

## **Office of Inspector General, USDA Investigation Developments**

>> **November 29, 2007** <<

### **Joint Investigation Results in Two North Carolina Men Being Ordered to Forfeit \$4,500,000 for Conspiracy Regarding FSA's Tobacco Program**

A joint investigation conducted by agents from OIG, IRS, FBI, and the Tennessee Bureau of Investigation (TBI) resulted in two North Carolina men being found guilty of conspiracy to structure financial transactions to avoid filing Currency Transaction Reports and to commit fraud regarding the Farm Service Agency (FSA) Tobacco Program. The men used an extensive network of accomplices, family, and friends to conduct over \$4,500,000 of transactions in increments under \$10,000 to avoid filing the required reports. A Federal court in October 2007 held the men jointly and severally liable for a \$4,500,000 forfeiture judgment.

### **Former Illinois Grocery Store Owners Sentenced and Ordered to Pay \$1,197,000 in Restitution for Food Stamp Trafficking and Fraud**

A joint OIG/Immigration and Customs Enforcement (ICE) investigation resulted in the sentencing of two former Illinois grocery store owners. A Federal court found the two guilty of wire fraud, aiding and abetting, money laundering, and conspiracy to structure financial transactions to avoid filing Currency Transaction Reports. The joint OIG/ICE investigation revealed that from June 2002–June 2004, the former grocery store owners redeemed \$1,200,000 in EBT benefits, and in a 12-month period, withdrew more than \$100,000 without reporting the financial transactions to the IRS. In September 2007, the first owner was sentenced to 90 months of imprisonment, ordered to pay \$1,100,000 in restitution, and scheduled to be deported after serving his sentence. The second owner was sentenced to 12 months and 1 day of imprisonment and ordered to pay \$97,000 in restitution.

### **Guilty Plea for Money Laundering and Conspiracy Involving Stolen Infant Formula Results in Ohio Store Owner Being Sentenced and Ordered to Forfeit \$2,291,025**

An Ohio store owner pled guilty in Federal court to possession with intent to illegally distribute a chemical, money laundering, and conspiracy to commit interstate transportation of stolen property. The joint investigation included participation by OIG, DEA, Secret Service, FBI, and State and local law enforcement. The investigation disclosed that the store owner used his business to store and distribute pseudoephedrine and other stolen/fraudulently obtained items, including infant formula, baby products, cereal, and cigarettes. In October 2007, a Federal court in Ohio sentenced the owner to 97 months of imprisonment, 36 months of probation, forfeiture of \$1,500,000, and forfeiture of \$791,025 in seized currency.

### **Fraud in "Mad Cow" Sampling Results in Slaughter Facility Owner Being Sentenced and Ordered to Pay \$390,000 in Restitution**

In September 2007, the owner of a pet food slaughter facility and a corporation were sentenced in Federal court in Arizona for theft of Government money, mail and wire fraud, and aiding and

abetting. The OIG investigation revealed that the owner falsified the number of Bovine Spongiform Encephalopathy (BSE/“Mad Cow”) testing samples, switched or substituted brain tissue in the samples, and switched carcasses of animals that were supposed to be held for testing. This enabled him to improperly receive additional payments from USDA based on the number of samples submitted. The court sentenced him to 8 months of imprisonment, 36 months of supervised release, and ordered him to pay \$390,000 in restitution. In addition, he and his corporation were fined \$100,000 each. No tainted food product was involved.

### **New York Grocery Store Owner Sentenced and Ordered to Forfeit Assets Totaling \$1,000,000 for Food Stamp Trafficking**

A New York grocery store owner was sentenced in November 2007 in Federal court to time served (4 months), 36 months of supervised release, and ordered to forfeit cash and real estate totaling \$1,000,000. The OIG investigation disclosed that from January 2001 through August 2005, the owner had exchanged \$5,896 in food stamp benefits for \$4,116 in cash.

### **New Jersey Retail Grocery Store Owner Sentenced and Ordered to Pay \$391,395 in Restitution as a Result of a Joint OIG / Secret Service Investigation**

OIG and the U.S. Secret Service conducted a joint EBT trafficking investigation that resulted in a New Jersey grocery store owner being sentenced to 24 months in prison, 36 months of supervised release, and ordered to pay \$391,395 in restitution. The investigation disclosed that during March – August 2006, the owner illegally redeemed over \$362,000 in EBT benefits.

### **Michigan Woman Pleads Guilty to Fraudulently Obtaining FSA Loan – Sentenced and Ordered to Pay \$131,079 in Restitution**

The OIG investigation revealed that the woman provided false statements to the Farm Service Agency (FSA) to obtain a \$124,300 FSA farm operating loan, but engaged in no farming activities. She was one of 4 persons that conspired to defraud FSA of program loan proceeds and program payments. She was sentenced in September 2007 in Federal court to 4 months of imprisonment, 4 months of home confinement, 24 months of supervised release, and ordered to pay \$131,079 in restitution. Another co-conspirator previously pled guilty to accepting approximately \$45,000 in cash as payment for fraudulently obtaining a farm operating loan in the amount of \$174,800. Charges are pending for the other two co-conspirators.

### **OIG Investigation Results in New York Retail Grocery Store Owner Being Sentenced and Ordered to Pay \$521,589 in Restitution for Food Stamp Trafficking**

In October 2007, a New York retail grocery store owner was sentenced in Federal court to 18 months in prison, 36 months of supervised release, and ordered to pay \$521,589 in restitution for food stamp trafficking. The OIG investigation revealed that the store owner had illegally discounted over \$1,100,000 in Electronic Benefits Transactions (EBT) for cash.