

**Office of Inspector General, USDA**  
**Investigations Bulletin, September 30, 2016**

**Bank Official Sentenced and Ordered to Pay \$3.34 Million in Restitution for Fraud Involving FSA Loans—Mississippi**

On July 20, 2016, in U.S. District Court, Northern District of Mississippi, the Vice President of a bank was sentenced to 2 years in prison, 60 months' probation, and ordered to pay approximately \$3.34 million in restitution. This case was initiated to determine if the bank Vice President/Loan Officer misapplied funds pertaining to Farm Service Agency (FSA) guaranteed loans. The investigation disclosed that during 2013—April 2014, he misused his position and manipulated bank records, misapplied funds, issued fraudulent letters of credit, and forged signatures on loan documents and check endorsements. His fraudulent activities resulted in FSA guaranteed loan losses in excess of \$1 million. In addition, the bank that formerly employed the Vice President incurred losses in excess of \$2 million. He was charged with bank fraud and embezzlement and was arrested by USDA OIG and Federal Deposit Insurance Corporation OIG Special Agents. In February 2016, he pled guilty to bank fraud.

**Store Owner Sentenced and Ordered to Pay \$5.3 Million in Restitution for SNAP Fraud—Georgia**

On August 19, 2016, in U.S. District Court, Northern District of Georgia, a store owner was sentenced to 51 months in prison and 36 months' probation, and ordered to pay approximately \$5.3 million in restitution, and ordered to forfeit \$27,091. The joint investigation revealed this store owner exchanged Supplemental Nutrition Assistance Program (SNAP) benefits for cash. He pled guilty to eight counts of wire fraud without a plea deal.<sup>1</sup>

**Farmer Sentenced and Ordered to Pay \$448,096 in Restitution for Crop Insurance Fraud—Missouri**

On August 16, 2016, a farmer was sentenced in U.S. District Court, Eastern District of Missouri, to 2 years in prison and 36 months of supervised release, and ordered to pay \$448,096 in restitution and a \$50,000 fine. He had pled guilty to counts of making false statements regarding crop insurance benefits, theft of government property, and wire fraud. Prior to sentencing, he paid the restitution amount. This investigation was conducted to determine if a farming entity was fictitious and created for the sole purpose of obtaining additional Direct and Counter-Cyclical Program (DCP) payments from the Commodity Credit Corporation. The case was initiated when the USDA Risk Management Agency determined that another individual failed to show he had an insurable interest in a 2010 indemnity payment paid to the farming entity. The scheme involved one farmer creating a fictitious farming entity in another farmer's name in order to obtain additional DCP payments. The investigation determined that the scheme involved over \$240,000 in DCP payments and over \$207,000 in Multi-Peril Crop Insurance indemnities, premium subsidies, and administrative subsidies over a six year period.<sup>2</sup>

**Additional Sentencings Obtained in SNAP Case Involving Drug Transactions—Ohio**

On September 1, 2016, in U.S. District Court, Southern District of Ohio, a defendant was sentenced to 1 year in prison, followed by a 6-year period of community control, and ordered to pay \$5,680 in restitution. This sentence followed a guilty plea to intent to distribute a controlled substance

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<sup>1</sup> The investigation was worked jointly with the Federal Bureau of Investigation (FBI), and the Georgia Department of Human Services OIG.

<sup>2</sup> This was a joint investigation with Missouri State Highway Patrol-Rural Crimes Division and the United States Department of Labor, Office of Inspector General.

(heroin/hydrocodone) adjacent to a school or playground. On September 2, 2016, another individual was sentenced to 6 months in prison, followed by a 3-year period of community control, and ordered to pay \$372,976 in restitution. This sentence followed his guilty plea regarding conspiracy and theft of SNAP benefits, and wire fraud. This multi-pronged investigation began in March 2014, when OIG received information that individuals associated with a butcher shop and a mobile meat dealer were actively engaged in exchanging SNAP benefits for cash. Not only were the businesses engaged in SNAP trafficking for cash, they were also exchanging SNAP benefits for heroin and prescription medications.<sup>3</sup> To date, a total of twelve individuals have been sentenced in this investigation, including a co-defendant sentenced to 52 months incarceration and restitution of \$760,000.

### **Market Owner Sentenced and Ordered to Pay \$204,250 in Restitution in Scheme Involving SNAP, WIC, and Other Federal Programs—Michigan**

On August 4, 2016, in U.S. District Court, Eastern District of Michigan, the owner of a fish market was sentenced to 6 months in prison, followed by 6 months home confinement, and was ordered to pay \$204,250. This investigation was conducted to determine if the owner and/or employees of a fish market trafficked SNAP and Women, Infants, and Children (WIC) benefits via the Electronic Benefit Transfer (EBT) system.<sup>4</sup> The investigation disclosed that the storeowner's brother (one of the store managers) exchanged SNAP and WIC benefits for cash. During the course of the investigation, the brother admitted to taking SNAP and WIC EBT benefits cards, which he had purchased from recipients at the fish market, to six different stores to exchange for cash, credit, or ineligible items. Estimates of SNAP fraud attributed to the fish market investigation exceed \$434,000. A seizure warrant was executed on a bank account associated with the fish market and resulted in the seizure of over \$11,700. The investigation further disclosed that the market's owner and his wife, and the brother and his wife, fraudulently received over \$218,400 in welfare benefits from 2003—2012, including SNAP and WIC benefits, State Emergency Relief Funds, and Medicaid subsidies. The owner's son pled guilty to food stamp fraud and the owner's brother pled guilty to access device fraud. The market owner pled guilty to theft of government funds (SNAP, Medicaid, and DoEd Pell Grants). Sentencing of the son and brother is pending.

### **Store Owner Sentenced and Ordered to Pay \$550,000 in Restitution for SNAP Trafficking—Missouri**

On August 15, 2016, in U.S. District Court, Eastern District of Missouri, a storeowner was sentenced to 21 months in prison and 3 years' supervised release, and ordered to pay \$550,000 in restitution. The investigation disclosed that a store owner and his employees exchanged SNAP benefits for cash. It also disclosed that he owned a second local store that was not authorized to participate in SNAP. An analysis of comparison store redemptions and of business records from both stores showed that during a 4-year period, the storeowner illegally redeemed approximately \$800,000 in SNAP benefits. The storeowner pled guilty to four counts of trafficking in SNAP benefits.<sup>5</sup>

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<sup>3</sup> OIG received the assistance of the following entities during the 18 month investigation: United States Secret Service; the Ohio Department of Public Safety, Investigative Unit; the Butler County, Ohio, Sheriff's Office; Fairfield Police Department; and the Cincinnati Police Department.

<sup>4</sup> The investigation was worked jointly with Michigan State Police—Bridge Card Enforcement Team (MSP-BCET) and Internal Revenue Service—Criminal Investigation (IRS-CI).

<sup>5</sup> This case was a joint investigation with the Missouri Department of Public Safety in Sikeston, Missouri.

### **Defendant Sentenced for Fraud Involving SNAP and Social Security Benefits—Arkansas**

On August 17, 2016, in U.S. District Court, Western District of Arkansas, an individual was sentenced to 24 months' probation and ordered to pay \$75,884 in restitution. In October 2015, USDA OIG was notified by the Social Security Administration OIG (SSA OIG) of potential SNAP fraud. SSA OIG was investigating an individual for fraudulent receipt of SSA benefits and she admitted she provided false information in order to obtain SSA benefits. She also admitted that she submitted fraudulent documents to Arkansas Department of Human Services in order to obtain SNAP benefits. She pled guilty to theft of government funds. In total, she embezzled \$70,787 from SSA and fraudulently obtained \$5,097 in SNAP benefits from the Food and Nutrition Service (FNS).

### **Farmer Sentenced and Ordered to Pay \$213,723 in Restitution for Conversion Regarding FSA Loans—Iowa**

On August 12, 2016, a cattle farmer was sentenced in U.S. District Court, Southern District of Iowa, to 5 years of probation, 3 months' half-way house confinement, 3 months' home confinement, and ordered to pay \$213,723 in restitution. From December 2012—May 2014, the farmer converted approximately 474 head of livestock totaling \$342,822. The livestock was pledged as collateral for his FSA loans. He was indicted on one count each of conversion and theft of government property. He pled guilty to one count of conversion.

### **Store Owner Sentenced and Ordered to Pay \$150,000 in Restitution in SNAP Fraud Case—California**

On August 15, 2016, a store owner was sentenced in U.S. District Court, Eastern District of California, to three years' probation, and ordered to pay \$150,000 in restitution, and a \$50,000 fine. OIG received information from the FNS Retailer Investigation Branch alleging possible SNAP trafficking occurring at a California store. During OIG's joint investigation with the FBI, evidence established that recipients purchased beer and cigarettes with SNAP benefits, and exchanged SNAP benefits for cash. The storeowner was indicted on counts of wire fraud and unauthorized use/possession of benefits. He pled guilty to wire fraud.

### **Defendants Sentenced for Lacey Act Violations—Mississippi**

On September 2, 2016, in U.S. District Court, Southern District of Mississippi, three individuals entered guilty pleas to Lacey Act violations. On the same day, two of the men were each sentenced to 36 months of probation and each fined \$10,000. The third man will be sentenced in November 2016. This joint investigation was conducted to determine if these three individuals fraudulently transported white tailed deer to Mississippi.<sup>6</sup> The investigation disclosed that from 2009 through 2015, in violation of the Lacey Act, the aforementioned individuals transported numerous white tailed deer from Texas to Mississippi.

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<sup>6</sup> This investigation was conducted jointly with the U. S. Fish and Wildlife Service and the Mississippi Department of Wildlife, Fisheries, and Parks.