

Office of Inspector General, USDA Investigation Developments

~ February 3, 2011 ~

ANIMAL AND PLANT HEALTH INSPECTION SERVICE: *APHIS Entomologist Sentenced and Ordered to Pay Restitution for Theft of Government Property*

An OIG investigation disclosed that an Animal and Plant Health Inspection Service (APHIS) entomologist removed scientific equipment from an APHIS laboratory and disposed of the items at pawnshops. OIG agents were able to recover 31 pieces of equipment valued at more than \$100,000. The entomologist pled guilty to one count of theft of government property. In January 2011, a Federal court in Arizona sentenced him to three years of probation and \$14,000 in restitution.

FOOD AND NUTRITION SERVICE: *Missouri Store Owner Sentenced and Ordered to Pay \$245,000 in Restitution for Illegal Acquisition of SNAP Benefits*

An OIG investigation revealed that during February 2006—April April 2008, a Missouri food store owner illegally exchanged Supplemental Nutrition Assistance Program (SNAP) benefits for cash and ineligible items. The owner pled guilty to illegal acquisition of SNAP benefits. In December 2010, a Federal court in Missouri sentenced him to five years of imprisonment and restitution of \$245,000.

RISK MANAGEMENT AGENCY: *North Carolina Tobacco Fraud Investigation Results in Two New Sentences and Fines/ Restitution of \$10.8 Million*

This OIG investigation disclosed that a large number of farmers hid their tobacco production by selling tobacco using false names and filed false crop insurance claims for alleged losses. Leads developed by OIG agents during the course of the investigation led them to discover that two additional men were involved in a wide-spread conspiracy involving crop insurance agents, loss adjusters, warehouse operators, and farmers. In January 2011, a Federal court in North Carolina sentenced a tobacco broker to 18 months of imprisonment, three years of probation, and ordered him to pay over \$10 million in restitution and forfeit \$650,000. The court also sentenced a warehouseman to one year in prison, two years of probation, and fined him \$100,000.

FARM SERVICE AGENCY: *Tennessee Farmer Sentenced and Ordered to Pay \$85,000 in Restitution for Conversion and Money Laundering*

The subject of an OIG investigation had obtained a \$47,500 operating loan from the Farm Service Agency (FSA) to purchase cattle for his farming operation, pledging cattle and equipment as collateral. The farmer subsequently obtained five more operating loans and secured them the same mortgaged cattle and equipment. Three of the loans were paid in full,

but when the farmer filed for bankruptcy, only 41 of the expected 470 head of cattle were found on his property. OIG agents determined that the farmer sold all of his equipment and used the proceeds to pay other debts despite owing \$85,000 to FSA. He was convicted at trial of conversion of mortgaged collateral and money laundering. In November 2010, a Federal court in Tennessee sentenced him to one year of imprisonment, three years of supervised release, and \$85,000 in restitution.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE: *Texas Food Export Company Personnel Sentenced and Ordered Pay Over \$17 Million in Fines and Restitution for Conspiracy Involving Expired Food Shipped to U.S. Troops in the Middle East*

In the latest development of a case first reported in March 2010, additional fines and penalties have been levied on the conspirators. OIG agents determined that a Texas food export company engaged in fraudulent conduct by shipping food products past or near their expiration dates to U.S. troops in the Middle East. During February 2004–September 2006, the owner directed his employees to remove expired dates replaced them with unexpired dates. The owner conspired with the owner of a transportation company and a purchasing agent to defraud the Government by filing false claims to obtain payments, including overstating costs of transporting the food. Both company owners pled guilty to conspiracy charges. The food company owner entered into an agreement with the U.S. Attorney’s Office in November 2010 to pay \$15 million to settle civil charges regarding his activities. In December 2010 a Federal court in Texas sentenced him to two years of imprisonment, three years of probation, and a \$100,000 fine. The transportation company owner was previously sentenced to three years of probation and \$42,000 in restitution. Earlier in 2010 the purchasing agent was sentenced to serve three years of probation and \$2.1 million in restitution. OIG conducted the investigation with the Department of Defense’s Defense Criminal Investigative Service and U.S. Army Criminal Investigation Command.

FOOD AND NUTRITION SERVICE: *Joint Investigation Results in Michigan Food Store Owner Being Sentenced and Ordered to Pay \$69,000 in Restitution for SNAP Fraud*

An OIG investigation conducted with the Michigan State Police disclosed that a Michigan food store owner and one of his employees purchased SNAP benefits and exchanged them for ineligible items such as cigarettes and liquor. The store owner pled guilty to SNAP fraud and aiding and abetting. In January 2011, a Federal court in Michigan sentenced him to two years of probation and ordered him to pay \$69,000 in restitution. In addition, the Food and Nutrition Service revoked the store’s authorization to participate in the SNAP program.

FOOD AND NUTRITION SERVICE: *CEO of Florida Day Care Center Company Sentenced and Fined for Theft or Bribery Concerning Programs Receiving Federal Funds*

In November 2010 a Federal court in Florida sentenced the Chief Executive Officer (CEO) of a company that sponsored 188 day care centers was sentenced to two years of probation and

fined \$2,000. OIG's investigation disclosed that during 2003—2005, the CEO and others conspired to defraud the Child and Adult Care Food Program by inflating meal counts for reimbursement under the program, falsely reporting expenditures, paying salaries to employees who did not work as claimed, and converting items purchased for the program for personal use or use by other companies. In addition, the CEO solicited and accepted over \$100,000 in cash and checks from a vendor to whom she awarded catering contracts for meals at the child care centers. The CEO pled guilty to one count of theft or bribery concerning programs receiving Federal funds.