

Office of Inspector General, USDA Investigation Developments

November 15, 2012

Louisiana Store and Restaurant Owner Sentenced and Ordered to Pay Over \$1.3 Million in Restitution for Supplemental Nutrition Assistance Program (SNAP) Fraud (Food and Nutrition Service—FNS)

On **September 11, 2012**, in a U.S. District Court in Louisiana, the owner of a Lake Charles store and restaurant was sentenced to 51 months in prison for trafficking in SNAP benefits. He was also ordered to pay \$1.3 million in restitution to FNS. The investigation by the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG) determined that the subject purchased approximately \$1.2 million in SNAP benefits from recipients in the Lake Charles area. The owner pled guilty to food stamp fraud and wire fraud in April 2012. To date, 54 SNAP recipients have been charged in Louisiana State Court for trafficking their benefits at this location.

South Dakota Producers Sentenced and Ordered to Pay \$364,000 in Restitution and Fines for Conspiracy to Defraud the Government (Farm Service Agency—FSA)

On **September 10, 2012**, in U.S. District Court in South Dakota, two individuals were sentenced to 5 years of probation, ordered jointly to pay \$303,890 in restitution, and fined \$20,000 and \$40,000, respectively, for participation in a conspiracy to defraud the Farm Service Agency. OIG's investigation revealed that the two individuals and an unindicted third party submitted applications for wool loan deficiency payments for sheep that were not sheared. The two individuals each pled guilty to conspiracy to defraud the Government.

Former California Storeowner Sentenced and Ordered to Pay \$6.1 Million in Restitution for SNAP Fraud (FNS)

On **October 9, 2012**, in U.S. District Court in California, a man who trafficked in SNAP benefits was sentenced to 14 years in prison and was ordered to pay \$6.1 million in restitution. OIG agents disclosed that the man and his employees accepted SNAP benefits in exchange for cash at the three grocery stores the man owned.

The owner and employees were charged with violations including food stamp trafficking, conspiracy, wire fraud, money laundering, and false statements. The owner fled the country in 2007 after pleading guilty to SNAP charges and agreeing to forfeit assets. Ultimately, after communications between U.S. embassy staff in Moscow and an OIG agent in California, the owner returned to the United States to face sentencing. He was arrested upon arrival.

Regarding other store employees involved in the scheme, one has been convicted of SNAP trafficking and sentenced to 3 years of probation and \$238,000 in restitution. A second employee was indicted on a number of charges but fled the country.

West Virginia Storeowner Sentenced, Ordered to Pay and Forfeit a Total of \$395,000 for SNAP Trafficking, and Aiding and Abetting (FNS)

On **October 1, 2012**, in U.S. District Court in West Virginia, the owner of a food market who exchanged SNAP benefits for cash was sentenced to 1 year in prison and ordered to pay \$298,000 in restitution. OIG agents determined that the storeowner exchanged SNAP benefits for U.S. currency on several occasions. He pled guilty in July 2012 to one count of SNAP fraud and one count of aiding and abetting. The approximately \$97,000 in currency that was seized during OIG's investigation is in the final stages of forfeiture.

California Man Sentenced and Ordered to Pay \$140,000 in Restitution for Conspiracy to Defraud the Government (Forest Service—FS)

On **September 14, 2012**, in U.S. District Court in California, an individual involved in a conspiracy to defraud the Forest Service (FS) was sentenced to 22 months in prison and ordered to pay \$140,000 in restitution. OIG agents disclosed that an FS employee in California issued \$130,000 worth of Government purchase card program convenience checks to family members, a second FS employee, and other unauthorized individuals. The two FS employees and 12 other defendants were charged with conspiring to defraud the Government by making fraudulent claims and negotiating approximately \$272,000 in convenience checks. Thirteen of the defendants, including the FS employee who issued the checks, pled guilty either to conspiracy to defraud the Government or theft of Government property.¹

Former Oklahoma Food Services Director Sentenced and Ordered to Pay \$271,000 in Restitution for Theft and Obstructing an Audit (FNS)

On **September 19, 2012**, in U.S. District Court in Oklahoma, the former director of food services for an Oklahoma public school system was sentenced to 5 years of probation and ordered to pay \$271,033 in restitution. Based on an audit by Oklahoma authorities, OIG's investigation disclosed that the subject embezzled approximately \$270,000 in cafeteria sales over a 4-year period and falsely inflated meal counts to cover up the embezzlement. She pled guilty to Federal program theft and obstructing an audit.

Rhode Island Storeowner Sentenced and Ordered to Pay \$648,000 in Restitution for Conspiracy to Commit Food Stamp Fraud (FNS)

On **September 13, 2012**, in U.S. District Court in Rhode Island, the owner of a Providence food store was sentenced to serve 5 years of probation and pay restitution of \$648,000 for trafficking SNAP benefits. OIG initiated this investigation based on information provided by FNS' Retailer Investigations Branch that the store was selling ineligible items and exchanging SNAP benefits for cash. OIG agents determined that from May 2009 to January 2010, SNAP benefits were exchanged for currency on a number of occasions. The storeowner pled guilty to conspiracy to commit SNAP fraud.

¹ The two FS employees were sentenced earlier in 2012. The employee who issued the checks was sentenced in April 2012 to 26 months' imprisonment and restitution of \$273,000, jointly and severally with co-defendants. The second FS employee was sentenced in August 2012 to 15 months' imprisonment and \$19,000 in restitution.