

Office of the Inspector General (OIG), USDA  
Investigation Developments Bulletin  
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**President of Daycare Corporation Sentenced and Ordered to Pay \$1.8 Million in Restitution for Child and Adult Care Food Program Fraud—Georgia**

On September 5, 2014, in U.S. District Court in Georgia, the president of a daycare corporation who submitted false claims for meal reimbursements from the Child and Adult Care Food Program (CACFP) was sentenced to 25 months in prison and was ordered to pay \$1.8 million in restitution. The individual owned and operated numerous daycare centers throughout Georgia. He also had franchise agreements with third-party daycare centers which operated under his corporation's name. OIG's investigation determined that during November 2007-January 2010, he received approximately \$1.8 million in CACFP reimbursements based on inflated claims filed on behalf of his daycare centers and franchises.

**Owner and Manager of Store Engaged in SNAP Trafficking Are Sentenced and Ordered to Pay \$1.9 Million in Restitution—Rhode Island**

On September 5, 2014, in U.S. District Court in Rhode Island, sentences and major restitution orders were imposed on the owner of two Providence stores and his brother, who managed one of the stores. OIG's investigation disclosed that Supplemental Nutrition Assistance Program (SNAP) benefits were exchanged for cash at both of the stores. The store owner was sentenced to 3 years' imprisonment and ordered to pay \$1.9 million in restitution, after he pled guilty to conspiracy to defraud the United States, SNAP and wire fraud, and money laundering. His brother was sentenced to 3 years' probation and ordered to pay \$290,000 in restitution after pleading guilty to conspiracy to fraud charges. In earlier court proceedings, an employee who worked one of the stores was sentenced to 5 years' probation and ordered to pay \$1.6 million in restitution after pleading guilty to conspiracy to commit SNAP fraud.<sup>1</sup>

**Producer Sentenced for Sale of Property Purchased with FSA Loans—North Dakota**

On October 3, 2014, in U.S. District Court in North Dakota, a producer who sold collateral pledged to secure two Farm Service Agency (FSA) loans was sentenced to 6 months in prison and was ordered to pay \$72,000 in restitution. OIG's investigation determined that producer sold approximately \$20,500 worth of mortgaged cattle using other individuals' names, and received more than \$28,000 from FSA to purchase cattle that were never purchased. The producer used the loan proceeds for personal expenses. She pled guilty to conversion of mortgaged property.

**Additional Sentences and Forfeiture Obtained in Case Involving Animal Fighting and Multiple Criminal Offenses—Virginia**

On October 9, 2014, in U.S. District Court in Virginia, three family members were sentenced for their roles in operating an illegal cockfighting and gambling operation. One was sentenced to 18 months in prison, and the other two were sentenced to 10 months in prison. Each defendant was ordered to pay a \$1,100 special assessment and they were collectively ordered to forfeit \$905,000. OIG's investigation,

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<sup>1</sup> The investigation was conducted with Internal Revenue Service-Criminal Investigation (IRS-CI), the Rhode Island State Police, and the Retailer Investigations Branch of the Food and Nutrition Service,

conducted with the Virginia Department of Alcoholic Beverage Control, began as an inquiry into an illegal moonshine operation, but led to evidence of interstate illegal cockfighting, gambling, illegal drugs, and weapons violations. Five individuals were charged with multiple violations, including animal fighting conspiracy, aiding and abetting, illegal gambling business, and the unlawful distribution of a Schedule II controlled substance.<sup>2</sup>

### **Store Owner Receives Lengthy Sentence and \$622,000 in Monetary Penalties for SNAP Fraud—Oregon**

On September 5, 2014, in Washington County Circuit Court, a final sentencing hearing was conducted for the owner of a grocery store in Beaverton, Oregon, where SNAP benefits were trafficked. He was sentenced to 88 months in prison and was ordered to pay \$519,000 in restitution, \$100,000 in fines, and \$3,600 in conviction fees. In an earlier sentencing hearing in May 2014, he was sentenced to 16 years in prison, but he was given the opportunity to reduce his sentence by 1 year for each \$10,000 in restitution funds he brought in by August 28, down to a minimum sentence of 88 months. He brought in a total of \$153,000. OIG's joint investigation with the Federal Bureau of Investigation (FBI) showed that the store owner was permitting SNAP recipients to exchange their benefits for cash in exchange for a fee at the grocery store and a gas station he owns.

### **Participant in Fraud Scheme Involving Uninspected Wood Products is Sentenced and Ordered to Pay Restitution—New York**

On September 25, 2014, in U.S. District Court in New York, a man who pled guilty to committing wire fraud was sentenced to 3 years' supervised release, including 8 months of home confinement, and was ordered to pay \$42,000 in restitution. OIG's investigation determined he was one of several co-conspirators in a scheme that resulted in more than \$1 million in fraudulent transactions with U.S. lumber companies and international customers in China, Egypt, Poland, and Vietnam. The central figure in the conspiracy, a salesman who represented numerous lumber companies, transmitted fraudulent phytosanitary certificates with the forged signature of an APHIS inspector to induce foreign customers to wire funds. He sent uninspected wood products to foreign victims or sent no lumber at all. The lumber salesman was found to be a fugitive wanted in five states.

### **Incarceration Ordered for Brothers for Criminal Scheme at Store—Rhode Island**

OIG participated in a joint investigation into possible money laundering, sale of untaxed cigarettes, SNAP trafficking, and other criminal violations at a store in Providence, Rhode Island. On October 9, 2014, in U.S. District Court in Rhode Island, two brothers were sentenced for their roles as leaders of a scheme to transport and sell untaxed cigarettes at their store, where SNAP trafficking also took place. They were sentenced to 42 months and 33 months in prison, respectively. Restitution will be ordered at a later date. The charges involved in the brothers' respective guilty pleas were possessing/selling in excess of 10,000 contraband cigarettes, conspiracy to defraud SNAP, conspiracy to commit Social Security fraud, and the illegal structuring of financial transactions.

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<sup>2</sup> Another defendant was sentenced in September 2014 to 6 months in prison, 2 years' supervised release, and ordered to forfeit \$50,000 that was seized during the investigation. Sentencing is pending for one defendant.

A third brother was previously sentenced in this case. He was sentenced in September 2014 to 2 years' imprisonment and \$1.3 million in restitution. In October 2014, he attempted to flee the country prior to incarceration. He was apprehended on an airline flight with the ultimate destination of Lebanon. After being taken into custody by the U.S. Marshals Service and a court appearance, he was permitted to surrender and begin serving his prison sentence immediately.<sup>3</sup>

### **Investigation into Animal Fighting Ring in Northwest Produces Additional Sentences—Oregon and Washington State**

In September and October 2014, more defendants were sentenced in U.S. District Court in Oregon as a result of an investigation into cockfighting in the Pacific Northwest. OIG's investigation targeted organized cockfighting derbies in Oregon and Washington and large-scale drug traffickers who were involved with them. More than 30 individuals have been charged with a variety of offenses and 22 individuals have been sentenced on felony counts. During the investigation, drugs, vehicles, weapons, and approximately \$93,000 in cash were seized. The primary drug trafficking defendant in the case (possession with intent to distribute methamphetamine and cocaine) was sentenced on September 23, 2014, to 20 years' incarceration and fined \$5,000. Two days later, the defendant who pled guilty to felony counts of Unlawful Animal Fighting and Alien in Possession of a Firearm was sentenced to time served (13 months), probation, and a \$200 fine. His firearms were forfeited. In October 2014, three additional defendants received lesser sentences that included time served, probation, and fines of \$1,000.

### **SNAP Trafficking Leads to Sentences for Store Manager and Employees: Restitution of \$315,000 Also Ordered—Washington State**

In September and October 2014, in U.S. District Court the manager and two employees of a Yakima store were sentenced pursuant to an investigation into SNAP benefits' trafficking at the store. OIG revealed that store associates exchanged SNAP benefits for cash. During a search of the store, illegal prescription medications were found on the premises. The manager pled guilty to failing to report a felony and was sentenced on September 23, 2014, to 2 years' incarceration and ordered to pay \$315,000 in restitution. The employees were sentenced on October 14, 2014, to prison terms of 13 months and 6 months, respectively. One of the employees was also ordered to pay \$315,000 in restitution.

### **Store Owner Sentenced and Ordered to Pay \$174,000 in Restitution for SNAP Fraud—Nebraska**

On September 29, 2014, in U.S. District Court in Nebraska, the owner of a market in Lincoln who trafficked in SNAP benefits was sentenced to 5 years of supervised release and was ordered to pay \$174,000 in restitution. OIG's investigation revealed that he gave customers cash in exchange for SNAP benefits while knowing it was illegal to do so. He pled guilty to wire fraud and SNAP fraud.

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<sup>3</sup> The investigation was conducted jointly with FBI, IRS-CI, Rhode Island State Police, and Immigration and Customs Enforcement-Homeland Security Investigations.