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Tuesday, August 30, 2016

14 Retailers Facing Federal Indictment for \$16 Million Food Stamp Fraud

Defendants Allegedly Received Over \$16 Million from USDA for Food Stamps Allegedly Traded for Cash; 26 Search Warrants Executed; 46 Bank Accounts Seized

Baltimore, Maryland - A federal grand jury has returned nine separate indictments charging a total of 14 retail store operators for committing food stamp fraud and wire fraud in connection with schemes to illegally redeem food stamp benefits in exchange for cash. The indictments allege the retailers received over \$16 million in federal payments for transactions in which they did not provide any food, a fraud scheme commonly known as “food stamp trafficking.” Stores allegedly split the proceeds with food stamp recipients. The indictments were unsealed today upon the arrests of the defendants.

Over 300 members of law enforcement participated in the arrests and execution of a total of 26 search warrants at the stores and related locations this morning. In addition, 46 bank accounts were seized.

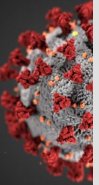
The indictments were announced by United States Attorney for the District of Maryland Rod J. Rosenstein; Special Agent in Charge William G. Squires, Jr. of the U.S. Department of Agriculture Office of Inspector General, Northeast Region; and Special Agent in Charge Kevin Perkins of the Federal Bureau of Investigation.

“The food stamp program is intended to put food on the tables of needy recipients, not to put money in the pockets of greedy criminals,” said U.S. Attorney Rod J. Rosenstein. “Honest storeowners work hard to earn a profit by actually selling food, and food producers and distributors also benefit. People who play by the rules deserve to know that criminals who defraud them will be held accountable.”



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“Far from being a victimless crime, the offenders in this investigation defrauded a combined amount of approximately \$16 million from taxpayer funded programs,” stated Kevin Perkins, Special Agent in Charge of the FBI Baltimore Office. “These programs are intended to provide assistance for those in need—not a means of abuse or selfish enrichment. The FBI Baltimore Division, along with our federal, state and local partners, remain steadfast in our commitment to root out those who steal from taxpayers and defraud our government programs.”

The Supplemental Nutrition Assistance Program (SNAP), previously known as the Food Stamp Program, is administered by the Food and Nutrition Service (FNS) of the United States Department of Agriculture (USDA), together with state agencies. The program funds low-income individuals to allow them to obtain a more nutritious diet. In Maryland, the program provides eligible individuals with an electronic benefit transfer (EBT) card called the Independence Card, which operates like a debit card. Recipients obtain EBT cards through the state Department of Human Resources, then use the EBT card to purchase approved food items from participating retailers.

Retailers must apply to and be approved by FNS to participate in the program. Authorized retailers use a point-of-sale terminal that checks the EBT card information and deducts the cash value of the purchase from the customer’s SNAP benefit balance. SNAP reimbursements are paid to retailers through electronic funds transfers. Retailers must bill the government only in return for providing approved food items.

The indictments allege that the defendants exchanged EBT benefits for cash, in violation of the food stamp program rules. The indictments allege that the defendants typically paid half the value of the EBT benefits in cash. To avoid detection, the defendants often debited the funds from the card in multiple transactions over a period of hours or days, or called a different store where the transaction was processed manually. As a result of unlawful cash transactions, the defendants obtained more than \$16,482,270 in EBT deposits for transactions in which food sales never occurred or were substantially inflated.

According to the indictments, the defendants listed below owned and/or operated stores in the Baltimore area that were authorized to accept SNAP. The defendants received instruction regarding the requirements and regulations of the food stamp program, including that only eligible food items could be exchanged for EBT benefits and that a retailer may never exchange EBT benefits for cash or non-food items.

Walayat Khan, age 36, of Reisterstown, Maryland; and Barbara Ann Duke, age 50, of Owings Mills, Maryland; Maria’s Market Place, 307 S. Broadway in Baltimore; and Royals Food Market, 921 E. Patapsco Avenue in Brooklyn, Maryland. From October 2013 to June 2016, Khan and Duke allegedly obtained more than \$1,486,118 in payments for food sales that never occurred.

Shaheen Tasewar Hussain, age 60, of Ellicott City, Maryland; Shop & Save, 301 Crain Highway South, Suite D, Glen Burnie, Maryland. From July



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2014 through October 2015, Hussain allegedly obtained more than \$778,183 in payments for food sales that never occurred.

Kelym Novas Perez, age 34, of Baltimore; and
Jose Remedio Gonzalez Reyes, age 50, of Baltimore;
Kelym Grocery, 2734 Pennsylvania Avenue in Baltimore. From August 2013 through March 2016, Perez and her husband, Gonzalez Reyes, allegedly obtained more than \$879,500 in payments for food sales that never occurred.

Mulazam Hussain, age 54, of Windsor Mill, Maryland;
Monroe Food Mart and Y&J Grocery in Baltimore. From March 2013 through July 2016 Hussain allegedly obtained more than \$1,242,745 in payments for food sales that never occurred.

Mohammad Shafiq, age 50, of Gwynn Oak, Maryland; and his daughter,
Alia Shaheen, age 24, of Baltimore;
Quick Stop Convenience Store, 237 N. Patterson Park Avenue; New York Food Mart, 1201 N. Patterson Park Avenue; and Barclay Food Mart, 2454 Barclay Street, all in Baltimore; and Shafiq Corporation, 6929 Holabird Avenue, in Dundalk, Maryland. From about October 2010 through July 2016, Mohammad Shafiq and his daughter, Alia Shaheen, allegedly obtained more than \$3,712,353 in payments for food sales that never occurred or were substantially inflated.

Mohammad Irfan, age 59; and
Muhammad Sarmad, age 40, both of Nottingham, Maryland;
New Sherwood Market, 6324 Sherwood Road in Northwood, Maryland; Martin Mart, 1504 Martin Boulevard in Middle River, Maryland; Rosedale Mart, 6326 Kenwood Avenue in Rosedale, Maryland; and M&A Mart 7400-A Belair Road in Baltimore. From October 2010 through August 2016, Irfan and Sarmad allegedly obtained more than \$3,550,662 in payments for food sales that never occurred.

Mahmood Hussain Shah, age 57, of Catonsville, Maryland; and
Muhammad Rafiq, age 58, of Reisterstown;
Corner Groceries, 1242 Darley Avenue in Baltimore. From October 2010 through August 2016, Shah and Rafiq allegedly obtained more than \$1,610,556 in payments for food sales that never occurred.

Rizwan Pervez, age 38, of Essex, Maryland;
M&N Mini Mart, 1846 W. North Avenue; and Mega Mart¹, 1522 Ellamont Street, both in Baltimore. From April 2014 through July 2016, Pervez, allegedly obtained more than \$1,689,511 in payments for food sales that never occurred.

Kassem Mohammad Hafeed, a/k/a Kassam Mohammad Hafeed, age 51, Baltimore;
C&C Market, 4752 Park Heights Avenue in Baltimore. From November 2010 through April 2013, Hafeed allegedly obtained more than \$1,532,642 in payments for food sales that never occurred.

The defendants face a maximum sentence of 20 years in prison for each count of wire fraud; a maximum of five years in prison for conspiracy to commit food stamp fraud and wire fraud; and a maximum of five years in prison for food stamp fraud. The defendants are expected to have initial appearances today in U.S. District Court in Baltimore.

An indictment is not a finding of guilt. An individual charged by indictment is presumed innocent unless and until proven guilty at some later criminal proceedings.

United States Attorney Rod J. Rosenstein praised the USDA Office of Inspector General and FBI for their work in the investigation. Mr. Rosenstein thanked Assistant United States Attorneys Matthew C. Sullivan; Jason D. Medinger; Peter J. Martinez, Rachel M. Yasser, Kathleen O. Gavin, Aaron S.J. Zelinsky; Patricia C. McLane, and Sean R. Delaney, who are prosecuting these cases.

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