

Office of Inspector General, USDA
Investigation Developments

May 22, 2013

North Carolina Man Sentenced and Ordered to Pay \$300,000 Fine for Dumping Contaminated Soil in Wetlands

On April 10, 2013, in a Federal court in North Carolina, a man who participated in illegally dumping contaminated soil in a wetland was sentenced to 6 months' imprisonment, followed by 6 months' house arrest, and was fined \$300,000. He also made a payment of \$11,367 to a North Carolina wetlands restoration fund as part of his plea agreement with Federal prosecutors. The joint investigation with USDA OIG and the Eastern District of North Carolina's Environmental Crimes Working Group determined that the defendant, along with the manager of a farm, caused 1,000 tons of contaminated soil to be dumped into the wetlands on the farm, thereby violating the law requiring compliance with wetland conservation rules. The defendant pled guilty to the unauthorized filling of wetlands.¹

Michigan Food Store Employee Sentenced and Ordered to Pay \$289,000 in Restitution for Wire Fraud in Connection with SNAP and WIC²

On March 19, 2013, in a Federal court in Michigan, an employee of a Saginaw retail food store who trafficked in Federal nutrition assistance benefits was sentenced to 32 months' imprisonment and ordered to pay \$289,000 in restitution. USDA OIG agents disclosed that on several occasions, store employees gave cash and ineligible items in exchange for SNAP and WIC benefits. The defendant had previously been permanently disqualified from participating in SNAP, but he subsequently solicited his daughter to apply for Food and Nutrition Service authorization to accept SNAP and WIC benefits. He pled guilty to one count of wire fraud in August 2012.

Maine Property Management President Being Sentenced and Ordered to Pay \$384,000 in Restitution for Loan Skimming

On April 22, 2013, in a Maine Federal court, the president and owner of a property management company that fraudulently obtained assets from a Rural Development-funded apartment complex was sentenced to 6 months' imprisonment and ordered to pay \$384,000 in restitution. The company managed nine housing projects funded by Rural Development and one housing project funded by the Department of Housing and Urban Development (HUD). The USDA OIG investigation, conducted jointly with HUD OIG and the Federal Bureau of Investigation, determined that the property management company improperly removed at least \$987,000 in funds from project and tenant security deposit accounts without authorization. The joint investigation determined that the company had charged ineligible expenses to the projects and falsely reported account activity, among other violations. The owner/president pled guilty to one count of equity skimming.³

Texas Borrower Sentenced and Ordered to Pay \$84,000 in Restitution for Unauthorized Disposition of Mortgaged Collateral

On February 26, 2013, in a Federal court in Texas, a borrower who sold collateral pledged to the Farm Service Agency (FSA) was sentenced to 5 years of probation and ordered to pay \$84,000 in restitution. The USDA OIG's investigation disclosed that the man sold \$84,000 of FSA-mortgaged collateral, withdrew \$28,000 in mortgaged money market account funds without approval, and did not apply any of the funds toward his outstanding FSA loan balance. The OIG investigation also found that he sold approximately 158 head of FSA-mortgaged cattle using a

¹ The farm manager was sentenced in 2012 to 3 years of probation and fined \$15,100.

² The Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

³ A second company official—the CEO/part-owner—previously pled guilty to equity skimming. He was sentenced in January 2013 to 6 months of home confinement, 3 years' probation, and \$25,000 in restitution.

fictitious entity name and falsely represented that the cattle were free and clear of any encumbrances. He used part of the unauthorized/converted FSA-mortgaged funds for personal expenditures such as golf outings, vacations, jewelry, gambling, and spa treatments. In August 2012, the borrower pled guilty to unauthorized disposition of mortgaged collateral.

Detroit Convenience Store Owner Sentenced and Ordered to Pay \$376,000 in Restitution for SNAP Fraud

On April 23, 2013, in a Federal court in Michigan, the owner of a small Detroit convenience store that trafficked in SNAP benefits was sentenced to 15 months' imprisonment and \$376,000 in restitution. USDA OIG's investigation disclosed that the owner and employees at the store purchased SNAP benefits in exchange for cash. The owner pled guilty to food stamp fraud and filing a false tax return.⁴

Oregon Farmer Sentenced and Ordered to Pay \$159,000 in Restitution for Conversion of Mortgaged Property

On March 5, 2013, in an Oregon Federal court, a farmer who sold collateral pledged to FSA was sentenced to 5 years of probation, 6 months in a Residential Reentry Center, and was ordered to pay \$159,000 in restitution. The individual raised sheep and farmed hay, and he had received two loans from FSA totaling \$175,000. OIG agents determined that the farmer sold much of the collateral (crops, livestock, equipment) that was pledged to FSA, and failed to make any payments on either loan. He pled guilty to conversion of mortgaged property.

Montanan Sentenced and Ordered to Pay \$41,000 in Restitution for SNAP Fraud

A USDA OIG investigation determined that an individual in Montana falsified information on household composition and income to receive SNAP benefits. On March 21, 2013, in a Federal court in Montana, the individual was sentenced to 4 years of supervised probation and ordered to pay \$41,000 in restitution. USDA OIG agents found that she received SNAP benefits in the States of Montana and Washington by making false representations about household composition and failing to report approximately \$310,000 of gross marital income. Her husband provided false child support letters. The woman thereby improperly received \$30,000 in SNAP benefits in Montana and \$10,000 in Washington State. She pled guilty to theft of Government property by fraud.

\$74,000 in Restitution Ordered for Unauthorized Disposition of Mortgaged Property

On April 15, 2013, in an Arkansas Federal court, an individual who pled guilty to the unauthorized disposition of cattle mortgaged to FSA was sentenced to 5 months' imprisonment and ordered to pay \$74,000 in restitution. USDA OIG determined that from August 2008 to January 2009, the defendant sold 127 head of FSA-mortgaged cattle for \$74,000 without FSA authorization.

Continuing Tobacco Fraud Investigation in North Carolina Results in Substantial New Sentence and Restitution Order of \$13.3 Million

On March 21, 2013, in a North Carolina Federal court, a tobacco broker was sentenced to 66 months' imprisonment and ordered to pay \$13.3 million in restitution. USDA OIG's extensive investigation has disclosed that numerous farmers sold tobacco in nominee names to hide production and file false crop insurance claims. Warehouse operators, crop insurance agents and adjusters, and check cashers also participated in various elements of the schemes. OIG agents determined that this broker participated in the scheme by purchasing tobacco with cash, and purchasing tobacco sold in nominee names, through his independent receiving stations in North Carolina and Kentucky. He then resold the tobacco to a national tobacco company. The broker pled guilty in December 2012 to charges related to false statements, fraud, and conspiracy to commit money laundering.

⁴ An employee previously pled guilty to charges including SNAP fraud and aiding and abetting. He was sentenced to 2 years' imprisonment and ordered to pay \$180,000 in restitution.