

Office of Inspector General, USDA Investigation Developments

>> *July 10, 2006* <<

Owner of a Food Distribution Company Pleads Guilty in Texas Regarding Counterfeit Phytosanitary Certificates

On June 21, 2006, the owner of a distribution company with multiple locations in Texas, California, and Washington pled guilty in the Southern District of Texas to one count of conspiracy to commit wire fraud. The OIG investigation disclosed that three Washington fruit marketers and two Texas distributing companies provided counterfeit USDA Agriculture Phytosanitary Certificates to illegally send truckloads of fruit into Mexico. Two of the marketers previously pled guilty to making false statements on a Shipper's Export Declaration form. Sentencing is scheduled for September 2006.

Former Rural Water Company Manager in Ohio Sentenced, Ordered to Pay \$88,000 for Bribery, Theft, and Tampering with Evidence

On June 20, 2006, a man was sentenced in a Federal court in Ohio to 96 months' imprisonment, ordered to pay \$88,000 restitution, and will be subject to 36 – 60 months post-release supervision upon leaving prison. The man was convicted on charges including bribery, receipt of gratuities, theft in office, tampering with evidence, and money laundering. The OIG investigation disclosed that the former general manager of a rural water company engaged in numerous prohibited activities, such as accepting money, home remodeling, and free hunting trips/equipment from vendors and contractors. The former general manager offered bribes, directed potential witnesses to destroy documentary evidence and make false statements to investigators, and diverted the water company's purchased merchandise and services for his personal use. USDA's Rural Utilities Service had provided a loan to the rural water company. The OIG investigation was conducted with the Office of the Ohio Auditor of State.

Michigan Woman Sentenced for Illegal Use of Government Computer

On June 12, 2006, a woman pled guilty in a Michigan State Court to a felony larceny charge and was sentenced to 93 days in jail, a \$702 fine, and one year probation. The OIG investigation determined that a Rural Development loan specialist used her government-issued computer, personal computer, and a public library computer to hack into an acquaintance's email account on at least ten occasions. The woman was charged in state court with felony computer intrusion. Rural Development has initiated administrative action against the employee.

Man Sentenced, Ordered to Pay \$224,000 for Payment Limitation Fraud in Montana

On June 7, 2006, a man was sentenced in U.S. District Court, District of Montana to serve 10 months in Federal prison, followed by 5 months in a halfway house and 36 months' probation. He was also ordered to make restitution of \$224,035. The OIG investigation disclosed that two individuals circumvented payment limitations and received \$1.4 million to which they were not entitled. The remaining co-conspirator will be sentenced in August 2006.

Producer and Corporate Entities Plead Guilty in Texas Crop Insurance Fraud Case

On June 8, 2006, a producer and two corporate entities pled guilty in the U.S. District Court, Northern District of Texas to conspiracy to commit false claims. The OIG investigation disclosed that individuals operating independently as a corporation, as well as other farming entities, defrauded the Risk Management Agency (RMA) crop insurance program and Farm Service Agency (FSA) farm programs of \$400,000 by shifting their year 2000 crop cotton production between farms and producers and reporting the same production for program payments. Sentencing has not been scheduled.

Man Sentenced in Florida for Adulterated/Misbranded Meat and False Labeling of Consumer Products in Florida

On May 31, 2006, a man was sentenced in U.S. District Court, Northern District of Florida to 10 months imprisonment for violations of laws regarding Sale of Adulterated or Misbranded Meat, False Labeling of Consumer Products, and Mail/Wire Fraud. The OIG investigation disclosed that more than 1 million pounds of adulterated beef products were exported to Egypt. Additionally, more than 35,000 pounds of adulterated beef and more than 14,000 pounds of adulterated poultry products were shipped in interstate commerce. Prior civil proceedings resulted in a \$3.4 million judgment and \$1 million in punitive damages.

Man Convicted in Michigan for Failure to Appear Charge Regarding Embezzlement of USDA Funds and False Statements

On May 31, 2006, a former legislative assistant was convicted in U.S. District Court, Eastern District of Michigan, on a failure to appear charge. The OIG investigation disclosed that a former legislative assistant and President of the National Organization of Black Farmers embezzled USDA funds. The man was found guilty of Theft of Government Funds, Mail Fraud, False Declarations to a Court, Bankruptcy Fraud, and False Statements to Federal Agents. The man failed to appear at sentencing in April 2005 and was subsequently arrested in Accra, Ghana in December 2005. Charges of passport fraud against the individual have been filed by the Department of State in Washington D.C. Sentencing for both convictions is scheduled for August 2006.

Illinois Grocery Store Owner Convicted in Food Stamp Trafficking Scheme

On May 8, 2006, in U.S. District Court, Northern District of Illinois, a retail grocery store owner was convicted of wire fraud and money laundering. The OIG investigation disclosed that the owner of the disqualified retailer grocery store was involved in a food stamp benefit trafficking scheme that resulted in a potential loss to the Food and Nutrition Service of approximately \$740,000 during a 14-month period. The scheme enlisted a welfare recipient to become the “nominee” owner of a Chicago food market that was authorized to participate in the Food Stamp Program. The owner withdrew funds from the authorized food markets’ bank account by writing and endorsing checks payable to “cash.” Sentencing is scheduled for July 2006.

Former FSA Employee Sentenced, Ordered to Pay \$23,500 for Timekeeping Fraud

On May 2, 2006, in U.S. District Court, District of Washington, D.C., an employee was sentenced to 24 months’ probation and was ordered to pay \$23,500 in restitution. The OIG investigation disclosed that during May 2002 – June 2004, the employee conspired with another FSA timekeeper to generate false time and attendance reports for the employee. The time and attendance reports were fraudulently altered to record 1,157 hours of unauthorized overtime that the employee did not work. As a result of this scheme the employee received \$31,806 in overtime payments. In January 2006 the employee entered a guilty plea and as a term of the plea agreement was required to submit her resignation to FSA.

Woman Sentenced, Ordered to Pay \$10,251 Regarding Food Stamp Fraud in Kentucky

On April 27, 2006, in U.S. District Court, Eastern District of Kentucky, a woman was sentenced to 18 months’ incarceration and 72 months’ supervised release and was ordered to pay \$10,251 restitution. The OIG investigation disclosed that the woman failed to report the proceeds of illegal drug sales as income on six applications for food stamp benefits from April 2001 to October 2003. This omission of income resulted in the woman being eligible to receive \$10,251 in food stamp benefits to which she was not entitled. The OIG investigation was conducted jointly with the Forest Service as a result of its referral from the High Intensity Drug Trafficking Area Task Force.