

## Office of Inspector General, USDA Investigation Developments

**September 26, 2012**

**FOOD AND NUTRITION SERVICE (FNS):** *Louisiana Store Owner Sentenced and Ordered to Pay Over \$1.7 Million in Restitution; Luxury Vehicles Seized*

An OIG investigation revealed that the owner of two Lake Charles, Louisiana, grocery stores and two of his employees illegally purchased Supplemental Nutrition Assistance Program (SNAP) benefits for cash and accepted SNAP benefits for ineligible items. OIG's investigation resulted in the seizure of four luxury vehicles<sup>1</sup> and two bank accounts. The owner pled guilty to conspiracy and wire fraud, and one of the employees pled guilty to SNAP fraud. In **August 2012**, a Federal court in Louisiana sentenced the store owner to 78 months of imprisonment and ordered him to pay over \$1.7 million in restitution. One employee was sentenced to 6 months of imprisonment and ordered to pay \$62,000 in restitution. The second employee pled guilty to SNAP fraud and was sentenced in July 2012 to 3 years of probation.

**RURAL BUSINESS-COOPERATIVE SERVICE (RBCS):** *Joint Investigation Results in Maine Mail Order Pharmacy Executive Being Sentenced and Ordered to Pay \$42,000 in Back Taxes for Conspiracy, Kickbacks, and False Tax Returns*

OIG participated in a joint investigation<sup>2</sup> which disclosed that the former director of a mail order pharmacy solicited and accepted kickbacks totaling over \$121,000 from six companies in return for having the pharmacy fill the prescriptions of the companies' customers. The capital used to start the pharmacy came from a \$500,000 USDA Rural Business Enterprise Grant. The executive was charged with conspiracy to defraud the United States, soliciting and accepting kickbacks as an agent of an organization receiving Federal funds, and filing false corporate and individual tax returns. In **August 2012**, a Federal court in Maine sentenced him to 46 months of imprisonment and ordered him to pay \$42,000 in back taxes.

**FARM SERVICE AGENCY (FSA):** *South Dakota Farmer Sentenced and Ordered to Pay \$144,000 in Restitution for Conversion of Loan Collateral*

An OIG investigation revealed that a South Dakota farmer converted approximately \$143,000 of hay and cattle that was pledged as collateral in a Commodity Credit Corporation (CCC) loan. The farmer was charged with a total of two counts of conversion. He pled guilty to 1 count and was sentenced by a Federal court in South Dakota in July 2012 to 1 year of probation and \$144,000 in restitution for his illegal activities.

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<sup>1</sup> Ferrari, BMW, Porsche, and Mercedes-Benz.

<sup>2</sup> U.S. Attorney's Office, DEA, FDA, HUD OIG, and IRS also participated in the investigation.

**RISK MANAGEMENT AGENCY (RMA):** *Illinois Farmer Sentenced, Ordered to Pay \$51,000 in Restitution for False Crop Insurance Claim*

An OIG investigation disclosed that an Illinois farmer grew marijuana during the 2008 - 2009 crop years on land he falsely certified was planted entirely with corn. He also submitted a false crop insurance claim for the 2008 crop year and received an indemnity payment of \$187,000. In **July 2012**, a Federal court in Illinois sentenced the farmer to 5 months of imprisonment, 5 months of home confinement, and ordered him to pay \$51,000 in restitution to USDA.

**FOOD AND NUTRITION SERVICE:** *Texas Store Owner Sentenced, Ordered to Pay \$1.3 Million in Restitution for SNAP Trafficking and Wire Fraud*

OIG agents disclosed that a Waco, Texas, store owner exchanged SNAP benefits for cash, alcohol, and tobacco products. Some of the cash received from the trafficking transactions was used to gamble at video poker machines located in the store. The OIG investigation revealed that the owner had redeemed more than \$1.3 million in SNAP benefits but reported only about \$185,000 in total sales to the State of Texas. The owner pled guilty to wire fraud and SNAP trafficking. In **August 2012**, a Federal court in Texas sentenced the owner to 33 months of imprisonment and ordered him to pay \$1.3 million in restitution for his part in this scheme.

**FARM SERVICE AGENCY:** *Former FSA County Office Committee Member (Florida) and Spouse Sentenced and Ordered to Pay \$1.6 Million in Restitution for Conspiracy to Defraud the Government*

An OIG investigation revealed that a former FSA County Office Committee member and her husband were involved in a conspiracy to defraud the Government. The couple had devised a series of schemes to open fraudulent bank accounts – using stolen identities and the identities of family members – to receive more than \$1 million in nursery disaster program funds from FSA. OIG agents determined that over half of the fraudulently obtained funds were wired to Costa Rica to acquire real estate in that country. The couple also funneled some funds into a Florida restaurant. The couple pled guilty to charges of conspiracy to defraud the United States, filing false claims, wire fraud, and aggravated identity theft. In **August 2012**, a Federal court in Florida sentenced the former County Committee member and (now ex-) husband to 52 months and 57 months' imprisonment, respectively, and ordered each to pay \$802,000 in restitution.

**FOOD AND NUTRITION SERVICE:** *Texas Store Owner Sentenced and Ordered to Pay \$106,000 in Restitution for SNAP and WIC Benefits Fraud*

OIG agents revealed that a Mission, Texas store owner had illegally trafficked in SNAP and Special Supplemental Nutrition Program for Women, Infants & Children (WIC) benefits. When questioned by OIG agents, the owner was unable to substantiate more than \$100,000 in WIC redemptions. The owner pled guilty to charges of conspiracy to defraud SNAP and WIC. In **August 2012**, a Federal court in Texas sentenced him to 2 years of imprisonment and restitution of \$106,000.