fraud and making false statements to a financial institution. Five have pled guilty and sentencing is pending. The sixth individual is in Mexico awaiting extradition. All six have been suspended from participating in Federal programs.

Manager of Manufactured Homes Company Sentenced for Fraud in Sales Financed by USDA and HUD (North Carolina)—On August 13, 2014, in Federal court, a former manufactured home sales manager who pled guilty to conspiracy in a mortgage fraud scheme was sentenced to 2.5 years’ imprisonment, 2 years of supervised release, with restitution and forfeiture to be determined at a later date. Our investigation disclosed he was one of a number of individuals associated with a manufactured and modular home dealership who conspired to sell the manufactured homes knowing that information about the sales and buyer eligibility were false, and the value of the properties was inflated to secure loans. More than 1,100 manufactured homes were sold to buyers and financed with Rural Housing Service (RHS) and U.S. Housing and Urban Development (HUD) guaranteed loans totaling more than \$158 million. Failed loans resulting in losses to the Government exceeded \$23 million.

Seven individuals have been charged with crimes including conspiracy to make false statements, wire fraud conspiracy, and aiding/abetting the destruction of documents to impede a Federal investigation. Earlier in August, a loan officer who participated in the scheme was sentenced in the same court to 50 months in prison, with restitution to be determined at a later date. Five other individuals have also pled guilty and are awaiting sentencing.¹

Store Owner and Manager Sentenced and Face Large Restitution and Forfeiture for SNAP Trafficking (Texas)—On July 25, 2014, in Federal court, the owner and manager of a Dallas convenience store who trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits were sentenced to serve 60 months and 27 months in prison, respectively. Both were also ordered to serve 3 years of supervised release, and were jointly and severally ordered to pay approximately \$2 million in restitution. A \$1.9 million forfeiture judgment was also ordered by the court. The owner was immediately remanded to the custody of the U.S. Marshal’s Service, and deportation proceedings will commence upon his release from incarceration. OIG’s investigation determined that SNAP benefits were illegally exchanged at the store for cash, alcohol, and tobacco products, and that the store’s total sales were significantly underreported to Texas authorities. Three bank

¹ This investigation was conducted by USDA-OIG jointly with HUD-OIG, the U.S. Postal Inspection Service, the North Carolina Department of Justice, and the North Carolina State Bureau of Investigation.

accounts, two vehicles, and approximately \$70,000 in cash were seized during the investigation. The owner and the store manager were charged with multiple counts of SNAP trafficking, conspiracy, wire fraud, and structuring of financial transactions.

Producer Sentenced for Conversion of Property Involving FSA Loan (Washington)—On August 28, 2014, in Federal court, a producer who forged signatures to convert collateral owed to FSA was sentenced to 5 years of probation and ordered to pay \$72,000 in restitution. OIG’s investigation determined that the producer forged signatures for FSA on the back of two asparagus crop proceed checks and deposited those checks into his personal bank account, even though FSA had previously denied him permission to do so. He pled guilty to conversion of property and making a forged security document.

Corporation Fined and Ordered to Pay Restitution for Fraudulent Expenses (California)—On August 19, 2014, in Federal court, a corporation that filed fraudulent reimbursement claims was ordered to pay \$18,000 in fines and \$17,900 in restitution. OIG’s investigation disclosed that the corporation submitted fraudulent claims to a trade association involved in a Foreign Agricultural Service (FAS) program. The corporation submitted airline ticket expense claims exceeding \$35,900 for program years 2009 and 2010, and received \$17,900 in reimbursements from FAS. In fact, the airline tickets had either been refunded or were never used. A guilty plea was entered by the corporation to theft of Government property.

Multiple WIC Participants Sentenced for Theft of Government Funds (Georgia)—Between August 4-7, 2014, in Federal Court, 32 program participants in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) who sold their vouchers for cash pled guilty to theft of Government funds and were sentenced to probation and ordered to pay restitution. These individuals were initially charged with conspiracy as a result of a multi-agency investigation into a massive fraud involving the SNAP and WIC programs in Georgia. This investigation determined that a number of defendants conspired to open purported grocery stores for the purpose of buying WIC and SNAP benefits for cash. Between June 2010-October 2012, stores associated with the conspiracy deposited more than \$18 million in WIC vouchers into their bank accounts. In June 2014, 54 other individuals were charged with mail and wire fraud conspiracy and money laundering. Further action is pending on these individuals.²

Former FSA Employee Sentenced and Ordered to Pay Restitution for Identity Theft Fraud (Missouri)—On July 24, 2014, in Federal court, a former FSA employee who stole co-workers’ identities was sentenced to 2 years in prison, followed by 3 years of supervised release, and was ordered to pay \$96,000 in restitution. The defendant, a former IT specialist, stole co-workers’ identifying information and applied for credit cards and lines of credit in the names of her co-workers without their knowledge. The defendant illegally submitted online credit card applications using her Government-issued computer while at work in a Federal building. The defendant also illegally withdrew funds from a former co-worker’s account and had the funds applied to her car loan. She resigned from FSA while the investigation was ongoing. The defendant was charged with aggravated identity theft and wire fraud, and pled guilty to wire fraud.

² Agencies participating in the joint investigation include the Federal Bureau of Investigation, Immigration and Customs Enforcement, and the Georgia Department of Public Health OIG.

Store Owner Sentenced and Ordered to Pay \$609,300 in Restitution for SNAP Trafficking (Missouri)—On August 18, 2014, in Federal court in Missouri, the owner of a store in St. Louis that trafficked in SNAP benefits was sentenced to 5 years of supervised release and was ordered to pay \$609,300 in restitution. Store personnel exchanged SNAP benefits for currency on several occasions during the course of the investigation. The store owner was charged with wire fraud and SNAP fraud.

Couple Sentenced and Ordered to Pay Restitution for Bank Fraud Related to USDA Housing Assistance (Mississippi)—On July 30, 2014, a woman and her fiancé who filed false information to obtain a guaranteed rural housing loan were sentenced in Federal court. The man was sentenced to 5 months in prison, followed by 3 years' supervised release, and ordered to pay \$41,600 in restitution. The woman was sentenced to 5 years of probation and \$41,600 in restitution. OIG's investigation revealed that the couple had submitted fabricated paycheck stubs and payroll information to obtain a \$158,000 Section 502 guaranteed rural housing loan originated by a local bank. They falsely claimed that the woman earned a monthly salary of \$4,200 working for her fiancé's business, which did not actually exist. They were charged with conspiracy and bank fraud and subsequently pled guilty.

Producer Sentenced to Probation and Restitution for False Statement in FSA Loan Application (Minnesota)—On July 21, 2014, in Federal court, a producer was sentenced to 3 years of probation, 50 hours of community service, and was ordered to pay \$59,000 in restitution for submitting false information to FSA in order to receive a Farm Stored Loan from the Commodity Credit Corporation. The producer's loan note indicated that a total of approximately 74,000 bushels of corn were stored on the producer's farm to secure a \$127,600 loan, but a spot check conducted by FSA personnel determined there was a shortage. OIG's determined that the producer never maintained the amount of corn claimed on the loan application. The producer pled guilty to one count of making false statements.

Store Owner Sentenced and Ordered to Pay \$250,000 in Restitution for Money Laundering and SNAP/WIC Fraud (Ohio)—On July 31, 2014, in Cuyahoga County Court, the owner of a Cleveland store who trafficked in SNAP and other nutrition benefits was sentenced to 3 years in prison and was ordered to pay \$250,000 in restitution (including \$100,000 in cash at the time of sentencing), plus a \$5,000 fine and court costs. His son, who was a clerk in the store, was sentenced on the same date to 3 years' probation and was ordered to pay a \$2,500 fine and court costs. OIG's investigation found that during an 8-year period, the store committed fraud exceeding \$670,000 in SNAP and \$135,000 in WIC benefits. The owner of the store pled guilty to SNAP/WIC trafficking and money laundering charges.

Former Store Owner Sentenced and Ordered to Pay \$120,000 in Restitution for SNAP Conspiracy (New York)—On August 1, 2014, in Federal court, the former owner of a store in Yonkers who trafficked in SNAP benefits was sentenced to time served, 3 years of supervised release, and ordered to perform 650 hours of community service within the supervised release period. She was also ordered to pay \$120,000 in restitution. OIG's joint investigation with the Yonkers Police Department disclosed that the former owner and employees exchanged SNAP benefits for cash. The defendant pled guilty to conspiracy to commit food stamp fraud.