

Office of Inspector General (OIG), USDA
Investigation Developments Bulletin
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11-Year Sentence Imposed on Drug Trafficker Who Used USDA Vehicle—Texas

On July 28, 2015, in U.S. District Court in Texas, a convicted felon who used a USDA vehicle in an attempt to transport cocaine across the U.S. border was sentenced to 11 years and 3 months in prison. The sentence was enhanced because the defendant possessed a dangerous weapon when committing the offense. The defendant worked for a non-profit fruit association and had access to USDA vehicles as part of a cooperative agreement. The OIG investigation determined that the defendant sold illegal narcotics to undercover officers using a USDA vehicle. He was arrested as he attempted to transport approximately 9 kilograms of cocaine across the border to McAllen, Texas, using another USDA vehicle. He admitted to having produced a fraudulent identification card that identified him as a USDA ‘agent.’ Searches of his residence and vehicles uncovered a handgun, handgun magazines and ammunition, hydrocodone pills, and a digital scale.¹

Money Laundering Related to RBS Loan Results in Prison Term and \$3.7 Million Restitution Order—Montana

On July 21, 2015, in U.S. District Court in Montana, the representative of a company that made false statements to receive a Rural Business-Cooperative Service guaranteed loan was sentenced to 56 months in prison and was ordered to pay \$3.7 million in restitution. OIG’s investigation determined that the business she was associated with made false statements in order to receive an RBS guaranteed loan of \$4 million. The defendant was charged with two counts of money laundering and two counts of false statements to a Government agency. She pled guilty to money laundering.

Storeowners and Employees Sentenced and Ordered to Pay Major Financial Restitution for SNAP and WIC Fraud—Louisiana

On July 6, 2015, in U.S. District Court in Louisiana, sentences were handed down for the owner and three employees of a store in Monroe that trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) vouchers. The owner of the store was sentenced to 51 months’ incarceration and was ordered to pay \$7 million in restitution. The three employees were each ordered to pay varying amounts of restitution ranging from approximately \$210,000 to \$849,000, to be paid jointly and severally. OIG’s investigation determined these individuals were illegally exchanging SNAP and WIC benefits for cash.

On the same day in the same Federal court, one of the co-owners of another grocery store in Monroe, who exchanged SNAP benefits for cash, was sentenced to 3 years’ incarceration and was ordered to pay \$876,000 in restitution. OIG’s investigation found that the owner and employees were trafficking in SNAP benefits and had committed an estimated \$3 million in SNAP fraud. The second co-owner of this store was sentenced on August 10, 2015, to 46 months’ incarceration and was ordered to pay over \$5 million in restitution, to be paid jointly and severally with his co-defendant.

¹ This investigation was conducted with U.S. Immigration and Customs Enforcement-Homeland Security Investigations, and the McAllen, Texas Police Department.

Former Helicopter Officials Sentenced for Fraud Related to Fatal Crash—Oregon

On June 16, 2015, in U.S. District Court in Oregon, the ex-vice president and ex-director of maintenance of a helicopter company were sentenced for knowingly submitting fraudulent information to Forest Service (FS) about their helicopters' lifting capabilities. The defendant's objective was to obtain FS firefighting helicopter contracts. The false information concerning the aircrafts' equipped weights and performance charts led to the crash of a helicopter in August 2008. Nine people, including one FS employee, were killed. The company's ex-vice president and the company's ex-director of maintenance were charged with multiple crimes such as conspiracy, wire fraud, mail fraud, false statements, endangering the safety of aircraft in flight, and interstate theft. The defendants entered guilty pleas pertaining to the charges of conspiracy to commit wire and mail fraud, and to making a false statement. The ex-vice president of the company was sentenced to 151 months in prison. The ex-director of maintenance was sentenced to 25 months' imprisonment.²

Former Job Corps Student Sentenced for Assault on Forest Service Property—Washington State

On July 6, 2015, in Ferry County, Washington, Superior Court, a former Job Corps student who had sexually assaulted a fellow student on Forest Service property pled guilty to one count of assault in the fourth degree and was sentenced to 354 days (suspended) incarceration, to be served through electronic home monitoring or in jail on weekends, and two years' probation. OIG's investigation confirmed that the individual sexually assaulted the victim on several occasions from June to August 2014.³

Defendants Sentenced and Ordered to Pay Sizable Restitution for Fraud Involving Multiple Federal Programs—Michigan

During June 2015, in United States District Court in Michigan, a co-owner of a market in Grand Rapids who illegally exchanged nutrition assistance benefits for cash was sentenced to 34 months in prison and was ordered to pay \$1.27 million in restitution. OIG's investigation determined that he and two other co-owners, along with several store employees, routinely gave cash in exchange for SNAP benefits and vouchers issued through WIC. They also exchanged SNAP and WIC benefits for phone cards, hookah pipes, and other ineligible items on multiple occasions. The subject of our investigation pled guilty to conspiracy, SNAP and WIC fraud, Medicaid fraud, Housing and Urban Development fraud, and unlawful procurement of naturalization. During July 2015, additional co-defendants were sentenced 30 and 27 months imprisonment respectively, and \$1.29 million restitution. Furthermore, one of the defendants had his United States citizenship revoked.⁴

Conspirator in Organized Criminal Theft Ring Sentenced and Ordered to Pay \$1.3 Million in Restitution—New Jersey

On July 20, 2015, in U.S. District Court in New Jersey, a key figure in an organized criminal theft ring that stole infant formula among other items was sentenced to 4.5 years in prison, and a monetary judgment of \$1.3 million was entered against him. OIG's investigation disclosed that the defendant participated in an organized conspiracy that facilitated the theft and reselling of over-the counter

² This investigation was conducted with the U.S. Department of Transportation's OIG.

³ The investigation was conducted with the assistance of Forest Service Law Enforcement and Investigations.

⁴ This investigation was conducted with the assistance of the Bureau of Alcohol, Tobacco, Firearms and Explosives; Federal Bureau of Investigation; U.S. Department of Housing and Urban Development's OIG; Homeland Security Investigations; and the Michigan State Police.

medications, child feeding formulas, and other merchandise that were stolen from a number of large retail stores and pharmacies. The individual was arrested at John F. Kennedy International Airport as he was preparing to leave for the Middle East. He pled guilty for conspiring to the trafficking of stolen goods. To date, accounts containing \$66,000 and a parcel of real estate belonging to the defendant in Staten Island, New York, have been seized.⁵

Egg Company and Personnel Sentenced and Face \$7 Million in Monetary Penalties for Food Safety-related Fraud and Bribery—Iowa

On June 30, 2015, in U.S. District Court in Iowa, an egg company employee who, as part of a conspiracy with the company officials, paid bribes to an Agricultural Marketing Service (AMS) egg grader, was sentenced to serve 4 years' probation. The conspirators committed a variety of illegal acts that permitted falsely labeled eggs and eggs contaminated with *Salmonella* to be introduced into interstate commerce. The employee, who was the company's marketing manager, pled guilty to conspiracy to bribe a public official, and selling restricted eggs with the intent to introduce misbranded food into interstate commerce. In imposing the sentence, the judge cited the "substantial assistance" that the employee had provided in the case.

Earlier in 2015, in the same Federal court in Iowa, the company, its owner, and its chief operating officer were sentenced to pay a total of \$7.08 million in fines, restitution, and forfeiture for their illegal actions. The company pled guilty to introducing misbranded eggs into interstate commerce with the intent to defraud, introducing adulterated products into commerce, and bribing a public official. The owner and the chief operating officer were sentenced to serve 3 months in prison and each was ordered to pay a fine of \$100,000. The company was ordered to pay a fine of \$6.79 million and restitution of \$83,000. The company also had to forfeit \$10,000. The AMS employee who accepted the bribes is now deceased.

Broker Sentenced and Pays \$233,837 Monetary Penalty for Fraud in Tobacco Sales—North Carolina

On June 16, 2015, in U.S. District Court in North Carolina, a tobacco warehouseman/ broker who violated several laws involving the buying and selling of tobacco was sentenced to serve 5 years of probation, with the first year to be served under house arrest, and was fined \$10,000. He also provided a bank check for \$233,837 to satisfy a judgment/forfeiture order that had been issued as a result of the investigation. OIG's investigation disclosed that the man failed to maintain complete records of his tobacco purchases/sales and to report all of them on his tax returns. Between 2009 and 2012, the defendant converted tobacco checks made payable to him and others to cash. He also structured \$382,000 in illegal financial transactions. He pled guilty to causing a financial institution to fail to file a currency transaction report and structuring financial transactions.

Retailers Sentenced and Ordered to Pay Major Restitutions for Large Scale SNAP Trafficking Case Involving Firearms Violations—Detroit

In June 2015, the owner of a large supermarket in Detroit, who conspired with a liquor store owner in a large-scale SNAP trafficking operation was sentenced in United States District Court to 70 months'

⁵ The investigation was conducted jointly with Homeland Security Investigations, the U.S. Postal Service, the U.S. Department of Defense, and the New York State Police

incarceration and was ordered to pay \$700,000 in restitution. The sentencing hearing also addressed the individual's involvement in largescale sports gambling activities in Southeast Michigan and Northern Ohio. OIG's investigation initially focused on SNAP trafficking by a liquor store owner which was not authorized to accept SNAP benefits. The investigation divulged that the liquor store owner used telephone calls to contact the supermarket manager and owner to conduct manual SNAP EBT transactions. The transactions actually occurred at the liquor store, as liquor store employees were purchasing SNAP benefits for approximately half their true value. When search warrants were served at both stores and the residences of the owners, agents located several firearms and ammunition at the supermarket and its owner's residence. As a previously convicted felon, the supermarket owner was prohibited from possessing any firearms/ammunition.

The possession of such led to him being sentenced in July 2014 to 87 months in prison for being a felon in possession of firearms and ammunition. Thereafter, he pled guilty to the SNAP fraud charge as well as conspiracy to influence sport contest through bribery. Prior to OIG's SNAP-related investigation, the man was the subject of a far-reaching sports gambling investigation conducted by the FBI. That investigation involved gambling violations related to the University of Toledo's sports programs, and numerous horse racing venues in Michigan. Finally, during June 2015, the owners of the liquor store involved in the SNAP conspiracy were sentenced in United States District Court to prison terms of twenty-one and eighteen months respectively, restitution of \$1.7 million, and a money judgment of \$1.4 million.

Producer Sentenced to Probation and \$113,700 Restitution for Illegal Conversion—Iowa

On June 12, 2015, in U.S. District Court in Iowa, a producer who defrauded the Farm Service Agency (FSA) was sentenced to 5 years' probation and was ordered to pay \$113,700 in restitution. OIG's investigation disclosed that the producer sold more than \$113,000 worth of cattle mortgaged to FSA without agency permission, and used the sale proceeds for personal, non-farm related expenses. OIG also discovered the producer had provided false information to FSA on loan documents by overstating the number of cattle he had. He pled guilty to one count of conversion in March 2015.

Lengthy Prison Term Ordered for Multi-State Animal Fighting Activities Involving Drug Trafficking and Firearms—Delaware

On June 30, 2015, in U.S. District Court in Delaware, a man who sponsored pit bulls in illegal dog fighting competitions and committed a variety of other crimes was sentenced to 88 months in prison. OIG's investigation disclosed that the man bred and trained pit bulls to participate in dog fighting competitions, and took them to participate in these competitions in at least five States (DE, MD, NJ, PA, TN). A search warrant was conducted at the man's house and seized at that time were 33 kilograms of cocaine, two loaded semi-automatic pistols, and 67 American terrier pit bulls. The man pled guilty to several crimes, including possessing with intent to distribute cocaine; possessing a firearm after a felony conviction; and participating in an animal fighting venture after moving the animal in interstate commerce.