

Office of Inspector General (OIG), USDA
Investigation Developments Bulletin
January 30, 2015

Additional Individuals Sentenced and Ordered to Pay Restitution for Major WIC Fraud Scheme—Georgia

In early December 2014, in Federal court in Georgia, 7 individuals who participated in a wide-ranging conspiracy involving the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) were sentenced for their roles in the scheme. They were sentenced between 30-40 months in prison and ordered to pay restitution ranging from approximately \$225,000 to \$1.6 million. One co-conspirator previously was sentenced in December 2014 to 4 years in prison and ordered to pay \$18.5 million in restitution. He was the first of 54 co-conspirators to be sentenced. The total restitution ordered to date in this case exceeds \$33.5 million.

OIG's investigation determined that the co-conspirators opened numerous stores in Georgia to defraud the WIC program. During a two-year period, various stores associated with the enterprise deposited more than \$18 million in WIC vouchers into their bank accounts. A forfeiture count also was included in the indictment seeking a \$20 million money judgment. Additionally, in August 2014, 32 WIC program participants, charged separately with conspiracy, pled guilty to theft of Government funds and were sentenced to probation and restitution. Two WIC participants remain fugitives.¹

Ringleader of Conspiracy to Steal Trucks and Cargo Receives Lengthy Sentence and is Ordered to Pay \$1.3 Million in Restitution—Missouri

On December 8, 2014, in Federal court in Missouri, the ringleader of a large-scale conspiracy involving the theft of nearly \$1 million worth of trucks, trailers, and cargo was sentenced to 262 months of incarceration and was ordered to pay approximately \$1.3 million in restitution, jointly and severally with his co-defendants. OIG's investigation was conducted to identify individuals responsible for the theft of truckloads of frozen meat, apparel, beer, and appliances. A number of other individuals previously have been found guilty or pled guilty to charges including possession of stolen goods in interstate commerce, conspiracy in causing the receipt, possession, and sale of stolen meat products transported in interstate commerce, and aiding and abetting. Sentences imposed on other defendants in the case included one individual sentenced to 2 years in prison and \$386,900 in restitution. Two men who had central roles in the conspiracy were found guilty at a trial in 2014, taken into custody, and are awaiting sentencing.²

Store Manager Sentenced and Ordered to Pay \$440,000 in Restitution for Trafficking in SNAP and Narcotics—Maryland

On December 10, 2014, in a Maryland State court, the manager of a Baltimore store who trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits and illegal drugs pled guilty to a theft scheme exceeding \$100,000 and narcotics distribution. He was sentenced to 10 years' incarceration (suspended), two years' home detention, and was ordered to pay \$440,000 in restitution. He also agreed to forfeit all money recovered during the investigation (approximately \$100,000). OIG's investigation revealed that the store manager/general partner engaged in SNAP trafficking and conspired with drug dealers who set up shop within the store while his daughter, who owned the store, profited from the scheme. While the investigation was ongoing, the store manager exchanged SNAP benefits for cash and

¹ The investigation was conducted in conjunction with the Federal Bureau of Investigation (FBI), Immigration and Customs Enforcement, and the Georgia Department of Public Health.

² Other organizations involved in this investigation included the FBI, the Kansas City (MO) Police Department, Missouri State Highway Patrol, National Insurance Crime Bureau, and the U.S. Department of Transportation.

two store employees, while working at the back deli section, sold heroin and cocaine. A store patron was observed trafficking drugs in the store. Judicial action is pending against the store's owner.

Uninspected Wood Products Fraud Scheme Participant is Sentenced and Ordered to Pay \$364,000 in Restitution—New York

On December 2, 2014, in Federal court in New York, a woman who pled guilty to conspiracy to commit wire fraud in lumber sales was sentenced to time served (approximately 1 month), 3 years' supervised release, and was ordered to pay \$364,000 in restitution. OIG's investigation determined that the woman, who was the estranged wife of the central figure in the conspiracy, was one of several people who took part in a scheme resulting in more than \$1 million in fraudulent transactions with U.S. lumber companies and international customers in China, Egypt, Poland, and Vietnam. The key figure was a salesman representing numerous lumber companies, who transmitted fraudulent phytosanitary certificates with the forged signature of an APHIS inspector to induce foreign customers to wire funds. The lumber salesman, later determined to be a fugitive wanted in five states, previously pled guilty to aggravated identity theft. He was sentenced in 2014 to 116 months in prison and ordered to pay approximately \$1 million in restitution to his victims.

Multiple Individuals Sentenced for SNAP Fraud and Additional Charges—Oregon

Sentencings continued in Klamath County (Oregon) Circuit Court during the last 3 months of 2014 for a number of individuals who sold their SNAP benefits to a Klamath Falls store. Seventeen additional individuals were sentenced after filing guilty pleas to charges, including disposing of a food stamp benefit, theft, and drug-related charges; their sentences generally included jail time, probation, and monetary penalties of up to \$2,450. Many also were suspended from SNAP for life. OIG's joint investigation with the Klamath County Sheriff's Office determined that multiple SNAP recipients were exchanging their benefits for cash, drugs, alcohol, and other ineligible items at or through a Klamath Falls store. Approximately 60 individuals, including the individuals just sentenced, were charged in 2014 with a variety of crimes (SNAP fraud, theft, conspiracy, and possession/distribution of a controlled substance (methamphetamine)). Previously, two individuals connected to the store where the trafficking occurred were sentenced to 90 months in prison and ordered to pay \$125,000 in restitution.

Former Bank President Sentenced and Ordered to Pay \$14.7 Million in Restitution for Bank Fraud Involving USDA Funds—Oklahoma

On December 3, 2014, in Federal Court in Oklahoma, a former bank president who pled guilty to bank fraud relating to Rural Business Service (RBS) loan funds was sentenced to 2 years in prison and ordered to pay \$14.7 million in restitution. OIG's investigation revealed that a construction equipment company, in conjunction with the bank president, submitted a fraudulent application for \$8.2 million in guaranteed RBS funds, purportedly to refinance construction debt and build a truck stop. The investigation divulged the loan's true purpose, which was to hide \$9 million of imbedded losses from bank examiners. In addition, the president fraudulently approved nominee loans for the construction company's benefit to avoid legal lending limits. The scheme resulted in \$26 million in bank losses and contributed to the failure of the bank in 2011.³

Incarceration and Monetary Penalties of \$1.1 Million Ordered for SNAP Fraud—Maryland

On November 14, 2014, two individuals each were sentenced in Federal court in Maryland to 4 years of imprisonment, followed by one year of supervised release, and were charged a \$1,100 special

³ Previously, a corporate officer of the construction company was convicted on bank fraud charges and was ordered to pay a \$3.2 million forfeiture judgment. He is awaiting sentencing. The investigation is being conducted with the Federal Deposit Insurance Corporation OIG and FBI.

assessment. The two individuals were convicted by jury trial of conspiracy to commit food stamp fraud and wire fraud. They also were ordered jointly and severally to forfeit and pay restitution in the amount of approximately \$1.1 million. This OIG investigation was conducted jointly with the FBI.

Individual Sentenced for Role in Conspiracy Involving Unemployment Benefits and SNAP—California

On November 24, 2014, in Federal court in California, an individual who conspired to benefit from fraudulent unemployment insurance claims pled guilty to conspiracy and witness tampering. She was sentenced to 37 months in prison and was ordered to pay \$34,800 in restitution. OIG opened the investigation after being notified by the U.S. Department of Labor (DOL) about possible SNAP-related fraud by a California State employee. DOL's investigation revealed that the former State employee and co-conspirators "forced" unemployment payments to friends and family members, some of whom were receiving SNAP, even though the individuals were ineligible for unemployment payments. During the investigation, the individual sentenced on this date told a witness to lie about the scheme to the investigator.⁴

Two Additional Individuals Sentenced in Cockfighting Investigation Involving Drug Trafficking—Washington and Oregon

On November 12, 2014, in Federal court in Washington State, an individual was sentenced to time served (7 days), 2 years' probation, and \$200 in fines and fees. On that same day, a second individual was sentenced in the Federal court to 4 months in prison and \$1,100 in monetary penalties. Both individuals were sentenced as a result of a major investigation into cockfighting in the Pacific Northwest. OIG's investigation, conducted jointly with the Drug Enforcement Administration and the Washington State Gambling Commission, targeted organized cockfighting derbies in Oregon and Washington and large-scale drug traffickers who were involved. More than 40 individuals have been charged with a variety of offenses. During the investigation, drugs, vehicles, weapons, and approximately \$93,000 in cash were seized. A \$200,000 forfeiture was ordered based on the investigation in Oregon. Sixteen other individuals have been sentenced as a result of this investigation. Prior sentences for defendants include 20 years in prison for conspiracy to possess with intent to distribute methamphetamine and cocaine, and monetary penalties of up to \$5,000. Two individuals also were prohibited from returning to the United States without obtaining advance permission from the U.S. Attorney General or his designee.

Store Owner Sentenced and Ordered to Pay \$199,000 Restitution for SNAP Fraud—Michigan

On November 18, 2014, the owner of a small market in Detroit, Michigan was sentenced in Federal court in Michigan to one day of incarceration, three years' supervised release, and ordered to pay \$199,000 restitution to USDA's Food and Nutrition Service. The owner purchased SNAP benefits in exchange for cash, cigarettes, and alcohol. While comparable stores in the store's area redeemed approximately \$5,000 in SNAP benefits per month, the offender's market redeemed \$15,000-\$24,000 in SNAP benefits per month. Estimated fraud attributed to the market exceeds \$200,000. Financial documents, Electronic Benefit Transfer receipts, and firearms were seized. The owner pled guilty to food stamp fraud. The Michigan State Police assisted in the investigation.

⁴ Previously in this investigation, the former state employee pled guilty to conspiracy and bribery, admitting responsibility for obtaining more than \$500,000 in unemployment benefits for more than 50 ineligible individuals, some of whom also received SNAP benefits. He was sentenced to 76 months in prison and ordered to pay \$510,400 in restitution.