

Office of Inspector General, USDA Investigation Developments

>> **December 19, 2008**

Wisconsin Producer Sentenced, Ordered to Pay \$3.45 Million in Restitution for Bank Fraud and Money Laundering as a Result of Joint Investigation

A joint investigation conducted by OIG, FBI, IRS, and Federal Deposit Insurance Corporation's (FDIC) OIG disclosed that a Wisconsin producer received over \$6.13 million in fraudulently obtained bank loans and subsequently defaulted. Along with a former bank president, he consolidated a number of debts into a single loan and received a USDA loan guarantee. The guarantee was based on a financial statement that did not accurately reflect his non-farm liabilities. A Federal court in Wisconsin sentenced the producer in October 2008 to 100 months of imprisonment for bank fraud and 100 months of imprisonment for money laundering. He was also ordered to pay \$3.45 million in restitution to FDIC. The former bank president had been previously sentenced to 108 months in prison and ordered to pay \$13.4 million in restitution to FDIC.

Joint OIG-IRS Investigation Results in Georgia Producer Being Sentenced, Ordered to Pay Over \$5.36 Million in Restitution for Conspiracy Regarding FSA Programs

The joint investigation disclosed that the producer created several entities in his children's names to avoid Farm Service Agency (FSA) payment limitations and conspired with an employee of the crop production company to divert over \$4 million in promotional farm products and inventory for their personal gain. The loss to USDA was approximately \$1.3 million. He was charged with conspiracy to commit money laundering and conspiracy to make false claims/statements. A Georgia Federal court sentenced the producer in October 2008 to 60 months in prison and ordered him to pay \$1.36 million in restitution to FSA. He was also ordered to pay \$4 million in restitution to a crop production company.

OIG Investigation Results in Illinois Grocery Owner Being Sentenced, Ordered to Pay \$535,000 in Restitution and Forfeit \$535,000 for Wire Fraud

A Federal court in Illinois sentenced a retail grocery store owner in October 2008 to 55 months of imprisonment, 36 months of probation, and ordered him to pay \$535,000 in restitution and forfeit \$535,000 in assets for 10 counts of wire fraud involving Supplemental Nutrition Assistance Program (SNAP) benefits (formerly known as food stamps). The OIG investigation revealed that the store owner was involved in a SNAP benefits trafficking scheme that resulted in the loss to USDA of over \$740,000.

Florida Grocery Store Owner Sentenced, Ordered to Pay \$1.7 Million in Restitution for Conspiracy Involving SNAP Benefits

An OIG investigation revealed that three retail store owners illegally exchanged SNAP benefits for cash; the loss to USDA was estimated at \$1.7 million. The three owners were charged with conspiracy to commit SNAP fraud, wire fraud, and money laundering. In October 2008, a Federal court in the Southern District of Florida sentenced one of the owners to 37 months of imprisonment

and ordered him to pay \$1.7 million in restitution to USDA. Sentencing is pending for the other store owners.

OIG Investigation Results in Michigan Producer Being Sentenced, Ordered to Pay \$305,000 in Restitution for Conspiracy to Provide Fraudulent Loan Application

An OIG investigation revealed that a Michigan producer conspired with his mother and two other individuals to defraud the FSA of loan proceeds and program payments. At the producer's direction, one co-conspirator obtained a \$124,000 FSA operating loan despite not conducting farm operations. A second co-conspirator obtained an FSA operating loan for \$175,000 for which she received approximately \$50,000 in cash from the producer. The producer pled guilty to one count of conspiracy to provide a fraudulent loan application to FSA. In October 2008, a Federal court in Michigan sentenced the producer to 42 months in prison and ordered him to pay \$305,000 in restitution. Two of the co-conspirators pled guilty to providing false statements and received lesser sentences; they were ordered to pay \$131,000 and \$175,000 in restitution, respectively. Charges against the producer's mother were dismissed.

Joint OIG-FSIS Investigation Results in Missouri Company Being Fined \$250,000 and Ordered to Pay Restitution of \$77,000 for Falsifying Poultry Shipping Certificates

A joint investigation by OIG and the Food Safety and Inspection Service (FSIS) revealed that a Missouri meat and poultry company had replaced packaging labels on poultry products and falsified poultry shipping certificates on export items to circumvent international quality guidelines. The company pled guilty to one count of criminal information for making a false statement on a poultry shipper's certificate. A Federal court in Missouri ordered the company to pay a \$250,000 fine and \$77,000 in restitution.

Joint OIG-IRS Investigation Results in Florida Construction Company Owner Being Sentenced for Defrauding NRCS; Ordered to Pay \$600,000 to IRS for False Tax Return

A joint OIG-IRS investigation disclosed that a Florida construction company owner conspired with poultry and dairy farmers to defraud the Natural Resources Conservation Service (NRCS). They submitted inflated invoices for construction projects eligible for cost-share assistance under the Environmental Quality Incentives Program and the Watershed Protection and Flood Prevention Program. A Federal court in Florida sentenced the owner in October 2008 to 18 months in prison and 12 months of probation for defrauding NRCS. The owner had previously pled guilty to one count of filing a false tax return and was ordered to pay over \$600,000 to the IRS for under-reported taxes, penalties, and interest.

Former RD Employee in Nebraska Sentenced and Ordered to Pay \$58,000 in Restitution for Embezzlement

An OIG investigation revealed that during 2004–2006, a former Rural Development (RD) employee embezzled more than \$42,000 from the accounts of RD borrowers and grant recipients. A Federal court in the Northeast District of Nebraska sentenced her in September 2008 to 6 months of home detention, 60 months of supervised release, and ordered her to pay \$58,000 in restitution.