

## Office of Inspector General, USDA Investigation Developments

December 18, 2012

### *California Organic Products Company Owner Sentenced and Ordered to Pay \$9 Million for Mail Fraud Involving Adulterated Fertilizer* (Agricultural Marketing Service—AMS)

On **November 19, 2012**, in Federal court in California, the owner of a large volume organic products company was sentenced to 78 months in Federal prison for selling fertilizer falsely represented as organic. He was ordered to pay a personal judgment of \$9 million and to forfeit three vehicles (a Porsche, a Mini Cooper, and a Silverado). Restitution will be determined at a later time. OIG's investigation determined that the owner added prohibited non-organic substances to fertilizer labeled as "organic," and then sold the falsely-labeled fertilizer to customers. The company owner pled guilty to four counts of mail fraud in August 2012.

### *Georgia Storeowner Sentenced and Ordered to Pay \$6.3 Million in Restitution for SNAP and WIC<sup>1</sup> Fraud* (Food and Nutrition Service—FNS)

On **November 7, 2012**, in Federal court in Georgia, a grocery storeowner who trafficked in SNAP and WIC benefits was sentenced to 63 months of imprisonment and ordered to pay \$6.3 million in restitution, jointly and severally, with co-defendants. Another storeowner was sentenced in the same court to 60 months in prison and was included in the restitution order. The judge also ordered the forfeiture of three sports cars (a Ferrari, a Maserati, and a Corvette) and \$113,980 in various bank accounts. OIG agents determined that an organized group of individuals opened numerous stores in Georgia to defraud SNAP and WIC by paying cash in exchange for benefits. OIG's investigation has resulted in 13 employees and owners of various stores pleading guilty to conspiracy to commit SNAP/WIC fraud or theft of Government funds. A number of SNAP and WIC recipients who sold benefits at these stores have had their benefits suspended and claims established against them.

### *Mississippi Physician Sentenced and Ordered to Pay \$400,000 in Restitution for Theft and Bribery Involving a Guaranteed Loan* (Rural Housing Service—RHS)

OIG agents determined that several individuals in Mississippi conspired to obtain an RHS guaranteed loan to purchase a hospital, and engaged in fraud and embezzlement to get the loan approved. They also received illegal payments from the loan, such as kickbacks from nurse-staffing agencies owned by one of the conspirators. A physician who was an executive officer of the hospital paid a \$25,000 bribe to a county administrator to facilitate the purchase of the hospital. In August 2007, the hospital filed for bankruptcy, resulting in a loss to Rural Development of over \$23 million. The physician and county administrator pled guilty to charges of mail fraud, theft, and bribery. On **November 13, 2012**, the physician was sentenced in Federal court in Mississippi to 24 months of home confinement and \$400,000 in restitution.<sup>2</sup> The county administrator is scheduled to be sentenced in 2013.

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<sup>1</sup> The Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

<sup>2</sup> Previously, two other defendants in the case were convicted at trial. One was sentenced in 2012 to 55 months' imprisonment and fined \$10,000 for multiple offenses including embezzlement, kickbacks, and lying to investigators. A decision on a second conspirator's verdict is pending in Federal Circuit Court in Louisiana.

*Spouse of Connecticut Storeowner Sentenced and Ordered to Pay \$1.7 Million for SNAP Fraud (FNS)*

On **November 19, 2012**, a Federal court in Connecticut sentenced the spouse of the owner of several Hartford grocery stores to 36 months of probation, including 6 months of home confinement. The couple and a brother-in-law were ordered to pay restitution of \$1.7 million, the estimated amount of fraud in the case. OIG agents disclosed that the couple exchanged SNAP benefits for cash at six small grocery stores they owned. The couple hid their ownership position by using the names of individuals who allowed their names to be used for ownership and licensing purposes. The wife pled guilty to SNAP fraud in September 2012. A prior OIG investigation resulted in the 1996 conviction (and subsequent deportation) of the husband for SNAP fraud. He initiated this new scheme after illegally reentering the United States in 2000.<sup>3</sup>

*Montana Farmer Sentenced and Ordered to Pay \$948,000 in Restitution for Bank Fraud (Farm Service Agency—FSA)*

On **October 23, 2012**, a Montana farmer was sentenced by a Federal court in Montana to 35 months in prison and \$948,000 in restitution for conspiring with his wife to commit bank fraud. OIG's investigation disclosed that the farmer and his wife, an FSA County Executive Director (CED), provided false information to obtain a bank loan and converted cattle that secured an FSA loan. They made false statements and concealed assets during bankruptcy proceedings. The investigation also determined that the CED filed a false travel voucher. The couple was indicted in January 2012 on numerous charges: the husband pled guilty to bank fraud and conspiracy to commit bank fraud.<sup>4</sup>

*California Storeowner Sentenced and Ordered to Pay \$1.3 Million in Restitution for SNAP Fraud (FNS)*

On **October 29, 2012**, in Federal court in California, a grocery storeowner who trafficked in SNAP benefits was sentenced to 12 months' imprisonment and was ordered to pay \$1.3 million in restitution. OIG agents determined that the owner exchanged SNAP benefits for cash by the following scheme: customers purchased groceries equal to 50 percent of the amount they wanted to receive in cash from the transaction, employees swiped the SNAP benefits card for the entire amount, and then the storeowner returned cash to the customers. The owner also accepted SNAP benefits for ineligible items and allowed SNAP recipients to pay store credit with their benefits. He pled guilty in July 2012 to one count of food stamp fraud and one count of aiding and abetting.

*Canadian Businessman Sentenced and Ordered to Pay \$125,000 Fine for Mail Fraud Involving Adulterated Fertilizer (AMS)*

In Federal court in California, a Canadian businessman who falsified information about ingredients in purportedly organic fertilizer was sentenced on **November 7, 2012**, to 1 year in jail, 3 years of probation (including 6 months in a halfway house), a fine of \$125,000, and 1,000 hours of community service in the organic industry. He was banned from participating in all USDA programs.

OIG agents disclosed that from April 2000-December 2006, the businessman falsely represented that fertilizer produced by his company contained only organic materials. The fertilizer was manufactured using ammonium chloride and, later, ammonium sulfate, which do not qualify as organic substances under the National Organic

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<sup>3</sup> He was sentenced in 2011 to 57 months in prison and restitution of \$1.7 million. He will be again be subject to deportation after completion of the sentence. The man's brother pled guilty in March 2011 to misprision (concealing/failing to report) of a felony. He was sentenced in 2011 to 21 months in prison and ordered to pay approximately \$362,000 in restitution.

<sup>4</sup> The wife pled guilty and was sentenced in August 2012 to 27 months in prison and ordered to pay \$948,000 in restitution. She resigned her FSA position.

Program's list of approved substances. He was charged in 2010 with mail fraud and false statements. At that time he had returned to his home in Canada. He was arrested in October 2010 upon entry into the United States. He subsequently pled guilty to two counts of mail fraud in connection with the sale of the non-organic fertilizer.

*Illinois Storeowner Sentenced and Ordered to Pay \$921,000 in Restitution for Wire Fraud Involving SNAP (FNS)*

On **October 23, 2012**, a Federal Court in Illinois sentenced a Chicago grocery storeowner who trafficked in SNAP benefits to 36 months in prison and restitution of \$921,000. OIG's investigation disclosed that the storeowner and an employee were exchanging SNAP benefits for cash. Both left the country in February 2012 after arrest warrants were issued. The owner was arrested when he returned from Jordan in March 2012. Both individuals were charged in April 2012 with wire fraud. The owner pled guilty, but the employee remains a fugitive.