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Corporate Officer Receives Lengthy Sentence and Ordered to Pay Extensive Monetary Penalties for Bank Fraud – Oklahoma

On August 12, 2015, in U.S. District Court for the Eastern District of Oklahoma, a construction equipment company's corporate officer who colluded with a bank president to fraudulently obtain an RBS Business and Industry (B&I) loan was sentenced to 87 months in prison, ordered to pay restitution of \$3.2 million and forfeit his interest in \$3.2 million in United States Currency. OIG's investigation disclosed that the equipment company and the bank president engaged in a scheme to fraudulently obtain an \$8.2 million B&I loan to purportedly refinance construction debt and build a truck stop. Instead, the loan was actually obtained to hide \$9 million of imbedded losses from bank examiners, which resulted in a \$26 million loss to the bank. The corporate officer was charged with multiple crimes including bank fraud, and the charging document included a notice of forfeiture. Following a jury trial, the corporate officer was convicted on all counts. A second forfeiture trial was concluded in which the corporate officer was ordered to pay a \$3.2 million forfeiture judgment. The scheme was a contributing factor to the failure of the bank in March 2011.¹

Owner of Grocer Store Sentenced and Ordered to Pay \$5.5 Million Restitution for SNAP Fraud – Louisiana

On August 10, 2015, in U.S. District Court for the Western District of Louisiana, one of the owners of a grocery store in Monroe that trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits was sentenced to 46 months in prison, and was ordered to pay approximately \$5.5 million in restitution, jointly and severally with the other co-owner of the store. OIG's investigation determined that the owners and employees illegally exchanged more than \$5 million in SNAP benefits for cash. The two current store owners pled guilty to counts of theft of public money, SNAP trafficking fraud, and wire fraud.

Defendant Sentenced and Ordered to Pay \$670,000 Restitution for Bank Fraud Related to FSA Loans – New Hampshire

On August 25, 2015, in U.S. District Court for the District of New Hampshire, a farmer who had attempted to fraudulently obtain approximately \$2 million in farming loans in support of farming businesses in Alabama and New Hampshire was sentenced to 33 months in prison and was ordered to pay \$670,000 in restitution. OIG's joint investigation disclosed that, since 2011, the man supplied false information, including a fraudulent letter purportedly prepared by the Farm Service Agency (FSA), to at least seven banks and to FSA in Alabama. After receiving two FSA loans totaling approximately \$400,000, he used fraudulent invoices to obtain FSA loan proceeds and ultimately defaulted on both loans. The man pled guilty to bank fraud, making a false statement on a loan/credit application, and making fraudulent representations about receipt of military decorations/medals ("stolen valor" crime).²

¹ Previously, the bank president pled guilty to bank fraud and was sentenced to 2 years' incarceration. He was ordered to pay \$14.7 million in restitution.

² Conducted with the U.S. Secret Service (USSS) and the U.S. Department of Defense-Criminal Investigative Service.

Supermarket Owner Sentenced and Ordered to Pay \$2.1 Million Restitution Related to SNAP Fraud – Florida

On August 21, 2015, in U.S. District Court for the Middle District of Florida, the owner of a Lakeland supermarket who exchanged SNAP benefits for cash was sentenced to 41 months in prison, and was ordered to pay approximately \$2.1 million in restitution. OIG's investigation determined that the owner and employees of the store exchanged SNAP benefits for currency on multiple occasions, with one store employee withdrawing funds from the store's bank account to perpetuate the scheme. Conservative estimates of the cumulative fraud attributed to the store from November 2010 to July 2014 exceed \$3.1 million. Other illegal activities at the store pertained to the structuring of financial transactions to avoid reporting requirements and the manufacture/distribution of synthetic cannabinoids. The store owner pled guilty to conspiracy to commit wire fraud.

Defendant Sentenced to 65 Months' Incarceration and Restitution of \$1.3 Million for Identity Theft and Fraud against Several Federal Agencies – California

On August 3, 2015, in U.S. District Court for the Eastern District of California, a man associated with a construction contractor that submitted false applications for surety bonds was sentenced to 65 months in prison and was ordered to pay approximately \$1.3 million in restitution. OIG's investigation, conducted jointly with multiple other Federal law enforcement agencies, discovered that the man and his company submitted affidavits to the Federal Highway Administration which falsely pledged common stock for use as security for bonds. Those stocks had already been pledged as security for other bonds and were otherwise encumbered. The company pledged the same stock for surety bonds for several Federal departments, including USDA, the Department of Transportation, and the Department of the Interior. The defendant was charged with numerous counts including major fraud against the United States, aggravated identity theft, money laundering, and criminal forfeiture. The defendant pled guilty to aggravated identity theft and mail fraud.

Third Co-Owner of Store Sentenced and Ordered to Pay \$1.2 Million Restitution for WIC and SNAP Fraud – Michigan

On August 13, 2015, in U.S. District Court, Western District of Michigan, a co-owner of a market in Grand Rapids that exchanged SNAP and other nutrition assistance benefits for U.S. currency and ineligible items was sentenced to 12 months and 1 day in prison, and was ordered to pay \$1.2 million in restitution jointly and severally with other defendants. OIG's investigation determined that this individual, along with two other co-owners and employees of the store, exchanged SNAP benefits and benefits provided through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for cash and ineligible non-food items, including phone cards and hookah pipes. The three co-owners and two employees were charged with conspiracy, food stamp fraud, WIC fraud, and false statements. Previously in 2015, two other co-owners were ordered to pay restitution of \$1.27 million and \$1.29 million, respectively. They also received sentences of 34 months and 27 months imprisonment. Further judicial action is pending on other subjects of the investigation.

Owner of Food Processing Facility Sentenced for Falsifying Laboratory Records – California

On August 3, 2015, in U.S. District Court for the Central District of California, the owner of a USDA-approved food processing facility who provided false laboratory testing records to FSIS was sentenced to 3 years of probation and ordered to pay a \$500 fine. OIG's investigation demonstrated that he and the company forged laboratory testing records, claiming that product from the facility had tested negative for pathogens. In fact, the product had never been tested. The company and the owner were charged with making a materially false document. The company and the owner pled guilty to counts of false statements/false certificates. The company at that time was fined \$20,000.

Second Storeowner Sentenced and Ordered to Pay \$1.7 Million Restitution Related to SNAP Trafficking – Texas

On August 24, 2015, in U.S. District Court for the Western District of Texas, the second of three co-owners/managers of a San Antonio food store who traded SNAP benefits for cash was sentenced to 4 years in prison and was ordered to pay approximately \$1.7 million in restitution. OIG's investigation discovered the three co-owners/managers and several store employees illegally trafficked in SNAP benefits at the store. This owner was charged with counts pertaining to wire fraud and money laundering. Previously, another store owner was sentenced to 1 year in prison and ordered to pay \$1.6 million in restitution.³

SNAP Fraud at Pizza and Party Store Results in Additional Sentence and Restitution Order of \$439,769 – Michigan

On August 26, 2015, in U.S. District Court for the Eastern District of Michigan, an individual associated with a Detroit pizza and party store who trafficked in SNAP benefits was ordered to pay \$439,769 in restitution, jointly and severally with a previously-sentenced defendant. He was also sentenced to two years of supervised release. OIG's investigation found that the subject and other individuals working in the store exchanged SNAP benefits for cash, cigarettes, fireworks, and other ineligible items on multiple occasions. The store defrauded the SNAP program of approximately \$520,000. The defendant pled guilty to SNAP fraud. Earlier in 2015, another individual who trafficked benefits at the store was sentenced to 30 months in prison, followed by 3 years of supervised release (if he is not deported upon completion of his incarceration), and was ordered to pay \$520,926 in restitution.⁴

Co-Owner of Convenience Store Sentenced and Ordered to Pay \$364,090 Restitution for SNAP Trafficking – Michigan

On August 24, 2015, in U.S. District Court for the Eastern District of Michigan, one co-owner of a convenience store in Inkster, Michigan, who trafficked in SNAP benefits was sentenced to 18 months' incarceration, and was ordered to pay \$364,090 in restitution. OIG's investigation found that this man and another co-owner of the store exchanged SNAP benefits for cash and ineligible items, including liquor, beer, and cigarettes, on multiple occasions. The two owners also spent more than \$3,000 in SNAP benefits from 17 SNAP Electronic Benefit Transfer (EBT) cards at reputable businesses to purchase food supplies for the store.

Store Manager Sentenced Regarding Theft of Government Funds, Ordered to Pay Restitution of \$400,000 to Food and Nutrition Service – New York

On September 3, 2015, a United States District Court Judge sentenced the store manager (the store owner's husband) of a New York grocery store and deli to six months' imprisonment, and ordered him to pay restitution in the amount of \$400,000 to the Food and Nutrition Service. This investigation was initiated based on information provided by the New York State Office of Temporary and Disability Assistance which demonstrated that the subject store processed large dollar amount SNAP transactions using out-of-state EBT cards and appeared to be exchanging SNAP benefits for U.S. currency. The store manager pled guilty to conspiracy to commit theft of Government funds.

³ OIG conducted this investigation jointly with USSS, the San Antonio, Texas, Police Department, and the Texas Alcoholic Beverage Commission.

⁴ Michigan State Police personnel and Internal Revenue Service-Criminal Investigation assisted with search warrants in this case.