

Office of Inspector General, USDA

Investigation Developments

August 15, 2012

FOOD AND NUTRITION SERVICE (FNS): *Chicago Store Owner Sentenced and Ordered to Pay \$2.8 Million in Restitution for SNAP Trafficking*

An OIG investigation revealed that the owner and co-owner of two Chicago food stores illegally gave customers cash in exchange for Supplemental Nutrition Assistance Program (SNAP) benefits. For a period of time, one of the stores was authorized to accept SNAP benefits while the other was not. OIG agents determined that the owner had improperly redeemed SNAP benefits by using the authorized store's account when possible, borrowing point of sale terminals from other SNAP-authorized stores, and calling other stores to process transactions. The owner pled guilty to two counts of wire fraud. A Federal court in Illinois sentenced him in March 2012 to 51 months of imprisonment and ordered him to pay over \$2.8 million in restitution to FNS. The court prohibited the owner from employment at any business participating in SNAP. The co-owner was also charged but fled the United States and is still at large.

FARM SERVICE AGENCY (FSA): *Iowa Producer Sentenced and Ordered to Pay \$235,000 in Restitution for Conversion of Mortgaged Property*

An Iowa producer obtained two FSA commodity loans after pledging certain collateral. OIG agents determined that he subsequently disposed of the collateral without FSA authorization. He pled guilty to 1 count of conversion of mortgaged property. In March 2012, a Federal court in Iowa sentenced him to 4 years of supervised probation and ordered him to pay \$235,000 in restitution to FSA.

FOOD AND NUTRITION SERVICE: *Massachusetts Store Owners Sentenced and Ordered to Pay \$2.2 Million for SNAP Fraud*

An OIG investigation revealed that the two co-owners of a grocery store in Holyoke, Massachusetts, had exchanged SNAP benefits for discounted amounts of cash and ineligible items. The co-owners were charged with a number of offenses, including conspiracy to commit food stamp fraud, wire fraud, and conversion of public money. Both pled guilty. In April 2012, a Federal court in Massachusetts sentenced each co-owner to 1 year of imprisonment and ordered them, jointly and severally, to pay \$1.1 million in restitution and forfeit \$1.1 million.

RECOVERY ACT (ARRA) INVESTIGATION: *Idaho Corporation Sentenced and Fined for Contracting Fraud under ARRA*

An investigation by OIG and other Federal agencies disclosed that the President of an Idaho corporation made a false certification to the Small Business Administration in order to qualify as a Historically Underutilized Business Zone (HUBZone) small business. The resulting qualification was used to obtain an ARRA contract for \$268,000 from USDA's Agricultural Research Service, which the corporation otherwise would not have been eligible to receive. In June 2012, a Federal court in Idaho sentenced the corporation to 3 years of probation and ordered it to pay a \$65,000 fine for fraud relating to government contracting.

RISK MANAGEMENT AGENCY (RMA): *Long-Running Tobacco Fraud Investigation in North Carolina Results in New Sentence and Restitution Order of \$115,000*

In the latest development in OIG's continuing investigation into a wide-ranging conspiracy to file false crop insurance claims, a tobacco farmer pled guilty to false statement charges in connection with the Federal Crop Insurance Program and FSA's Crop Disaster Program. In March 2012, a Federal court in North Carolina sentenced the farmer to 1 day of incarceration and 5 years of probation. The individual was also ordered to pay \$63,600 in restitution to RMA and \$51,300 in restitution to FSA. To date, the OIG investigation has helped obtain guilty pleas from more than 23 individuals. The cases have resulted in over \$19 million in fines and restitution/forfeiture orders.

FOOD AND NUTRITION SERVICE: *Seattle Store Owners Sentenced and Ordered to Pay \$951,000 in Restitution and Forfeiture for SNAP and Wire Fraud*

An investigation by OIG agents disclosed that two Seattle store owners were involved in a large SNAP trafficking scheme. The investigation revealed that the first store owner purchased SNAP cards from benefits recipients at 60% of face value, and redeemed them onsite using point of sale terminals belonging to the grocery store owned by the second owner. The second store owner also purchased SNAP benefits directly from recipients at his store.

A Federal court in Washington sentenced the first owner in March 2012 to 18 months of imprisonment, and ordered restitution of \$200,000 to USDA and \$39,000 to the Washington State Liquor Control Board. In a separate hearing, the Federal court sentenced the second store owner to 2 years of imprisonment, \$700,000 in restitution, and to forfeit \$12,000 in cash. OIG has worked with the Washington Department of Social and Health Services (DSHS) to take action against the SNAP beneficiaries who sold benefits to these stores. To date, DSHS has received 20 disqualification agreements and has administrative action pending in another 31 cases

FARM SERVICE AGENCY: *North Carolina Farmer Sentenced and Ordered to Pay \$6.95 Million in Restitution for Interstate Transportation of Stolen Property*

OIG agents revealed that a North Carolina farmer stole grain valued at more than \$7 million and sold it to a third party. The farmer pled guilty to interstate transportation of stolen property. A Federal court in North Carolina sentenced the individual in June 2012 to 5 years of imprisonment (1 year via home detention) and \$6.95 million in restitution for his part in the scheme.

FOOD AND NUTRITION SERVICE: *South Carolina Grocery Store Owner and Employee Sentenced and Ordered to Pay \$1.6 Million in Restitution for SNAP Fraud Conspiracy*

An investigation by OIG agents disclosed that a South Carolina grocery store owner engaged in SNAP trafficking at his store and at another store owned by the owner's nephew. A Federal court in South Carolina sentenced the owner in March 2012 to 5 years of imprisonment, and ordered \$1.6 million in restitution for his part in the conspiracy. A store employee was sentenced to 1.5 years' imprisonment, followed by 2 years of supervised probation.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA): *Kentucky State Court Sentences Livestock Dealers and Orders Restitution of \$890,000*

An OIG investigation disclosed that four persons, who operated or were associated with one of the largest livestock dealers in the United States, orchestrated a check kiting/bank fraud scheme in 2009-2010. They bought cattle from Kentucky producers with essentially non-existent funds. In September 2010, the men were charged with a variety of crimes under Kentucky statutes, including criminal syndication and multiple counts of theft.

In June 2012, a Kentucky State court sentenced two of the men to 1 year of imprisonment and ordered them to pay \$680,000 and \$210,000 in restitution, respectively, for their part in the criminal enterprise. In a separate hearing, the two remaining individuals were each sentenced to 10 years of imprisonment to run concurrently with any Federal sentences that may be imposed at a later time. These two individuals are also being prosecuted in the U.S. District Court, Western District of Kentucky, where action is pending.

FOOD AND NUTRITION SERVICE: *Washington State "Runner" Sentenced and Ordered to Pay \$190,000 in Restitution for SNAP and Wire Fraud*

OIG agents disclosed that a Seattle resident had served as a "runner" in a fraud scheme in which the individual steered SNAP recipients to several Seattle grocery stores to sell their SNAP benefits at a discount. The individual pled guilty to SNAP fraud and wire fraud. In April 2012, a Federal court in Washington sentenced the individual to 6 months of imprisonment and restitution of \$190,000 in restitution. Another runner was sentenced in August 2011.