USDA OFFICE OF INSPECTOR GENERAL

Investigations and Audit Update
March 2021

INVESTIGATIONS

Farm Service Agency

Two Individuals Sentenced Collectively to 40 Months in Prison and Ordered to Pay More Than $500,000 in Restitution to the Farm Service Agency for Conversion of Mortgaged Property—North Dakota

This investigation was carried out in two separate phases. The first investigation disclosed that an individual forged employment documents in an effort to obtain a Farm Service Agency (FSA) loan. Furthermore, the individual advised FSA employees that she had purchased cattle from private individuals with proceeds from her personal checking account, when in fact she had not. In turn, FSA reimbursed the individual $25,800 for the fictitious purchases. Furthermore, the individual also forged numerous signatures on documents to obtain a purported land lease, knowing that the land had been leased to someone else.

The investigation also disclosed that the individual, along with one other individual, knowingly concealed, removed, disposed of, and converted cattle to their own use. The cattle were pledged to FSA as security on a farm loan for a producer in the area. The value of the producer's cattle is estimated at $33,500.

In March 2018, one individual was sentenced to 3 years of probation, ordered to pay $25,800 in restitution to FSA, and debarred from participating in government programs. The second individual was sentenced to 3 years of probation and ordered to pay $33,500 in restitution to FSA.

However, on September 4, 2019, both individuals were indicted for new allegations regarding conversion of mortgaged property for $451,000 of cattle, calves, and equipment. In addition to the new conversion of mortgaged property allegations, one individual was indicted for false statements to a Federal officer, and the other was indicted for making false statements in documents when applying for Supplemental Nutrition Assistance Program (SNAP) benefits, wherein she indicated she did not have income and that the father of her children did not live with her. However, he did live with her and she did have income from her farming operation. One individual was arrested on September 18, 2019, and the other was arrested the next day. Both signed plea agreements.

On March 2, 2021, one individual was sentenced to 40 months of Federal imprisonment, 3 years of supervised release, and ordered to pay $451,059 in restitution to FSA. On March 3, 2021, the other individual was sentenced to credit for time served and 3 years of supervised probation. The individual was also ordered to pay restitution in the amount of $61,444, of which $24,551 was to be paid to the Social Security Administration regarding a separate investigation, and $24,990 to the Department of Housing and Urban Development and $11,903 to SNAP, for making false statements in documents.

Food and Nutrition Service

Two Business Owners Sentenced to a Collective 2 Years in Prison and Ordered to Pay Over $2 Million in Restitution for Conspiracy and Supplemental Nutrition Assistance Program Fraud —Ohio

This investigation was initiated jointly with the Federal Bureau of Investigation (FBI) to investigate SNAP fraud, WIC fraud, and money laundering involving businesses operated by two individuals. It was determined that the two individuals used their businesses to facilitate the criminal activity and launder the criminal proceeds gained from the SNAP and WIC fraud. On February 20, 2020, the two individuals were indicted in a five-count indictment for conspiracy, SNAP fraud, unlawful food stamp redemptions, WIC program fraud, and theft of public funds.

On March 3, 2021, in United States District Court, Southern District of Ohio, the two individuals were sentenced. One individual was sentenced to 24 months in prison, followed by 3 years of supervised release. He also was ordered to pay restitution in the amount of $2,925,903 jointly and severally with the second individual, and ordered to forfeit $244,981 that was previously seized. The second individual was sentenced to 12 months of home confinement and 60 months of supervised release.

Former Charter School Employee Sentenced to 48 Months in Prison and Ordered to Pay $2,610,427 in Restitution for Conspiracy and for Theft of Government Funds—Arizona

This investigation was initiated when the U.S. Department of Education OIG informed USDA OIG that the U.S. Attorney's Office for the District of Arizona was investigating a charter school for inflating its number of students in an effort to obtain a substantial amount of Government funding, including USDA funds.

The investigation determined that during the 2016–2018 academic school years, the charter school over reported the number of students enrolled in the school to receive additional funding. School officials and employees conspired together to create fictitious students that were reported to the State of Arizona/Arizona Department of Education, USDA, and the U.S. Department of Education. Specifically, during the 2017–2018 school year, the school reported 528 enrolled students; however, 453 of those students were determined to be fraudulent. During the 2016–2017 school year, the school reported 652 enrolled students; however, 191 of those were determined to be fraudulent. These inflated numbers resulted in the school receiving approximately $2.2 million in overfunding from the State of Arizona, $91,000 in overfunding from the U.S. Department of Education, and $230,000 in overfunding from USDA for meals.

On September 14, 2020, in the Superior Court of Arizona, the former principal of the charter school was convicted of two counts of theft. He was sentenced to 45 months of imprisonment and 60 months of probation. He also was ordered to pay $2,538,772 in restitution, for which he is jointly and severally liable with two co-conspirators. The former registrar and Associate Principal of the school, who reported false student enrollment, also pled guilty to two counts of theft. The defendant was sentenced on September 23, 2020, to 4 months in prison and 60 months of probation. The defendant also was ordered to pay $2,538,772 in restitution, jointly and severally with the former school principal and school owner.

On March 13, 2021, the former owner of the school was convicted of one count of conspiracy and one count of theft and was sentenced to 48 months in prison and 60 months of probation. The former owner of the school was also ordered to pay $2,610,427 in restitution, jointly and severally with the former school principal and former school registrar. The increase of $71,705 in the restitution amount that the former school owner is jointly and severally liable for with the two previously sentenced co-conspirators is because the prosecutor was unaware of the additional loss until after the other co-conspirators were sentenced.

Audit

Follow-Up to Animal and Plant Health Inspection Service's Controls Over Licensing of Animal Exhibitors
Audit Report 33601-0003-23
March 12, 2021

The OIG objective was to evaluate the Animal and Plant Health Inspection Service's (APHIS) controls over the licensing of exhibitors of dangerous animals, and the agency's efforts to safeguard both the animals and members of the public who visit exhibitor facilities. As part of this audit, OIG followed up on the recommendations from our previous audit issued June 2010, with emphasis on the recommendations relating to public safety.

Under the Animal Welfare Act (AWA), APHIS regulates the use of certain warm-blooded animals in research, exhibition, and commerce in order to ensure their humane treatment. All facilities that exhibit animals regulated under the AWA must be licensed with APHIS and be inspected on a periodic basis.

OIG reviewed the corrective actions APHIS implemented following a June 2010, OIG audit. While OIG found that APHIS implemented corrective actions for six of the seven recommendations, APHIS did not fully implement one recommendation. Specifically, APHIS developed a work plan to amend the regulation for defining public barriers and reporting all escapes and attacks involving dangerous animals; however, the plan did not ultimately result in regulatory change and the proposed regulatory change was canceled. APHIS could not explain why the proposed change was canceled, nor why it did not create a new work plan, because the agency regulatory tracking database did not capture the necessary information.

OIG also found that 24 out of 86 (more than 27.9 percent) inspections conducted at the 19 exhibitors in our sample were deemed late. This occurred because APHIS relied solely on the supervisory animal care specialists to monitor the completion of inspections without any other compensating controls to accomplish this monitoring. As a result, APHIS cannot fully ensure the safety of the animals exhibited or the safety of the public who view those animals. APHIS agreed with OIG's findings and recommendations, and OIG accepted management decision on the four recommendations.