

Office of Inspector General, USDA Investigation Developments

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New York Store Owners Ordered to Pay \$6.2 Million in Restitution, Sentenced for Theft and Conspiracy Regarding Food Stamp Program

Two of three New York store owners implicated in a food stamp conspiracy were sentenced in Federal Court in March 2007, for money laundering, theft of public funds, and conspiracy to defraud the Electronic Benefits Transfer Program. The joint investigation and OIG undercover operation revealed food stamp trafficking involved in the criminal activity. One owner was sentenced to 8 months in prison and 36 months of probation. The second owner was sentenced to 36 months of probation. Each is responsible for half of \$6.2 million in ordered restitution. Additional court proceedings are pending for the third owner. The joint investigation was conducted with the New York City Human Resources Administration and the IRS.

Pennsylvania Store Owner Forfeits \$287,000 for Violating Patriot Act

In March, 2007, a Pennsylvania store owner was sentenced in a U.S. district court to 63 months in prison for violating the Patriot Act by operating an unlicensed check cashing business. The owner was ordered to forfeit all assets seized in this case; they included monies from five National City Bank accounts totaling approximately \$222,000 and more than \$65,000 in cash seized from the store. The OIG investigation disclosed that the owner was engaged in a variety of unlawful activities at the store, including food stamp trafficking and operating an unlicensed money transmitting business. During January 2001–May 2006, the store electronically transmitted more than \$7 million by operating a check cashing business without the required State and Federal registration and license forms. OIG seized more than 2,900 counterfeit music CDs with a retail value exceeding \$44,000, approximately 1,000 cans of stolen infant formula, cash, and business records.

Illinois Producer Sentenced, Ordered to Pay \$198,000 for Selling Collateral Pledged for FSA Loan

An Illinois producer pledged 129,000 bushels of corn as collateral in November to qualify for a Farm Service Agency (FSA) Farm Stored Loan for \$251,550. The OIG investigation disclosed that during the loan period the producer sold the corn without the required authorization from the Commodity Credit Corporation. He was sentenced in March 2007 in U.S. District Court, Central District of Illinois, to 15 months of imprisonment, 36 months of supervised release, and ordered to pay \$198,000 in restitution.

OIG Investigation and Audit in California Results in Settlement of \$133,228 for Fraudulent Indemnity Payments

Following an OIG audit referral, which alleged that certain producers underreported their prune harvest for 1997–1999, OIG initiated an investigation. The audit and investigation disclosed that

the producers received over \$386,000 in indemnity payments under the Risk Management Agency reinsurance program and \$295,794 in disaster payments from the Farm Service Agency. The U.S. Attorney's Office, Eastern District of California, notified OIG in March 2007 that the producers paid a negotiated final settlement of \$133,228.

Former USDA Employee Sentenced, Ordered to Pay \$30,652 for Theft of Government Property

A former USDA employee was sentenced in March, 2007 in Federal court in New Orleans to 60 months of probation, 6 months of home confinement, and was ordered to pay \$30,652 in restitution. The OIG investigation disclosed that during April 2004–March 2005, the employee embezzled \$29,759 from the National Finance Center by issuing refund checks to herself. The former employee pled guilty to charges of theft of Government property in October 2006.

Washington State Real Estate Investors Sentenced to \$100,000 in Fines and Supervised Release Related to Bribery Involving USDA Properties

A Washington State real estate investor pled guilty in Federal court in March 2007 to filing a fraudulent tax return and was sentenced to serve 12 months of probation and ordered to pay a \$10,000 fine. The investor was also prohibited from bidding at auctions involving U.S. properties during his probation. The OIG investigation disclosed that an auctioneer involved in selling Rural Development (RD) foreclosed houses paid a bribe to an RD employee working undercover with OIG. The auctioneer received bids for foreclosed houses that were significantly higher than the amounts reimbursed to RD. The investor was a co-conspirator in a scheme involving bid rigging and price rollbacks. The auctioneer paid a bribe to the investor that was not subsequently reported as income on the investor's tax return. A second real estate investor paid an RD employee a \$10,000 bribe for exclusive access to purchase two USDA foreclosure properties through a "short-sale" arrangement. In December 2006 the second investor was sentenced to 36 months' supervised release, ordered to pay \$90,000 to Habitat for Humanity, forfeiture of the bribe, and required to perform 720 hours of community service.

North Dakota Rancher Sentenced to Probation and Ordered to Pay \$18,851 in Restitution for Conversion of Mortgaged Property

A North Dakota rancher was sentenced in Federal court in March 2007 to 22 months of probation and ordered to pay \$18,851 in restitution. The OIG investigation disclosed that the rancher sold 37 head of cattle pledged as collateral to FSA. The rancher was charged with Conversion of Mortgaged Property in September 2006 and pled guilty to one count of conversion.

Mississippi Man Sentenced, Ordered to Pay Restitution for Defrauding FNS and Red Cross Regarding Hurricane Katrina Benefits

An OIG investigation disclosed that a man in Mississippi gave false information to the Food and Nutrition Service (FNS), the Red Cross, and Federal Emergency Management Agency (FEMA) in order to receive \$9,570 in emergency benefits. The individual was charged with defrauding FNS and the Red Cross regarding Hurricane Katrina emergency benefits. In March 2007, he was sentenced in U.S. District Court, Southern District of Mississippi, to serve 50 hours of community

service, 60 days of house arrest, and 48 months of probation. The individual also was ordered to pay \$7,753 in restitution to FEMA, \$552 to USDA, and fined \$1,000.

False Statements Related to Hurricane Katrina Program Result in Probation, \$10,105 in Restitution, and Fine

A Mississippi resident was sentenced in March 2007 in Federal court in Mississippi to 24 months of probation, ordered to pay \$10,105 in restitution, and fined \$3,000. The OIG investigation disclosed that the person submitted false statements to FSA by inflating and fabricating farm rehabilitation invoices in order to receive over \$10,000 for Emergency Conservation Program benefits related to Hurricane Katrina.